

12354 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

Social Security Amendments, authorizing the establishment of professional standards review organizations (PSROs), is designed to advance health care delivery and reduce program costs through peer influence and review. The effectiveness of peer review has been demonstrated in a number of areas where programs have enhanced the quality of care and achieved significant savings with acceptable administrative costs and negligible interference with professional prerogatives.

We believe, then, that HEW can realize cost savings and contribute toward improved quality in prescription drug services under Medicare and Medicaid by encouraging the use of an appropriate peer review mechanism.

Accordingly we propose that such a system be established that (a) would involve the monitoring of prescribing and dispensing practices; and (b) would take into account patient needs, drug quality and price. It is suggested that such a peer review of drug utilization be undertaken by physicians and pharmacists. The program could, perhaps, be built on the system of PSROs which HEW is currently establishing pursuant to the Social Security Amendments of 1972. Alternatively, a separate regulatory program could be established, drawing on HEW's experience with current utilization review programs under Medicare and Medicaid.

II. QUALITY ASSURANCE AND PRODUCT EQUIVALENCY

No one -- inside or outside of government -- denies that any cost limitation program such as MAC must be based upon assurances that differing versions of the multiple-source drugs covered by the