Senator NELSON. How do you expect to find out whether or not substantial amounts of money are being wasted on unnecessarily expensive drugs or irrational combinations or something else?

Mr. OLDER. We will follow the publication of the ineffective or the possibly effective drugs, and rule those out, and they will be excluded from reimbursement. For a drug that is ineffective, for example, there will be no reimbursement.

Senator NELSON. How will you do that when you don't know what the drug money is being spent on?

Mr. OLDER. This will be performed by our intermediaries who review the reports and the data supplied by the hospital. They will have to be informed, as they will be, of the drugs that are ineffective, and they will have to review the records to make sure that these are not part of the drugs that are being paid for.

Mr. SEGGEL. Mr. Chairman, this goes to the point I was making before about the difficulty of administering a regulation prohibiting the purchase of "possibly effective" and "ineffective" drugs through the reimbursement machinery. It is just that at this point in time we don't have a system by which you can zero in on the individual drugs or to make any kind of analysis that is meaningful across the board in terms of totals. But it is something that we are studying.

It would obviously involve extensive computerization, I assume, to get into that kind of data. This is a huge program covering the whole health care system of the country.

Senator NELSON. That is the pressing problem. As more and more of the taxpayer's money is being spent in this field, there is going to be an increase in demand that the money be spent on the most effective drugs in the most economical way. I don't know of any way you can control that unless you establish some procedures. What about the question of establishing a formulary in the medicare program? Medicaid might be more difficult. But why don't you, at least in medicare programs, establish a formulary and purchase from the formularies? Every good hospital in the country has a formulary, and if the practice is well followed in the hospital, the doctor who wants to prescribe something that isn't on the formulary has to justify it.

Why couldn't you do that in the medicare program, other than the standard answer that we get all the time, that the local doctors won't like it?

Mr. SEGGEL. I think we can certainly consider that. And at this point I would assume that under medicare we would, under such a plan, have to relate to every hospital and require as a condition of reimbursement the establishment of such a formulary. And then the question would be whether we would police that, so to speak, or exercise surveillance over it.

Your question before on medicaid went to that point. And what I would like to do is to say that we hope to get these drugs off the market—that is, the "ineffectives." The "possibly effectives" will either go off or go up in the scale; it is a self-liquidating proposition.

Beyond that, to get into the question of what is good for an individual patient, I am not sure how much the Federal Government should get into it and through what methods.

Senator NELSON. It isn't only the question, really of ineffective drugs; the question is the one of expense. There is a tremendous difference be-