

COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY 12351

Similarly, with respect to services, if MAC's are established at the level of the lowest priced commodity supplier, the capacity of other suppliers to offer services, vital to public health, would be jeopardized. For example, a MAC should never be set at a level below what is necessary to support a supplier's total product recall capability. Similarly, the MAC level should reflect cost-justified and nondiscriminatory warehousing and distribution allowances.

By the same token, unless the MAC program deals responsibly with pharmaceutical wholesalers and retail pharmacists, severe damage will be done to the pharmaceutical distribution system. While members of the pharmacy complex will submit their own comments, we would observe here that the more service-oriented wholesalers and pharmacists incur costs that others are spared, just as research-based, full-service pharmaceutical firms experience substantial additional costs.

Consequently, it is imperative that any program of this type be flexible enough to allow for varying pharmacy costs and services and to encourage growth and professional development. If necessary progress is to be achieved, then the costs and expenses of the research and quality-based drug firm and of the service-oriented pharmacy and wholesaler must be fairly recognized in establishing limits on prices or fees.

PMA believes that any government drug program should provide a stimulus to continued competition, for excellence in pharmaceutical manufacture, and to even more efficient means of prescribing and dispensing drugs without sacrificing quality and service. We further believe that any such endeavor should be a cooperative enterprise