

COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY 12017

THE FIRST LIST OF RCLP PRICES BECAME EFFECTIVE APRIL 1, 1972. THIS WAS A LISTING OF SOME 198 LINE ITEMS; THAT IS TO SAY, DRUGS AND MEDICAL SUPPLIES LISTED BY THEIR GENERIC NAMES, STRENGTHS, AND DOSAGE FORMS. WE ARE NOT TALKING ABOUT 198 DRUGS, BUT RATHER 198 SEPARATE AVAILABLE DOSAGE FORMS AND STRENGTH OF DRUGS WHICH WERE SUBJECT TO CEILING PRICES. ON THE OVERALL, WE HOPED TO SAVE FOR THE DEPARTMENT SOME \$5,000,000 PER FISCAL YEAR FOR A FULLY IMPLEMENTED AND EFFECTIVELY OPERATED RCLP PROGRAM.

AT THE SAME TIME, INDEPENDENTLY, BUT WITH THE SAME GOAL IN MIND OF EFFECTING SAVINGS OR REDUCING DRUG COSTS, A PARALLEL PROGRAM WAS INTRODUCED KNOWN AS THE VOLUME REFUND PROGRAM. THIS SECOND PROGRAM WAS A REENACTMENT OF AN EARLIER SET OF CIRCUMSTANCES WHEREIN MANUFACTURERS CAME TO THE STATE AND OFFERED REBATES BASED ON THE VOLUME OF THEIR DRUG PRODUCTS DISPENSED THROUGH THE MEDI-CAL PROGRAM.

IF ALL COMPANIES WHO WERE PARTICIPATING IN THE MEDI-CAL PROGRAM WERE TO COME FORWARD AND OFFER A FAIR SHARE REBATE, THESE TWO PROGRAMS TOGETHER WERE ANTICIPATED TO SAVE THE STATE APPROXIMATELY \$13,000,000 PER FISCAL YEAR. A SO-CALLED FAIR SHARE REBATE WAS CONSIDERED TO BE THE DIFFERENCE BETWEEN THE AVERAGE WHOLESALE PRICE (AWP) OF THE MANUFACTURERS' DRUG PRODUCT AND THE RCLP IN EFFECT ON THAT PARTICULAR GENERIC DRUG AT THE TIME. SOME COMPANIES CAME FORWARD IMMEDIATELY -- NOTABLY, ELI LILLY