

12038 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

As indicated above, calculation of pre-RCLP and post-RCLP costs were based on Medi-Cal Month-of-Payment Drug Paid Claims files for April 1972 (for January-March 1972 services) and October 1972 (July-September 1972 services). Using the pre-RCLP file, all generic drug type codes which were subsequently to be covered by the RCLP were priced out at pre-RCLP Medi-Cal Program payments on the basis of dollars per 100 units. Units included capsules, cubic centimeters for fluids, grams, or unit counts for such items as hot water bottles, etc. These pre-RCLP costs for each generic drug type code were then applied to the post-RCLP, generic drug type code list. Pre-RCLP costs were multiplied by post-RCLP quantities, item by item, to measure the costs which would have been obtained at pre-RCLP prices. The sum of all such items was then compared with the actual post-RCLP costs and the difference between the two amounts represents the gross savings due to the RCLP.

The methodology would have been complicated somewhat if the Department's original intentions had been followed. The original intention was to periodically update the RCLP to reflect Red Book and Blue Book cost increases or decreases. However, legal actions taken against the Department by the Pharmaceutical Manufacturers Association (PMA) precluded the periodic review. The periodic review may not have resulted in much change in reimbursement rates because of the stability of drug costs; and during the study period there were no dramatic price changes.