There may be disagreement on the dimensions of the equivalency problem, Mr. Chairman, but I believe that no one should accept the casually defined and plainly superficial standards for assumed equivalency which these regulations propose. There are, in our opinion, more than a dozen factors that should be examined and made available for public inspection prior to a MAC decision.

Our submission to the Hearing Clerk describes our specific objections to the equivalency assumptions in detail.

The Impact on Innovation and Service

If new and better drugs are to be developed in the future, it will be necessary to preserve an environment in which the capital needed to finance the search for them can be generated. The draft regulations ignore this primary social need. They propose to draw no distinction in determining the fair price of a drug product from a full-service, research-based firm as against that from a commodity supplier. In doing that, they hold out no prospect for reward to the firm interested in improving the quality, effectiveness or stability of a MAC drug. Nor do they propose to allow a MAC drug of established dependability to carry any portion of its producer's research commitment toward the discovery of new therapy.

Pharmaceutical research can provide and often has produced the best and most cost-effective answers to abiding health problems. A MAC program which dilutes that capability will, in the longer term, increase total medical care costs by delaying better therapy.

If one were to study past therapeutic progress to determine those products whose sales financed the research that led to their introduction,