

12372 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

The study considered the following eight specific areas of cost which the government would incur in implementing and controlling the proposed program:

1. Data Processing Costs of MAC/AAC Drug Program in All States
2. MAC/AAC Claim Forms Printing
3. Price Information Formulary-Compendium Publication, Updating and Distribution
4. Professional Fee Determination - Verify, accumulate and establish reasonable levels and keep current
5. Pharmacist and Physician Exception Claims, Processing and Decision-Making
6. Site Audits - Monitoring Vendors
7. Circumvention ("Vendor Fraud") and Adjudication Costs.
8. Human Error - Computational and Other Errors - Rejection Rate Cost to Administration and to Pharmacist

When one considers that there would be an additional offset to savings from the need to adjust the pharmacists' professional fees upward, it seems certain that the costs of the program will exceed its benefits, both in money and in the waste of scarce skilled manpower.

C. Net Savings -- If Any

The PMA commissioned a study of actual purchase invoices of pharmacies and the potential for savings under the MAC program. The firm was asked to examine the acquisition price of 25 leading multi-source drugs (although some of these may also have potential bio-availability problems) and to analyze the effect of lowest-cost product dispensing compared with present practice. The maximum possible savings for each of these drugs were calculated on the