

Mr. SQUIBB. That is right. Actually the sales in this area are studied and evaluated to establish whether this really does the thing that we think it does. Prescription studies and market research studies indicate that it does in fact.

Senator HATFIELD. But, you feel that once he is convinced that Squibb is really a superior product he will then be using and prescribing Squibb products outside?

Mr. SQUIBB. That is right. Certainly the specific product that he has used, prescribed and seen used in the hospital, and hopefully this will spread even to others.

Senator HATFIELD. That is where you make your profit.

Mr. SQUIBB. That is where we make the bigger profit outside.

Mr. GORDON. Mr. Squibb, even then the products are not being sold to the hospital at a loss, are they?

Mr. SQUIBB. No; I do not think so.

Mr. GORDON. They are making some money?

Mr. SQUIBB. Yes; they are not selling at a loss. The difficulty of accounting here from company to company is a major problem. I do not think products are being sold to hospitals at a loss.

Senator NELSON. I have the impression from what I have read and from testimony before the committee, that the use of formularies by hospitals and by cities in the purchase of drugs is a rapidly expanding practice. Is that correct?

Mr. SQUIBB. Yes.

Senator NELSON. Is this a trend that has been relatively accelerated in the past 10 years?

Mr. SQUIBB. Yes. I think the development of formularies by hospitals has sort of been forced upon them by the problem of inventory, by the problem of drug selection which has become so vast and so complicated in the last 10 or 15 years with the emergence of so many new potent drugs. There is a problem of selection. There is a problem of inventory investment by the hospital which is under financial pressure anyway. The problem of just carrying every type of product there is just for an occasional use. There is a great deal of effort being spent to bring some order out of this very difficult situation by the development of formularies. This has been since the war or even more recently than that. I would say in the last 10 years formularies have come into use in just about every hospital for this reason.

Senator NELSON. We have had testimony on formularies from a number of pharmacologists, as well as representatives of some very fine hospitals, such as Montefiore in New York, Los Angeles County General Hospital, and a group health organization in the State of Washington. They have testified that they make their formulary available for sale and use by doctors outside the hospital. In hospitals in smaller communities, 25-bed, 50-bed, 75-bed hospitals, which may not have the expertise to development of a good formulary of their own, is there anything comparable available for use and if so, are these hospitals using it?

Mr. SQUIBB. Well, I think even the smallest hospitals are using formularies. I think the American Association of Hospital Pharmacists has developed a standard or a basic formulary which is suitable for hospitals of any size, I think every hospital would, as a matter of fact, have