

COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY 12371

As taxpayers and as consumers, quite apart from our role as participants and beneficiaries in the existing and proposed system, we have a common interest in reminding ourselves and others of two essential economic truths.

The first is that there are direct and indirect costs of administering a program of this type which will not disappear -- even though ignored. The second truth, a close corollary of the first, is that a person or government should not be penny-wise and pound-foolish, i.e., one should not spend a dollar to save a nickel.

Despite the difficulties involved in assessing the direct as well as the indirect costs of the proposal, HEW must accept the assignment. And in doing so, it must remember that an administrative expense will not vanish simply by passing it on to the doctor or the pharmacist. Every minute diverted from professional duties to the filling out of forms, the checking of eligibility, or the computation of unique charges lowers their productivity and adds to social costs which the patient ultimately pays, either as a taxpayer or as a consumer. Someone has to pay, for instance, when a pharmacist must interrupt his dispensing to phone the doctor, who may be interrupted in his duties, in order to explain that the brand the physician prescribed is a few cents above the MAC ceiling.

The PMA has not made a study or estimate of such direct or indirect costs, but we are impressed with the estimate of another private organization which indicates that the annual auditing and other administrative costs for this program would be well in excess of HEW's inflated estimates of savings.^{25/}