

COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY 12079

Patient and physician acceptance of the generic drug were key factors considered in establishing the Maximum Allowable Cost.

It was recommended that each generic drug have its own drug number.

This would prevent the pharmacist from dispensing a lesser-priced generic drug and billing the Department for the Maximum Allowable Cost selected. It would also give the Department realistic statistics regarding what was happening for each generic product identified with the manufacturer. Establishment of the Maximum Allowable Cost has met with good acceptance by medical and pharmaceutical professional personnel.

It is the Department's feeling that establishing the Maximum Allowable Generic Cost to be that price which is the lowest generic price available would not be acceptable.

The present Drug Program establishes a Maximum Allowable Cost for 36 categories of drugs available generically.

A Study was conducted to determine what effect establishment of a "Maximum Allowable Cost" regarding generic drugs in the area of "cost effectiveness" resulted. Statistics reflected a reduction in expenditures for the expensive generic drugs of some \$461,900 based on statistics for the period of January 1, 1972, through June 30, 1972, compared with the period July 1, 1972, through December 31, 1972.

Further, a reduction in the amount reimbursed per recipient demonstrated a decrease from \$53.72 to \$46.44 per recipient annually. Roughly, this amounted to a savings of approximately \$1,092,000, based on an average recipient population of 150,000 recipients.