of New York, or a large hospital, that they are bidding on a generic solicitation, and they are bidding in competition? That accounts for the fact that in every single case that we can find, the brand-name companies will bid far lower in that competition, sometimes a 10th, a 20th or a 30th of what they charge the retail druggist, because it is competitive, and the fact is that on the retail market where the brand is established, there is no competition, no serious competition. Therefore the American free competitive system is not working on the retail market. For example, Schering can charge $17.90 on the retail drug market when there are drugs available at a fraction of that price, because the prescribing physician is prescribing that well-known drug. I do not want to select out Schering. This is true of any number of drugs that have been called to the attention of the druggist. Now, what is your observation about competition against a standard brand name? For example, your attempt to establish Paracort versus the competition in the retail trade which you failed to do.

Mr. BURROWS. The competition was very fortunate, and as I say the company that is there with a sound drug first has a competitive advantage. That is what most of us are looking for, something that gives us a competitive advantage and contributes to our capability to expand and do better and provide better.

Senator NELSON. Would you explain to me why is an established name in the retail market able to sell at the much higher price than the competition, but yet as soon as that established brand name is bid to the Defense Supply Agency, it goes down in an attempt to meet the competition of all the rest, and come in at a much lower price? Why doesn't that occur on the retail market?

Mr. BURROWS. I think it does occur on the retail market with prescription drugs providing the physician is prepared to substitute another drug, a non-brand-name drug, for example, for a brand-name drug.

Senator NELSON. What I am trying to get at is why does the physician prescribe the high cost prednisone, for example, when the best evidence we can find is that there are a large number of competing prednisones which the Medical Letter says are equivalent, and recommends be prescribed generically. Why doesn't the physician prescribe those?

Mr. BURROWS. I am not a physician and I am not sure that I should be providing a physician's answer, but I imagine that he prescribes the drug in which he has confidence, and he probably is not inclined to cut and fit and experiment.

Senator NELSON. What is most puzzling in any case, however, is that in looking at the list of drugs in the Medical Letter, there is included a low priced prednisone that meets Pharmacopeia standards. It is as pure as the leading drugs on the market, practically the same percentage of impurities. It sells for 61 cents a hundred to the pharmacies, and the highest priced one—Parke, Davis is listed as $17.88 but I guess that has been settled, you sell at an average of $1.36—is listed at $17.90. Why would a physician prescribe a drug costing $17.90 a hundred to his patient, when there is one available at 61 cents a hundred, which the Medical Letter, the most respected source of information according to the physicians' testimony before this committee, is available at 61 cents? Can you explain that?