Senator NELSON. We will resume the hearing.

It was called to my attention during the recess that on our discussion about hospital formularies, that all hospitals must have formulary committees to be eligible to collect for medicare patients.

Dr. ALFANO. Committees, yes, but not formularies. You are talking about committees. A committee and a list are two different things.

Senator NELSON. What is the purpose of having a formulary committee if they do not select a group of drugs to fit the formulary? What is the point?

Dr. ALFANO. Supposedly, they check all the drugs that do come into the hospital pharmacy, regardless of whether it is a generic or trade name. The formulary committee makes sure that the hospital does not have a drug within the walls of the hospital, the type of drug that may be harmful or cause problems that may be detrimental to the hospital.

Senator NELSON. You are saying that under the medicare law, in your judgment, hospitals are not required to have a drug formulary in order to get medicare payments for medicare patients? Is that what you are saying the law is? I do not know what the law is.

Dr. ALFANO. I do not believe it is a law that you must have a formulary committee—a formulary. I believe they do require the Joint Commission on Hospital Accreditation to have a formulary committee, but not necessarily a formulary.

Senator NELSON. I am still puzzled about what the formulary committee would do if they did not devise a formulary for the hospital.

Dr. ALFANO. A formulary is a list of drugs. If it is so restricted, you can only use this list of drugs within the hospital. The formulary committee reviews all drugs that come into the hospital and are used within the hospital. They will prevent a drug coming into the hospital that may be harmful and cause a danger as far as the patients within the hospital or cause problems for the hospital corporation and the staff.

If I, as a doctor, want to come in with a drug that is not approved, not accepted, if we have no formulary committee, I could bring any drug I wanted to into the hospital. There is no protection, therefore, for the hospital and the hospital staff and the hospitalized patient. The formulary committee will prevent that from occurring.

Senator NELSON. Please continue.

Dr. ALFANO. Thus when a physician has a patient on a generic drug produced by an unknown manufacturer he is conducting an experiment because he does not know how the patient will respond. The patient must be seen more frequently in order that the physician can evaluate the therapeutic effect.

With a brand name product the physician over a period of time has obtained a working knowledge of the specific drug and does not have to see the patient as frequently as is required with an unknown product.

From the patient's standpoint the substitution of a generic drug can have a profound effect upon the patient's confidence. For example, the physician orders a particular drug while the patient is hospitalized and upon discharge writes a prescription for continuation of the medication at home. The druggist substitutes a generic drug which may be a round red pill rather than the oblong yellow medication the