

11962 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

We do not need, nor do we plan to assemble, a large staff to carry out the MAC program. The Social Security Administration has for several years maintained a small but effective staff working in the drug price field. While implementation of the MAC program would probably require a modest expansion of this staff, that surely would not begin to offset the potential savings. The principal administrative machinery is already in place and functioning at the State level.

As to the cost of monitoring to assure compliance with the regulations, we are convinced that the vast majority of those affected by the program would be in voluntary compliance. What additional auditing we might have to undertake would merely represent an extension of our present auditing activities under Medicare and Medicaid.

All told, we estimate that the administrative costs would not exceed 5 to 7 percent of projected savings or between \$4 and \$6 million. In short, the suggestion that administrative costs would consume all the money saved under the MAC program, or even a significant portion of it, is, in our view, grossly and improperly exaggerated.