

COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY 12033

dissatisfactions expressed by both pharmacists and program administrators. Government program planners have long been aware of the wide variations in wholesale drug costs for some similar products. In order to reduce inequities and problems in the Medi-Cal Program, the administration introduced the Medi-Cal Reform Plan during the 1971 legislative session.

One element in the Medi-Cal Reform Plan provided the State Department of Health with the statutory authority to purchase needed health services for eligible beneficiaries while keeping within available resources. Section 14105.3 of the California Welfare and Institutions Code gives the California State Department of Health the legal authority for developing and implementing both a therapeutically and fiscally sound drug program. The State is considered to be the purchaser of drugs prescribed under the Medi-Cal program, but not the dispenser or distributor. The purpose is to enable California to obtain the most favorable price for drugs from manufacturers taking into account the large quantities purchased by the Medi-Cal Program. The section also enables the State to seek discounts, rebates, or refunds from manufacturers based on the quantities of drugs purchased through the Medi-Cal program.

Early in 1972, California initiated a two stage plan designed to bring the private and public sectors together in order to establish a therapeutically and fiscally sound drug program. First, a