body else's line, you are going to have trouble getting it into a formulary situation. From that point of view the pressure will be on research to come up with products that are different, either different physically or with different therapeutic purposes. That is quite right. If only one selection of products is going to be made for a given formulary, the pressure will be in every company to come up with some new, some fresh, some unique products for the line so that they can be justified for formulary inclusion. I think this will be an important factor in directing research in the future. It will be a pressure on research departments to come up with unique and new, not simply imitations of successful products.

There are many approaches that a legislative body, State or Federal, can take to attack high prices for pharmaceutical products. In all of them it is suggested that they be studied from a more objective, long-ranged and balanced view with less emotion, prejudice and political consideration. The economics of health care, a potential financial burden to the Nation that can be and is grossly underestimated, needs the thoughtful attention of the best brains that can be devoted to it. There should be no off-limit areas for investigation all the way from the manufacturer through the last distribution point for the product. There should be no preconceived theories of merit based on real or imagined evil practices of the past. There should be no temporizing with the best standards of quality and safety for all those who are to benefit in the future from new concepts of public health.

At the State level legislatures can reexamine the meaning and intent of their drug substitution laws, in view of current welfare programs, local, State and Federal. These laws passed 10 or 12 years ago served quite a different purpose then, compared to serving a Government-financed public assistance program. There are ways to permit utilization of the finest drugs in these programs, or any specialties that the prescribing physician may desire without freezing into the State welfare budgets retail level prices. The State formulary system carefully and thoughtfully adjusted to the practical needs of the patient can be combined and coordinated with pharmacy laws concerned with substitutions.

Senator NELSON. What do you mean by a State formulary system for welfare?

Mr. SQUIBBS. State formualries such as a good many States already have and all States will have I am sure, setting forth the products which that State will pay for under its welfare programs.

Senator NELSON. How many States now have a formulary system?

Mr. SQUIBB. I do not know exactly. Many of the major States. California has been a notable leader in this, getting in first. I think it is more general in the Western States than it is in the Eastern. But again as the States come up with welfare programs and budgets and allocate or appropriate money to spend for drugs, they have got to impose some ground rules, some limits on what they will spend it for. Otherwise the end is off and they are broke inside of 2 or 3 months. We begin to see some of these things developing in the medicaid programs that have been launched without careful consideration of the ultimate cost. I think when a State, just like a hospital, has to pay a welfare drug bill and contracts to do this, they are going to have to prescribe and set forth the area in which they will pay. This work is most difficult, and it