III. ESTIMATED SAVINGS AND ADMINISTRATIVE EXPENSE

At a press conference held on November 14, 1974, HEW offered various estimates of cost savings. No estimates were given then or since, however, concerning the program's anticipated administrative cost.

We have examined the cost savings estimates and have found it impossible to identify any sound support for them. Further, the likely administrative overload, which has been minimized by HEW, appears to be sufficiently large to raise very serious questions as to whether there would be any net savings at all.

Our concern is enhanced by a recently published interview[23/] in which the Assistant Secretary of HEW for Health stated that "tentative cost estimates" show that "there won't be any major net savings" under present programs.

In the interest of fostering a rational evaluation of the program's fiscal effect, HEW should make its cost estimates, as well as the bases for its savings estimates, available for public inspection. If the plan will not in fact save taxpayer money, and since, as discussed above, it will seriously interfere with patient care by inhibiting the availability of preferred drug products, then why proceed with the program at all?

A. Claimed Program Savings

1. Maximum Allowable Cost

The first component of the proposal is the "maximum allowable cost" provision, which would limit reimbursement to the lowest-priced nationally available version of a multi-source drug. At the