The pharmaceutical industry and the PMA are in full accord with the stated objectives of the proposed regulations, i.e., that health care payments from public funds be made in a manner which "ensures the most economical expenditure [for prescription drugs] consistent with the maintenance of a high standard of care". In this spirit we have critically reviewed the Maximum Allowable Cost (MAC) proposals in terms of applicable legal requirements, the prospects for meaningful savings, their effect on health care and professional prerogatives and their impact on the pharmaceutical industry.

Our comments are presented below under the following headings:

I. INTRODUCTION AND ALTERNATIVE PROPOSAL

A. Introduction

On December 19, 1973, the Secretary of HEW stated in testimony before the Health Subcommittee of the Senate Committee on Labor and Public Welfare that regulations would soon be issued limiting payment by the federal government for prescription drugs to the "lowest priced products generally available". This seemingly simple proposal, which certain parts of the proposed regulations seek to implement, actually involves a number of extremely complex issues.