Mr. SQUIBB. Or more.

Senator HATFIELD. Do you know specifically what the Squibb percentages are?

Mr. SQUIBB. No; I do not know. It is not really a matter of interest in that category, although it should be. I think if they studied it more specifically, particularly the growing effect of their hospital business, they would see that the business is growing here, and that they had better watch out and prepare ourselves more firmly pricewise and procedural wise for this changing trend.

Senator HATFIELD. What is the trend of profits from drug sales to hospitals today, up or down.

Mr. SQUIBB. Up, mostly going up because the volume is going up. They have to be going up. The volume is going up there very sharply.

Senator HATFIELD. I am speaking now of profits from the sales to hospitals from the drug companies.

Mr. SQUIBB. As the volume goes up the profits would go up.

Senator NELSON. As concerns the formulary, I would just like to read into the record the comments of Dr. Williams from Grady Hospital, when he testified before the committee about some of the very kind of problems that Senator Hatfield has raised. He says:

> It was not easy in the beginning. As you may imagine, the medical profession is conservative. This—

He is referring to the adoption of the formulary—

> this was a radical departure of performance at Grady Hospital. There were complaints that the committee was trying to dictate the type of medicine practiced at the hospital, that Grady Hospital patients would be poisoned by cheap inferior drugs, that the change from one color pill to another would upset the Grady Hospital patients in an irremedial manner. That we should buy trade name expensive items to support research done by the large drug companies, and that the committee was attacking the American free enterprise system. We persisted with the support from a large part of the faculty and the total support of the administration of the hospital who were interested in cutting this enormous drug bill. We have been fortunate. Estimated savings during the first year ran as high as $150,000 on a budget of $480,000 for drug purchases.

Now, on the question of how a formulary is developed, it is correct, is it not, that in a good hospital with all the specialties represented the therapeutics committee is composed of the urologist and the heart specialist and the various internists and pharmacologists and pharmacists, and that based upon experience from medical literature, upon their own experience, they come to a conclusion about what ought to be included in the formulary. When they concluded from clinical evidence that several drugs of the same compound appear to be of equivalent clinical value, then the pressure, of course, is to select the one that is the most clinical. Is not that about the way a formulary is developed?

Mr. SQUIBB. I think that would certainly enter into the picture. The pharmacist is generally charged with the responsibility of bringing in the price background of the different products, and at that juncture, price would certainly be a determining factor, all other things being equal.

Senator HATFIELD. But would you not agree, Mr. Squibb, that it is not purely a clinical basis upon which they establish the formulary? It is, as the chairman has very clearly pointed out, based upon the experience and the involvements of that physician——