that will cost money and if the generic firms had a medical department, their drugs would have to be up by that certain amount. Then if they had professional relations departments and other services that benefit the patient and the profession, the generic drugs, certainly, there would not be that wide difference in costs.

Senator NELSON. Well, that exact position has been put to this committee a number of times and I have responded with this question, which has not been answered yet: What is the purpose of the patent? If they discover a new drug, the Congress has said you can have 17 years to charge any price you please. And when you consider that Schering was charging $17.90 for a 100 tablets and Wolins was selling at a price of 59 cents a 100, you can imagine what kind of profit they made.

So they had 17 years. They know how much it costs for drug research, they know what their overhead is. They wanted to make a profit. It is the highest profit in America. So they had 17 years. What justification at the expiration of the patent is there for charging a high price? They are able to do it, I submit, Doctor, because that brand name becomes so well know they can stick with the high price and gouge the public. Otherwise, Wolins would be selling more of their product in the retail market, and so would American Pharmacal and Merck. So what answer is there? They have the patent. What else do they need?

Dr. ALFANO. I cannot discuss patents and other types of things. I know nothing about that type of thing. I am just stating that ethical pharmaceutical firms do offer services which are of benefit to the patient and to the profession which we do not get from generic firms. These costs, these services, do amount to a certain amount of money and this amount of money has to be applied to the drug as the patient purchases it.

As to justifying extreme costs, I cannot do that and I do not intend to try to justify an extreme cost. I am only stating that we do have benefits from ethical pharmaceutical firms.

Senator NELSON. On the question of whether anyone would rely upon or use a good hospital formulary, did I understand your answer to be that the doctor is an individualist and would not want to do that? Are you saying that you do not think the formulary system in our major hospitals is a good system, that the collective judgment of all the distinguished specialists and clinicians in that hospital is not better than the single judgment of a single practitioner?

Dr. ALFANO. All hospitals do not have a formulary system. I am on three hospitals. None of them have formulary systems. They are all accredited community hospitals.

I have not worked under a formulary system. There are problems with formulary systems where the physician is handicapped. Most physicians will not join the staff of a hospital where it is required that he use only the formulary system. He will join if he may use beside the formulary system drugs of his choice that possibly are not listed on the formulary system list.

But what I understood you to say is the doctor is out in practice outside the hospital. He comes to the hospital and he has to be governed by these drugs that are listed by the hospital pharmacy or formulary system. That, I believe, would be objectionable.