

12352 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

involving government, wholesalers, pharmacists, physicians, manufacturers and patients.

In Parts II, III and IV below, we spell out that important features of the proposed regulations are objectionable because of their faulty, underlying assumptions and legal infirmities. We propose instead an alternative that relies for cost savings primarily upon the operation of a free and competitive market, with appropriate governmental guidelines and professional oversight, while retaining incentives for improved services and new and better products. Such a course holds out the promise of achieving real economies without interfering with the professional judgment of physicians and pharmacists and without disadvantaging program beneficiaries.

B. PMA Alternative Proposal

Our proposal consists of three parts: (1) the communication of meaningful price information to physicians, in order to enable the market to function most effectively and result, where feasible, in lower prices; (2) the provision of drug product quality and service information to physicians and pharmacists to aid them further in selecting lower priced products of known merit; and (3) the establishment of a system of peer review of drug prescribing and dispensing to monitor prescription drug services under HEW programs.

1. Price Information

Prices in the pharmaceutical industry are currently determined in the marketplace. Today the marketing of prescription drugs to both retail pharmacies and hospitals is characterized by vigorous price competition and by a surprising resistance to inflationary pressures.