

Our catalog net price to the retailer for 100 5-milligram tablets is \$17.88. This is higher than the prices listed by many of the more than 70 other companies in this highly competitive business.

Senator NELSON. You mean 70 other companies that are producing prednisone?

Mr. BURROWS. Either producing or selling.

But since we make no effort to sell the product through retail channels our catalog price has no real significance or importance. Further, in recent years we have not actively promoted our product to physicians, and sales by us to retail drugstores have been practically nonexistent. The few sales of any consequence we do make are to hospitals and institutions on the basis of bids which we have submitted as a result of requests for quotations sent to us by such as city, county, State, and Federal agencies. In 1966 our average sales price of prednisone to such institutions in the United States was \$1.36 per 100 tablets. This compares with the prednisone prices of various other suppliers which were cited in earlier testimony given to this committee ranging from 46 cents to \$2.09 per 100.

You have asked for our costs and I am obliged to say that because of the very small amount of business we have done, it is not practical to determine our costs with any great degree of accuracy. We buy the basic raw material and then subject it to a number of quality and production tests and controls in processing it into final form for distribution.

Senator NELSON. From whom do you buy the basic material?

Mr. BURROWS. At the present time I believe we are buying from Upjohn. In the past we have bought from Roussel and Schering of Germany, and at the present time we are buying from Upjohn.

As best we can figure, the bare manufacturing cost of this item in 1966, including the purchase price of the raw material, was about 50 cents out of the average selling price of \$1.36, or 37 percent of the selling price. This does not include any allocation for such as research, general overhead, handling, distribution, inventory carrying costs, and administrative expenses.

Senator NELSON. When you say research, did you do any research on prednisone?

Mr. BURROWS. Possibly. I think we did very little work on prednisone per se but we have done quite a lot of research on steroids in general. By about the time that prednisone was introduced, I think we had filed some 60 U.S. patent applications in the steroid field.

Senator NELSON. This price of \$1.36 per 100 is the average sales price to hospitals and other sources on a competitive bid basis?

Mr. BURROWS. That is right; but it includes whatever minimal business we did at the retail level, which was practically nothing.

Senator NELSON. These bids to hospitals and other institutions were submitted on a generic or a brand-name basis?

Mr. BURROWS. They probably were requested on a brand-name basis?

Mr. MCGREGOR. Entirely.

Mr. BURROWS. We would submit our response to the bids with our product name Paracort, but it is quite conceivable that the requests for bids were on the basis of the generic name, prednisone.

Senator NELSON. Is it not correct that what you manufacture is prednisone and the name you give to your generic prednisone is your brand name of Paracort?