These are arbitrary pricings, with no evidence that the more expensive group of drugs are more expensive to prepare. As a matter of fact, evidence presented at the Kefauver hearings showed clearly that there was no relationship between cost of preparation and sale price of an individual drug item.

2. Good quality generic brands of unpatentable drugs are available at what seem to be ridiculously small fractions of the price of comparable trade named items.

3. If the tyranny of trade name prescribing and ordering of drugs can be avoided, even the large pharmaceutical manufacturers will compete on a price basis.

Let me stop here to expand on this, because some of our greatest savings were in the area of getting pharmaceutical manufacturers to compete. I had indicated that we were buying tetracyclines by trade names and paying roughly $22.50 per 100. This is $225 per 1,000. This is in the upper class of expensive drugs.

We decided, since there was evidence in the literature and in the Medical Letter, that all of the tetracyclines on the market, even though they varied in chemical constitution slightly, were therapeutically equivalent. It didn't make any difference whether you used oxytetracycline or Terramycin by trade name, chloratetracycline, or Aureomycin by trade name or tetracycline. The dose was the same, the effect was the same.

So we said we will use the one for the next 6 months which bids in the cheapest, and after a couple of months of nearly identical bids, the Squibb product tetracycline came down to $19, and then there was some jockeying and there were further reductions.

Mr. GORDON. Excuse me, may I interrupt here?

Dr. WILLIAMS. Yes.

Mr. GORDON. They were sealed bids, were they not?

Dr. WILLIAMS. Our bids were sealed.

Mr. GORDON. But they were still identical.

Dr. WILLIAMS. Yes; not a penny's difference for the most part. No need for it as long as you just order a trade name, because only one company can fill the trade name, so there isn't any point in making a different bid.

It is when you agree that even when they are patented products, three companies' products are therapeutically equivalent that savings can be made. In the absence of monopoly and price-fixing practices, this is when you can use the purchaser's power to force these people to come down in their price.

There were other examples. Our largest savings have come from in the chlorothiazide diuretic group of drugs. Now at the time we took this job in 1960, there were six chlorothiazide diuretics on the market, all patented, all trade named, of five different chemical compounds.

The evidence in the literature indicated that they all had equal side effects, they all were equally therapeutically potent, and that there was no real reason for choosing one or the other. These are not different trade names for the same generic product. These are different drugs that do the same thing.

So we said Grady Hospital for the next 6 months will use the chlorothiazide diuretic with the lowest bid. These by trade name purchase on the market ran right around $50 to $60 a 1,000. In our