

used or competition or innovation in the pharmaceutical industry. In fact, all reports indicate that price competition is much greater—and prices much lower—in the hospital drug market, patient care is improved and economic benefits are realized.

The formulary system in hospitals has the endorsement of our association, the American Society of Hospital Pharmacists, the American Medical Association, and the American Hospital Association.

Mr. GORDON. Dr. Apple, what brought all this about?

Dr. APPLE. Well, as I have indicated in my next sentence, these four organizations several years ago sat down and drafted a set of guiding principles for hospital formularies, and a copy is appended for reference.

We have also included for the committee's files a copy of the statement by the American Society of Hospital Pharmacists which gives you the hospital formulary system, a formulary service, drug coding, and outlines of this entire subject matter. We would like to submit this for the committee files, too.

Mr. GORDON. Fine.

Dr. APPLE. Your question was, How did it come about?

Mr. GORDON. Yes, what brought this about? When was the necessity or desirability of having these formularies determined?

Dr. APPLE. I did not understand your question, Mr. Gordon. You want to know when the formularies started or when this last situation that resulted in these four organizations establishing a policy statement occurred?

Mr. GORDON. Yes, that latter one.

Dr. APPLE. It is the latter one you want to know?

Mr. GORDON. Yes.

Dr. APPLE. In 1962 we sent a letter to the American Hospital Association, the American Medical Association, and the American Society of Hospital Pharmacists. I could read the letter or insert it for the record.

Mr. GORDON. Why don't you submit it for the record.

(The letter referred to follows:)

AMERICAN PHARMACEUTICAL ASSOCIATION,
Washington, D.C., December 26, 1962.

Dr. EDWIN L. CROSBY,
Director, American Hospital Association.

Dr. F. J. L. BLASINGAME,
Executive Vice-President,
American Medical Association.

Mr. JOSEPH ODDIS,
Executive Secretary,
American Society of Hospital Pharmacists.

GENTLEMEN: During recent months there has been increasing discussion of the subject of "prior consent" in medical, hospital and pharmaceutical circles. A careful review of papers presented on the subject and analysis of off-the-record comments which have been brought to our attention as well as discussions in which our officers and staff have participated have led to our concluding that the professions concerned urgently need to improve their communications on this subject.

Many people consider the subject of "prior consent" as directly and only related to the practice of medicine and pharmacy in hospitals. Others consider it as an appendage of some formulary system. Still others confuse it with the subject of "substitution." The subject has been addressed from both ethical and legal considerations in the narrowest and broadest sense.