

11956 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

And to assure that the MAC ceiling doesn't also become its floor, the pharmacist would be entitled to retain 25 percent of any difference between the actual cost of the product dispensed and the MAC limit on that drug.

We estimate that Federal and State drug costs could have been lowered by \$49 million if these reimbursement limits had been in effect in FY 1975.

Acquisition Costs and Dispensing Fees

The second major provision of the MAC program is a change in the way acquisition costs and dispensing fees are calculated. It would establish cost plus fee as the basis of reimbursement to pharmacists. Since the majority of States already operate on that basis, this would not represent a fundamental change in most State programs. But it would define cost as "actual acquisition cost," less discounts and promotional allowances, except the usual discount for cash payment. Most States now pay pharmacists on the basis of so-called "average wholesale prices," which tend to overstate actual costs by about 15 to 18 percent. As I said earlier, we do not underestimate the difficulty that States would have,