

## A UNIFORM SCHEDULE FOR PRESCRIPTION PRICING IN SOUTH DAKOTA.\*

BY CLARK T. EIDSMOE.<sup>1</sup>

During a discussion of the problem of Price Stabilization at the 1935 Convention of the South Dakota Pharmaceutical Association, it was brought out that there is a very wide variation in the prices which are charged in different drug stores throughout the state. Not only is this condition apparent by making comparisons with stores in different sections of the state, but it exists even in the same section and not infrequently even in the same city. Several cases were cited of rather startling differences in the pricing of prescriptions. Instances were related of the same prescription being priced in different drug stores with variations in prices ranging from 100 to 200 per cent. Such a condition was admitted to be not only serious but one which is causing the public to look with considerable suspicion upon the profession of pharmacy.

In the professions of medicine, dentistry, osteopathy and chiropractic, charges are based upon fixed uniform schedules. The same is true in other fields. The garage man, the plumber, the painter, the printer and the barber all have fixed charges. The price of sugar, of coffee and of flour is uniform at all grocery stores. Certainly it is high time that prices in drug stores be made more nearly uniform by considering not only the cost of materials but a professional fee as well.

To make a start in this direction the South Dakota Pharmaceutical Association authorized the appointment of a committee with the specific assignment of presenting definite recommendations as to a uniform schedule of prescription pricing for consideration at the 1936 convention.

In order to establish a basis upon which to work, a questionnaire consisting of four prescriptions and five questions was prepared and sent out to ninety drug stores (about 25 per cent of the stores) in South Dakota with the request that the prescriptions be priced and the questions answered. The number of prescriptions was limited to four not because of any misapprehension that four would cover the field, but because it was believed that a better response would be forthcoming if the druggists were not asked to price too many. It was a part of the original plan to send out a different set of four prescriptions to a second 25 per cent of the druggists and perhaps to repeat the procedure with the third and again with the fourth 25 per cent, but lack of time prevented doing so.

The response to the questionnaire was better than had been anticipated. Fifty druggists took the trouble to reply, many of them offering suggestions which were of no small help to the committee. The replies to the questionnaire show that while the majority of the druggists are pretty well in line, there are a number whose prices are far too low and others whose prices are as much too high. To illustrate, one of the prescriptions was priced by one druggist at 50¢ and by another druggist at \$3.00, which is too great a difference to be reconciled by even the most charitably minded.

In order to show the variations in the prices which might be charged for a single prescription the replies from 50 druggists are shown on the accompanying graphs.

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\* Section on Practical Pharmacy and Dispensing, A. PH. A., Dallas meeting, 1936.

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Prices are shown at the left and the druggists computing the prices are represented by the numbers at the bottom of the graph. The numbers represent individuals, that is, the number 5 represents druggist No. 5, and not 5 druggists as might be assumed.

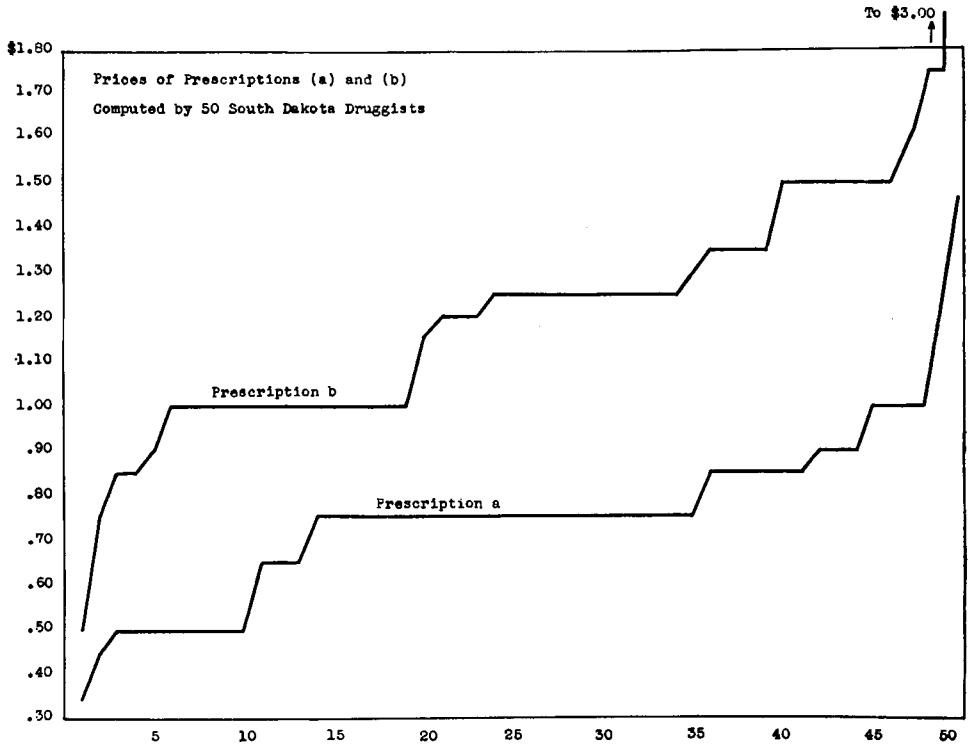


Plate 1.

Prescriptions a and b are shown on the first graph.

(a)  $\mathcal{R}$  Sacch. Ferr. Carb. gr. xxx  
 Quinine Sulfate gr. xxx  
 Ext. Nux. Vom. gr. vi  
 Extract Gentian gr. xv  
*M. ft.* Capsules No. xv  
*Sig.* One capsule before each meal.

Number of druggists pricing at a given amount.

Results:

1 @ \$0.35	22 @ \$0.75	1 @ \$1.25
1 @ 0.45	6 @ 0.85	1 @ 1.50
8 @ 0.50	3 @ 0.90	
3 @ 0.65	4 @ 1.00	Average \$0.75

(b)  $\mathcal{R}$  Amidopyrine dr. ii  
 Acetanilid dr. i  
 Citrated Caffeine gr. xxx  
 Codeine Sulfate gr. vi  
*M. ft.* Chart No. xxiv  
*Sig.* One powder every 3 hours.

The prescriptions themselves with a tabulation of the prices placed upon them by the druggists are shown herewith in addition to the graphic representation.

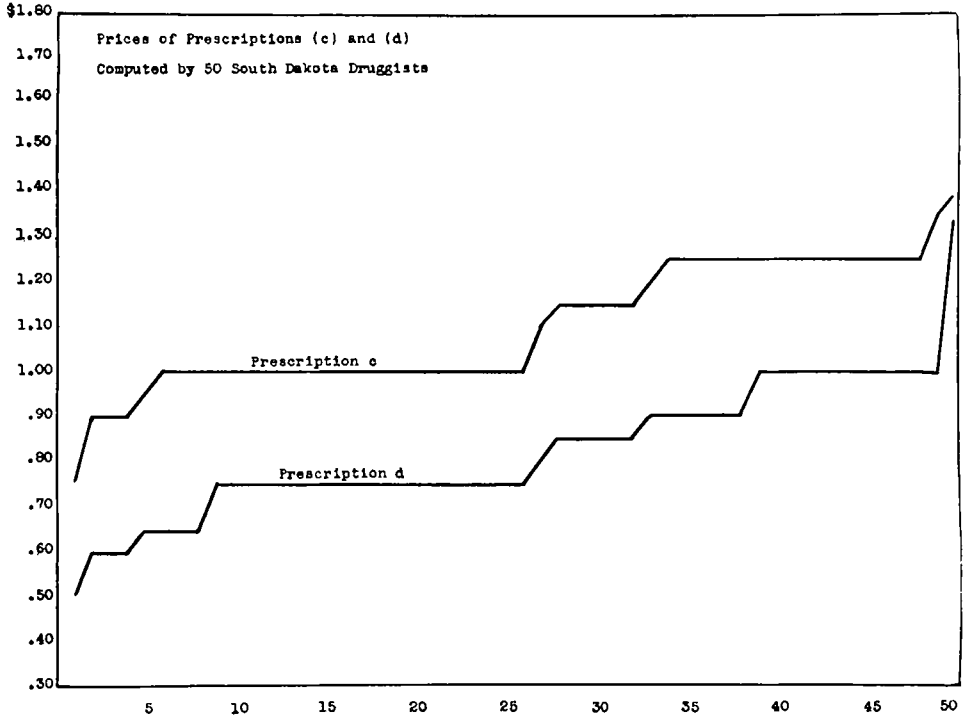


Plate 2.

Number of druggists pricing at a given amount.

Results:

1 @ \$0.50	1 @ \$1.15	7 @ \$1.50
1 @ 0.75	3 @ 1.20	1 @ 1.60
2 @ 0.85	11 @ 1.25	2 @ 1.75
1 @ 0.90	1 @ 1.30	1 @ 3.00
14 @ 1.00	4 @ 1.35	Average \$1.23

Prescriptions c and d are shown on the second graph.

(c)  $\mathcal{R}$  Ammonium Chloride dr. iv  
 Tincture of Lobelia fl. oz. iss  
 Syrup of Ipecac fl. oz. iss  
 Syrup of Glycyrrhiza fl. oz. ii  
 Distilled Water *q. s. ad* fl. oz. vi  
*M. ft. Sol.*  
*Sig.* Teaspoonful every 2 hours as needed  
 for cough.

Number of druggists pricing at a given amount.

Results:

1 @ \$0.75	1 @ \$1.10	1 @ \$1.35
3 @ 0.90	5 @ 1.15	1 @ 1.40
1 @ 0.95	1 @ 1.20	
21 @ 1.00	15 @ 1.25	Average \$1.10

(d)  $\mathcal{R}$  Chrysarobin dr. i  
 Salicylic Acid gr. xx  
 Ichthyol dr. i  
 Ointment of Zinc Oxide oz. ii  
*M. ft.* Ointment  
*Sig.* Apply locally at night.

Number of druggists pricing at a given amount.

Results:

1 @ \$0.50	1 @ \$0.80	1 @ \$1.35
3 @ 0.60	5 @ 0.85	
4 @ 0.65	6 @ 0.90	
18 @ 0.75	11 @ 1.00	Average \$0.82

This chart shows the

Answers to Questions 2, 3, 4, 5 and 6.<sup>1</sup>

2. Do you charge a compounding fee?

32—No  
 14—Yes  
 1—Yes and no  
 2—In some cases  
 1—Blank

3. Do you favor a compounding fee based on a given rate per hour for the time actually spent in compounding a prescription or would you favor a fixed fee for each operation?

30—Fixed fee	1—Either
7—Rate per hour	1—Neither
4—Yes	2—Blank
4—No	1—Don't know

4. How many prescriptions do you fill annually?

Lowest—300                      Highest—13000                      Average—2424

5. What is the inventory value of your prescription stock?

Lowest—\$100.00                      Highest—\$3500.00                      Average—\$1137.65

6. Would you be willing to follow a pricing schedule if one is adopted by your association?

49—Yes  
 1—No

These replies show that although only a few druggists are now charging a compounding fee, a majority favor doing so. Likewise a majority of them favor a fixed charge for each operation rather than a given rate per hour. Only one druggist out of the fifty was opposed to following a pricing schedule if one were adopted. It was felt that while the opinion of only fifty druggists had been secured, these fifty probably were representative of the druggists throughout the state, and the committee acted in accordance with that idea.

As to the answers to questions 4 and 5, no comment is offered. The information is presented purely as a matter of interest with no attempt to draw conclusions.

In submitting the pricing schedule to its Association the committee was

<sup>1</sup> Question No. 1 consisted of the prescriptions aforementioned.

concerned only with the fact that it should fit the situation in South Dakota. Pricing scales now in use including the Secord Schedule, the N. A. R. D. Schedule, the Pacific Drug Review Pricing Schedule and several others less well known were studied freely, but it was felt that none of them were quite suited to the needs of the druggists of South Dakota. It was believed that the prices in these schedules were too high to receive favorable consideration from the South Dakota Association at this time. In the Schedule which was submitted the prices were for most part purposely kept lower than those in the schedules already mentioned. This was done in order that the change in prices would not be too radical and yet with the hope that the levels established would be fair to the customer and acceptable to the druggist.

The Schedule consists of three Sections, which are designated Section I, Section II and Section III, respectively. Section I lists *compounding fees only*, with full instructions for pricing compounded prescriptions. This is the Section which it is intended shall be generally used.

Section II lists *minimum prices*. It is intended as a check upon Section I. That is, a prescription is first priced according to Section I. The price arrived at is then compared with that listed in Section II. If the price computed according to Section I does not equal or exceed that shown in Section II the price in Section II is to be used. Section II is also to be used for pricing prescriptions which require no compounding.

Section III is for pricing ready-made items which are too expensive for pricing under Section II.

The following General Instructions are a part of the Schedule:

1. Cost is to be figured on the smallest unit of current wholesale prices. As an example— if an item may be purchased in gallons or pints the cost should be based on the price per pint.
2. The minimum cost of any ingredient shall be \$0.02. Example—the exact cost of an ingredient is found to be \$0.003. For the purposes of computation the cost shall be \$0.02.
3. Any fractional part of a cent shall be considered as a whole cent. Example—the exact cost of an ingredient is found to be \$0.052. For the purposes of computation the cost shall be \$0.06.

The Schedules are shown on the accompanying charts.

PRESCRIPTION PRICING SCHEDULE.—SECTION I.

The *Sales Price* of the prescription = twice the cost of the ingredients (including the cost of the container) + the *Compounding Fee*. If the cost of the ingredients exceeds \$0.80 multiply by 1.6 instead of by 2.

The minimum cost of any ingredient shall be \$0.02. Any fraction of a cent shall be considered as a whole cent.

Compounding Fees Only.

Liquids, Internal Use.		Liquids, Liniments, Gargles, Etc.		Liquids, Eye, Ear, Nose and Throat Drops.		Capsules, Powders, Cachets, Pills.		Suppositories.		Ointments.	
Oz.	Comp. Fee.	Oz.	Comp. Fee.	Oz.	Comp. Fee.	No.	Comp. Fee.	No.	Comp. Fee.	Oz.	Comp. Fee.
1/2	\$0.20			1/2	\$0.30	3	\$0.25	3	\$0.45	1/8	\$0.25
1	0.20			1	0.35	6	0.35	6	0.75	1/4	0.25
2	0.25	2	\$0.20	2	0.40	12	0.40	10	0.90	1/2	0.30
3	0.30	3	0.25	3	0.45	18	0.45	12	1.00	1	0.35
4	0.35	4	0.30			24	0.50	15	1.15	2	0.45
6	0.40	6	0.30			30	0.55	18	1.25	3	0.55
8	0.45	8	0.35			36	0.60	20	1.35	4	0.65
12	0.55	12	0.40			40	0.65	24	1.50	8	0.80
16	0.65	16	0.45			50	0.75			16	1.00
						60	0.85				
						100	1.25				

NOTE: Cost is to be figured on the smallest unit of current wholesale prices.

PRESCRIPTION PRICING SCHEDULE.—SECTION II.

To be used only for prescriptions which when priced according to "Section I" do not meet these levels, and for prescriptions which require no compounding

Minimum Prices.

Oz.	Price.	Liquids, Internal Use	Oz.	Price.	Liquids, Compound.	Oz.	Price.	Liquids, Eye, Ear, Nose and Throat		Oz.	Price.	Liquids, Compound.	Oz.	Price.	Capsules, Compounded.		Capsules, Ready-Made.		Suppositories		Suppositories		Ointments,		Ointments	
								Preparations in Drop Doses.	Syrups, Tonics						No.	Price.	No.	Price.	No.	Price.	No.	Price.	No.	Price.	Oz.	Price.
1/2	\$0.40				1/2	\$0.50									3	\$0.45	3	\$0.25	3	\$0.75	3	\$0.45	1/8	\$0.35	1/8	\$0.35
1	0.50				1	0.75					6	0.60	6	0.30	6	1.00	6	0.65	6	1.50	6	0.90	1/4	0.35	1/4	0.35
2	0.60				2	1.00					12	0.75	12	0.35	10	1.50	10	0.90	10	1.50	10	1.00	1/2	0.40	1/2	0.40
3	0.75				3	1.25					18	0.90	18	0.40	12	1.65	12	1.00	12	1.65	12	1.00	1	0.50	1	0.50
4	0.85				4	0.60					24	1.00	24	0.50	15	1.85	15	1.20	15	1.85	15	1.20	2	0.85	2	0.75
6	1.15				6	0.75					30	1.15	30	0.60	18	2.10	18	1.40	18	2.10	18	1.40	3	1.15	3	1.00
8	1.35				8	0.90					36	1.25	36	0.65	20	2.25	20	1.50	20	2.25	20	1.50	4	1.40	4	1.25
12	1.65				12	1.15					40	1.35	40	0.75	24	2.50	24	1.75	24	2.50	24	1.75	8	1.90	8	1.65
16	1.75				16	1.35					50	1.60	50	0.80									16	2.75	16	2.25
											60	1.85	60	0.90												
											100	2.75	100	1.35												

NOTE: Cost to be figured on the smallest unit of current wholesale prices.

To explain how the Schedule works the prescriptions sent out to the druggists are priced on the accompanying charts in accordance with the compounding fees and instructions for pricing given in Section I—page 1150.

PREScription PRICING SCHEDULE.—SECTION III.

For ready-made items which cannot be priced according to Section II—Liquids, Ointments, Capsules, Pills, Tablets, Cachets, Suppositories.

Cost of Ingredients (Includes Container).	Selling Price Includes Container.	Cost of Ingredients (Includes Container).	Selling Price Includes Container.
0.20	0.50	1.50	2.40
0.25	0.60	1.60	2.50
0.30	0.70	1.75	2.70
0.35	0.80	2.00	3.00
0.40	0.90	2.25	3.40
0.45	1.00	2.50	3.75
0.50	1.10	2.75	4.15
0.55	1.15	3.00	4.50
0.60	1.20	3.50	5.25
0.65	1.30	4.00	6.00
0.70	1.35	4.50	6.75
0.75	1.40	5.00	7.50
0.80	1.50	5.50	8.25
0.85	1.55	6.00	9.00
0.90	1.60	6.50	9.75
1.00	1.75	7.00	10.50
1.10	1.85	7.50	11.25
1.20	2.00	8.00	12.00
1.30	2.10	9.00	13.00
1.40	2.25	10.00	15.00

NOTE: Cost is to be figured on the smallest unit of current wholesale prices.

HOW THE PRICING SCHEDULE WORKS.

		List Price.	Exact Cost.	Extension.
(a) R	Sacch. Ferr. Carb.	gr. xxx	\$0.64 lb.	\$0.002
	Quinine Sulfate	gr. xxx	0.74 oz.	0.046
	Ext. Nux. Vom.	gr. vi	0.54 oz.	0.007
	Ext. Gentian	gr. xv	0.36 oz.	0.001
	M. ft. Capsules No. xv			
	Sig. One capsule before each meal.		\$0.056	\$0.11
	Cost of ingredients	\$0.11		
	Cost of container	0.04		
		\$0.15		

Then

Twice cost of ingredients (including container)	\$0.30
+ Compounding Fee	0.45
= Selling Price	\$0.75

		List Price.	Exact Cost.	Extension.
(b) R	Amidopyrine	dr. ii	\$0.46 oz.	\$0.115
	Acetanilid	dr. i	0.05 oz.	0.006
	Citrated Caffeine	gr. xxx	0.19 oz.	0.018
	Codeine Sulfate	gr. vi	15.40 oz.	0.197
	M. ft. Chart No. xxiv			
	Sig. One powder every 3 hours.		\$0.336	\$0.36
	Cost of ingredients		\$0.36	
	Cost of container		0.04	
			0.40	

	Then		Twice cost of ingredients (including container)	\$0.80		
			+ Compounding Fee	0.50		
			<hr/>			
			= Selling Price	\$1.30		
			List Price.	Exact Cost.	Extension.	
(c)	R	Ammonium Chloride	dr. iv	\$0.39 lb.	\$0.012	\$0.02
		Tr. Lobelia	fl. oz. iss	1.80 pt.	0.168	0.17
		Syr. Ipecac	fl. oz. iss	1.14 pt.	0.106	0.11
		Syr. Glycyrrhiza	fl. oz. ii	0.40 pt.	0.05	0.05
		Distilled Water <i>q. s. ad.</i>	fl. oz. vi			
		<i>M. ft.</i> Sol.				
		<i>Sig.</i> Teaspoonful every 2 hours as needed for cough.		\$0.336	\$0.35	
			Cost of ingredients	\$0.35		
			Cost of container	0.04		
				<hr/>		
				\$0.39		
	Then		Twice cost of ingredients (including container)	\$0.78		
			+ Compounding Fee	0.40		
			<hr/>			
			= Selling Price	\$1.18		
			List Price.	Exact Cost.	Extension.	
(d)	R	Chrysarobin	dr. i	\$0.43 oz.	\$0.053	\$0.06
		Salicylic Acid	gr. xx	0.66 lb.	0.001	0.02
		Ichthyol	dr. i	0.47 oz.	0.058	0.06
		Ung. Zinc. Oxid. <i>q. s.</i>	oz. ii	0.60 lb.	0.075	0.08
		<i>M. ft.</i> Ointment				
		<i>Sig.</i> Apply locally at night.		\$0.187	\$0.22	
			Cost of ingredients	\$0.22		
			Cost of container	0.05		
				<hr/>		
				\$0.27		
	Then		Twice cost of ingredients (including container)	\$0.54		
			+ Compounding Fee	0.45		
			<hr/>			
			= Selling Price	\$0.99		

The Schedule as submitted has been adopted by the South Dakota Pharmaceutical Association for one year. If it is found satisfactory it will probably be made permanent. The probationary period will afford opportunity to discover and correct any defects which are not now apparent, or in the event the Schedule is found to be unsatisfactory it provides time to bring forth ideas for other systems of pricing which may be workable. It is to be expected that a study of this nature will have to be carried on over a period of years, because to most of the druggists the use of a system of any kind is an experiment and it is not unlikely that a number of adjustments will be found necessary in order to secure a plan which is entirely satisfactory. Even if the Schedule which has just been adopted does no more than to stimulate thought along the lines of uniformity in prices it will still be a step forward and one which must lead to better conditions in the Profession of Pharmacy.