

12350 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

The MAC proposal appears to be based in part on the belief that certain current drug prices are excessive when measured against the value of the products and services. Such a view overlooks the important product quality and service elements provided by manufacturers, wholesalers, and pharmacists. These elements often seem quite intangible, but their significance must not be ignored. By denigrating their value, the MAC philosophy unwittingly tends toward the acceptance of minimal product and service standards.

The proposed price control policy for multi-source drugs also appears to have been developed without adequate regard for present-day marketplace realities and relies heavily on the HEW staff review prepared seven years ago (1968 HEW Task Force Report on Prescription Drugs). Since then, the industry situation has changed substantially and is in the process of accelerating change now.

The marketing of multiple-source drugs in the United States by the major pharmaceutical firms to both retail pharmacies and hospitals is characterized by vigorous price competition and very modest price increases, in spite of inflation. For example, the prices to pharmacists of the eight largest-selling, multiple-source drugs marketed by the major companies are more than 40 percent lower today than in 1969.

We firmly believe that the proposed program will result in the establishment of MAC prices at levels which will destroy or discourage research and development aimed at product improvement. Unless products of demonstrated superiority are recognized, there will be little incentive for continuing advancement in existing product forms.