

11996 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

SENATOR NELSON, I KNOW THAT YOU PERSONALLY ARE WELL AWARE THAT APhA HAS STOOD VIRTUALLY ALONE IN SUPPORT OF THE "MAC" POLICY SINCE IT WAS UNVEILED BY SECRETARY WEINBERGER. YOU KNOW THAT APhA HAS PUBLICLY ENDORSED THE BASIC CONCEPT EMBODIED IN THIS POLICY AS FAIR AND MAKING GOOD SENSE.

IN TESTIMONY IN FEBRUARY OF LAST YEAR, APhA NOTED THAT--

"WHAT THE SECRETARY HAS SAID IN ESSENCE IS THAT THE FEDERAL GOVERNMENT AND THE TAXPAYERS WHO SUPPORT IT SHOULD NOT PAY DRUG MANUFACTURERS MORE FOR DRUG PRODUCTS OF ACCEPTABLE QUALITY THAN A COMPETITIVE MARKETPLACE REQUIRES. IMPLICIT IN THE PROPOSED FEDERAL POLICY IS A RECOGNITION THAT AT PRESENT THE FEDERAL GOVERNMENT IS PAYING MORE FOR SOME DRUG PRODUCTS THAN IT SHOULD HAVE TO PAY."

WE ALSO NOTED AT THAT TIME THAT, WHILE NO CONTROLS HAD BEEN APPLIED TO DRUG PRODUCT COSTS, THE PROFESSIONAL SERVICE COMPONENT OF THE PRESCRIPTION CHARGE HAS ALWAYS BEEN TIGHTLY REGULATED UNDER FEDERALLY SUPPORTED HEALTH CARE PROGRAMS:

"... WHILE DIRECT CONTROLS OVER THE FEES REIMBURSED TO PHARMACISTS HAVE BEEN EXERTED BOTH BY GOVERNMENT AND THE PRIVATE THIRD-PARTY MANAGERS, NO SIMILAR CONTROLS HAVE BEEN IMPOSED WITH REGARD TO THE DRUG PRODUCT COMPONENT OF THE PRESCRIPTION COST. DRUG PRODUCTS ARE PAID FOR ON THE BASIS OF