about per diem costs in hospitals which have full-time staffs, you are including some doctoring, but most hospitals in the country do not have full-time staffs.

When you talk about the per diem cost, that means exclusive of most doctoring. Unfortunately, it is not simple. Anyway, what is simple is that it is going up a great deal, Senator.

Senator NELSON. Twenty percent in 1 year seems like an incredible amount.

Dr. CHERKASKY. That is over 16.5 percent the previous year, over 12 or 13 percent the previous year. It is a very distressing and frightening escalation and, of course, drugs are only one part of it. We are faced with a serious problem.

The Federal Government, with its medicare and medicaid programs which pays these costs, are going to face very serious actuarial problems, no question about it.

Senator NELSON. What are the main factors going into the increase in costs?

Dr. CHERKASKY. The major factor is personnel. Two-thirds of our costs are personnel. Doctors are in very short supply. Therefore, doctors' salaries and other things are going up. Technicians are in short supply. Nurses are in short supply. And, of course, other items, including the item of drugs.

At Montefiore in 1962 we filled about 170,000 prescriptions. It cost us $326,000, or 2.7 percent of the total hospital budget. In 1966, we filled 220,000 prescriptions, for $550,000 or 3 percent of our budget. The United Hospital Fund, voluntary nonprofit hospitals in the city of New York, spent more than $12 million in their drug bill so that drugs in hospital and out of hospital represent a very significant and important part of the medical care bill.

One of the things that we are concerned with is that one of the items in the report to the President on medical care prices showed that people over 65 spend more than two and a half times other age groups for drugs, and as you know, medicare does not provide drug coverage for these people outside of hospital, and the purchase of drugs for older people can be a very serious and threatening fiscal problem.

I remember that back 6 or 7 years ago, 10 percent of the people over 65 were spending more than $200 a year on drugs, and that figure must be much higher today.

Senator NELSON. Ten percent of the people over 65?

Dr. CHERKASKY. Ten percent over 65 were spending more than $200 a year on drugs.

Senator NELSON. What year was that?

Dr. CHERKASKY. It was about 1960 or 1961. One of the ways hospitals and an increasing number of consumer groups have found effective in helping to reduce drug costs and maintain high quality and standards of care is by use of a formulary system, and we have enclosed a copy of our own formulary.[1]

According to a Public Health Service study project on the audit of pharmaceutical services in hospitals, published in 1964 by the American Society of Hospital Pharmacists, a formulary system is defined, and I presume I had better read this one:

> . . . method whereby the medical staff of a hospital, working through a pharmacy and therapeutics committee which it appoints, evaluates, appraises,

[1] Retained in committee files.