public. Naturally, the greater the number of health practitioners who participate in such a program, the greater the ultimate effect on drug costs to the general public.

It is, therefore, the purpose of this proposal to further meet the obligation of all health practitioners to the public, that is excellence of drug care at a minimum of cost.

OBJECTIVES

1. To provide a compilation of drugs by physicians and pharmacists which will ultimately reduce patient costs still maintaining the present-day excellence of drug therapy.
2. To advise, inform and educate practicing health professionals of the professional and economic advantages possible through the utilization of an approved pharmaceutical formulary.
3. To encourage the utilization of a drug formulary by practicing health professionals in the best interests of the patient.
4. To promote the cooperation and coordination between members of the health professions in providing optimal health care services.
5. To meet the obligation of all health practitioners to the public, that is to provide the highest standard of health care services at the lowest possible cost.
6. The successful functioning of the formulary idea is solely dependent upon the voluntary cooperation and support of the individual members of the respective professional organization.

BACKGROUND

Hospitals now operating under the Medicare Program are required to have a Drug List which is prepared by a Pharmacy & Therapeutics Committee of the medical staff or by a like committee. The sole purpose in this requirement of the Federal Medicare Program was to encourage hospitals to develop approved drug lists. These lists usually result in an approximate drug savings of ten percent to the institutions so utilizing them.

These lists are designed to allow the patient to receive the least expensive of a variety of trade name products, all representing the same chemical entity and of proven therapeutic efficacy. This is usually done by the physician writing his order in non-proprietary (generic) terminology. He is assured a quality product in that the Pharmacy & Therapeutics Committee must specifically approve the manufacturer from which the drug is purchased, prior to the pharmacy dispensing a drug ordered on a non-proprietary basis.

The utilization of such a drug list results in a reduction in patient costs by the following ways:

1. Reduction in inventory levels of the various trade names for one drug and the subsequent dispensing of only the one approved, if the prescriber so designates.
2. Purchase of greater quantities since, ideally, one drug will be ordered (one trade name) instead of a number of trade name products of the same drug. Greater quantity purchases will usually result in lower costs.
3. Institution of a bid system where all of the possible companies supplying one drug would compete for the right to be the sole supplier of that drug when the prescriber so designates through the use of non-proprietary terminology.

Systems such as the one just described have been in operation for many years throughout the country in hospitals of all sizes and have resulted in decreased drug costs. The systems have, in most cases, been well received by the treated public and by medical and dental practitioners utilizing them. The extension of such a system to ambulatory patients has been successful in hospital outpatients and could be expected to be successful outside of the hospital setting.

ORGANIZATION OF THE FORMULARY ADVISORY BOARD

1. This body shall be titled the *Formulary Advisory Board.*
2. The chairman of the board shall be a responsible member of the consumer public to be selected by the presidents of the respective professional organizations represented on the committee. He shall serve for two years and be an ex-officio member.