

COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY 11961

Interestingly, relatively few adverse comments about the quality of care and questions of liability came from States such as California, Colorado, and Tennessee where MAC-like programs are currently in effect.

A major concern of industry is that the annual reduction in Federal and State reimbursement for drug costs that we project--\$49 million--will result in a lowering of investment in research and new drug development.

Frankly, Mr. Chairman, that argument is hard to accept when applied to an industry that spends nearly a billion dollars in such research and a near equal amount in marketing and promotional efforts.

Some critics of the MAC proposal assert that the administrative costs of the program will exceed the savings it might realize. This argument was raised when I first announced our plans some 15 months ago, and it is rather strongly reiterated in the public comments we have received on the proposed regulations.

Let me say that those who make this argument I think misunderstand what we are trying to do.