whose reputation was painstakingly earned, is not honored simply on the ground that another firm's product may cost less.

The American approach to drug reimbursement should not be designed in such a way that incentives toward excellence are reduced. Yet the proposed regulations could have that dismal result. If the marketplace is not allowed to prefer the product of superior quality over those meeting only minimum standards, there will be no incentive to excel.

E. Impact on Research and Innovation

In preparing the MAC program, HEW has apparently failed to grasp the seriousness of its potential effects on research and innovation in the pharmaceutical industry. In part, this failure may be due to a mistaken assumption that all drug research can, or should, be financed through income from patent-protected products.

The productivity of firms that support research has been immense. For example, pharmaceuticals which control previously unmanageable psychiatric conditions have saved billions of dollars through the avoidance or shortening of hospital stays. The use of drugs against hypertension has been credited with halving the death rate from that condition. And it must be noted that much of the research and development on all of these products was financed through the sale of other than patented medications. If MAC achieves price reductions at the cost of undercutting the economic basis for future research, then it will be spectacularly shortsighted and counter-productive.

In assigning by implication the cost of future research to proceeds from patented products, it is important to understand that the normal 17-year monopoly conferred by a patent on other inventions does not, in practice, apply to drugs. Largely due to the FDA clearance process,