

## 12016 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

SELLING FOR LESS THAN \$1. THE RANGE OF PRICES WAS THE RATIONALE FOR ADOPTING PRICE CEILINGS.

THE MAWC CEILING PRICES WERE NOT INTENDED TO LIMIT AVAILABILITY OF GENERIC DRUGS TO THE LOWEST COST ITEM WITHIN A GENERIC TYPE. THEY WERE, HOWEVER, INTENDED TO BRING ABOUT REASONABLE CONTROLS OVER A BROAD BAND OF DRUG PRODUCT PRICES THAT WERE AS PREVALENT THEN AS THEY ARE TODAY.

THIS BRINGS US THEN TO 1966 AND THE ADVENT OF THE CURRENT MEDICAID PROGRAM PURSUANT TO PUBLIC LAW 89-97, WHEREIN A STATE COULD ASSUME CENTRALIZED CONTROL OF ADMINISTRATION OF A HEALTH PROGRAM FOR THE POOR AND NEAR POOR UNDER TITLE 19 OF THE SOCIAL SECURITY ACT. FOR THE FIRST FOUR YEARS OF CALIFORNIA'S MEDICAID PROGRAM, WHICH WE HAVE LABELED THE "MEDI-CAL PROGRAM", MAWC WERE CONTINUED JUST AS BEFORE AFFECTING A VERY LIMITED NUMBER OF DRUG PRODUCTS IN A SMALL NUMBER OF GENERIC TYPES.

IN 1971, IN AN EFFORT TO CONTAIN RUNAWAY COSTS WITHIN THE MEDI-CAL PROGRAM, THE MEDI-CAL REFORM PLAN (MRP) WAS ADOPTED BY THE STATE LEGISLATURE. MRP BROUGHT ABOUT A NEW, INTENSIFIED CEILING PRICE PROGRAM FOR THE DRUG COMPONENT OF MEDI-CAL. THIS PROGRAM BECAME KNOWN AS THE REIMBURSABLE COST LIST PRICE (RCLP) PROGRAM.