

COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY 12049

generic drug.) Product mix changes have a particular influence on listed savings or losses. The convenience of reporting without specifically identifying each item is recognized; however, it is of great significance in this study.

7. Demonstrated savings under the RCLP program during Fiscal Year 1972-73, while less than anticipated under more favorable conditions, were nevertheless significant. These savings represented over seven percent reduction in prescription ingredient costs for the RCLP items. The savings were generated under a set of hostile circumstances which included the normal difficulties of implementing a new concept and, most notably, a legal action** taken by the Pharmaceutical Manufacturers' Association (PMA) against the State which limited the RCLP program very soon after its inception. We are convinced that the effectiveness of a program of drug price ceilings as a reasonable and practicable expenditure control has been proven in our State. We are further convinced that such a program, properly implemented, continues to make available to its beneficiaries safe and effective drugs.
8. Finally, the report distorts the short-term savings realized and the long-term savings potential of a ceiling price program by confusing the very small impact of the drug volume refund program operational during the same period of time with price ceilings. It must be restated that they were separate, distinct programs, not interdependent.

Additionally, the comments on the 50-50 federal match reducing savings is irrelevant since the Federal Government bears 50 percent of costs as well.

Without citations or acknowledgments, the study cannot be verified, nor data validated. In short, the study is not a scientifically reproducible piece of research.

I fully agree with and endorse the above eight points made by Department of Health staff, and reiterate our support, subject to the suggested technical changes noted in the California Department of Health's comments on the proposed MAC regulations in their January 8, 1975, letter to your Hearing Clerk.

** Superior Court of the State of California in and for the County of Sacramento, Pharmaceutical Manufacturers' Association, et al vs. Brian, No. 221773.