a formulary. I think it is required now because of the rules of medicare and reimbursement by the Government in that area, that the products be on a formulary in order for it to be reimbursed by the Government. So every hospital has a formulary.

I think that there is no problem now on the part of any hospital, in developing a formulary, or borrowing somebody else's if they are so small they have not the time or the know how to get one of their own individually developed. I think most every hospital, whatever its nature or size, a 50 or 100 bed hospital, develops its own, on its own local requirements, from its own medical committee, pharmacists, doctors, technicians working together. This is a very important development in medicine right now, no question about it.

Senator NELSON. I do not even have a good guess as to what the effect will be, but it does seem to me that there is going to be a dramatic effect in several ways on the prescribing of drugs and the price of drugs when the time arrives that practically every hospital in America is using a formulary, and when practically every hospital is taking competitive bids, and when all the bids are requested on a generic basis.

Mr. SQUIBB. That is right.

Senator NELSON. I do not know what effect this is going to have, but it seems to me, that the use of formularies will have some dramatic effects in the field of prescribing of drugs by generic name, even though the physician may identify the company. And it seems to me, when formularies are widely available, and when the Government is more deeply involved and concerned about costs because of medicare and medicaid and when all the information is available to develop good formularies, that some kind of dramatic changes are going to occur. I do not know how to evaluate it, but I would like your comments on it.

Mr. SQUIBB. You have right in the record of this hearing the testimony of Dr. Williams, I believe his name is, from Grady Hospital of Emory University in Atlanta, in which he describes for you his own experience in developing a formulary there, and the extraordinary results it has had on his drug bill; and not only on the drug bill, the price paid for drugs themselves, but also on the way drugs were prescribed in that particular hospital. I think this is an extraordinary clear exposition of what happens when a large hospital, well run, with high quality standards without any question, sets itself into the formulary problem. It is an extraordinarily clear example of how this develops.

Senator NELSON. I would like your comments on this. I also meant to add that I assume if the medical profession is to improve the way it strives to, it will not be many years before almost every practicing physician will necessarily be affiliated with a hospital. So when formularies are available, competitive bidding is the rule, and differentials in prices are visible to the doctor who sees what the hospital pays and then sees what his patients are paying in the retail market, there are going to be some tremendous pressures developing not only within the medical profession, but also within the hospitals, at the governmental level, and with the public itself for changes in pricing practices. Do you think that is the case?

Mr. SQUIBB. There is no question about it. This is exactly what the pharmaceutical industry does not appear at this moment to fully ap-