dog action of the formulary committee has prevented the introduction of items such as Mer–29 and some of the long-acting sulfa drugs which were later proved to be toxic, and were withdrawn from the market.

It was some of these things I think that encouraged the hospital staff to support us, the fact that we were doing more than just saving dollars. None of the dire predictions have come to pass. We have poisoned no Grady Hospital patients with "cheap" drugs and have confused neither the patients nor the hospital staff with rare changes in pill color, although we have had one minor instance of poor shelf life and reduced potency in a generic injectable preparation which led us to change suppliers.

Senator NELSON. Did you still get a generic supplier?

Dr. WILLIAMS. No, this happened to be a trade name supplier, but this happened to be in an area where it was an old drug, where trade name costs are not vastly different from generic costs. They may be double, but not 10 or 20 or 30 times.

This drug, incidentally, tested out to be all right by USP methods. It just happens that there are newer, more sophisticated ways of assay which showed it to have reduced potency. So the ordinary USP assay, which would be required on this, showed it to be all right.

We have occasional arguments with the house staff about this or that drug, but in general the administration and the staff of the hospital feel that the formulary committee operation has resulted in improved pharmacy practices, improved patient care and considerable savings in money to the hospital, allowing these funds that might have been spent on more expensive drugs to be diverted to other areas of patient care in the hospital.

We have been fortunate, as I have already stated. We were helped a great deal in the early days by the Medical Letter, whose generally expert opinion on the comparative value of the new and old drugs could be used to reinforce our own stand. We were moving into a new area. We were one of the first major hospitals in the country to do this, and we needed every bit of help we could get.

Senator NELSON. What year?

Dr. WILLIAMS. In 1960. The information presented to the Kefauver hearings helped us a lot, because it helped in subtle ways to change public opinion and the attitude of some of the medical profession toward the generic versus the trade name controversy, and these added ammunition that we could use all the time.

Our experiences over the past 7 years of the formulary committee operation have, however, led me to several conclusions about advertising and pricing policies of the major drug companies and the prescribing habits of physicians, which are just as important:

1. Trade named drugs are arbitrarily priced by manufacturers and the prices bear no relationship to the cost of manufacture, distribution, or research directly relatable to a given drug. New drugs for acute disease states tend to be priced in the $200 to $300 per 1,000 range—antibiotics, et cetera—and new drugs for the treatment of chronic disease in the $30 to $70 per 1,000 range—diuretics, tranquilizers, et cetera. It should be clear all along here that these are wholesale prices to Grady Hospital and that the pharmacy may pay a little bit more, and then the price would be essentially doubled for the patient in the outpatient prescription.