

12028 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY



HEALTH AND WELFARE
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
PUBLIC HEALTH SERVICE
FOOD AND DRUG ADMINISTRATION
ROCKVILLE, MARYLAND 20852

February 26, 1975

The Honorable Mario Obledo
Secretary
Health and Welfare Agency
714 P Street
Sacramento, California 95814

Dear Mr. Secretary:

On November 15, 1974, the Secretary of Health, Education and Welfare published for public comment a proposed regulation establishing upper limits of Federal cost sharing for drugs provided under Medicare, Medicaid and other HEW-funded programs. A copy of the proposal and background materials are enclosed.

An important provision of the proposed regulation would establish upper limits on multiple source drugs similar in many respects to the Maximum Allowable Ingredient Cost List established under California's Medi-Cal program. A letter in response to the proposal has been received from Dr. Earl W. Brian, former Secretary of Health and Welfare of California. Dr. Brian enclosed a document summarizing the Medi-Cal drug reimbursement program and a cost study concluding that the MAC-like program in California experienced savings three-fold less than originally forecasted.

I am enclosing a copy of Dr. Brian's letter and cost study. I would greatly appreciate your analysis of and comments on them.

With best wishes,

Sincerely,

Mark Novitch, M.D.
Deputy Associate Commissioner
for Medical Affairs

Enclosures