

12074 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

"POSSIBLY EFFECTIVE" OR "INEFFECTIVE" DRUGS:

For a number of months, the State of Colorado has enforced a policy whereby the Department would not include as a benefit drugs classified by the Food and Drug Administration to be "medically ineffective" or drugs discontinued by the Food and Drug Administration for other reasons; drugs found by the Food and Drug Administration to be "possibly effective," unless included in the "ColoRx Drug Formulary." Removal of this group of drugs from our drug formulary caused more complaints than any single policy yet implemented, but the policy accomplished two things:

1. It focused attention to the Drug Program, and motivated the Colorado Medical Society to appoint two Physicians to serve on the ColoRx Drug Formulary Committee.
2. A new policy was developed whereby those drugs approved by the Drug Formulary Committee which were "possibly effective" could be allowed as a benefit.

PRICING--RED BOOK vs. ACQUISITION COST:

The Colorado Medicaid Drug Program for some time reimbursed Pharmacists based on Average Wholesale Price. This pricing information was obtained from Colorado drug wholesalers. Several months ago it became apparent because of discrepancies among the drug wholesalers regarding the drug prices, that our allowable cost for the drugs should be revised. The Average Wholesale Price as published in the RED BOOK is