

COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY 12081

The Department takes issue with the requirement that cost of drugs should be acquisition cost or actual cost paid for the drug. Such a policy is not practical, and would be extremely difficult to monitor. Information received from those third-party drug programs which utilize acquisition cost is that the administrative expense of having field auditors monitor the acquisition cost of each pharmacy is quite significant. A few years ago, a professor from the University of Colorado School of Pharmacy, who conducted a study to determine what professional fee should be allowed for the community pharmacist, recommended that the Department not adopt acquisition cost, and that Average Wholesale Price be adopted. The pharmacist should be allowed the advantage of volume purchasing, discounts, et cetera, and that this was a good purchasing practice and an incentive which should not be taken away.

It was stated that the pharmacist would be penalized for running a good business, if acquisition cost were adopted. In theory, "Twenty-five percent of the amount of the cost of the drug plus the acquisition cost" refund to the pharmacist sounds like a good policy--but, in all practicality, our Department staff say that it would be most difficult to administer and monitor. The administrative costs and problems would be overwhelming. Before such a policy is imposed, I would ask how the Federal government proposes that states comply with such a policy?