I have referred to the case of prednisone a number of times because the "Medical Letter" reviewed it. A brand name company offered it to New York City at $1.20 a hundred but lost the bid to a company that bid 45 cents a hundred. The same company that bid the $1.20 a hundred to New York City was selling to the pharmacist across the street at $17.90 a hundred on the same day by brand name.

It was being prescribed by brand name because the doctor was used to that name. And so you have that company charging the druggist $17.90 a hundred, with the patient paying $30 to $35 a hundred, while that same company is offering to sell in open competition the same drug, the same brand name, not at $17.90 a hundred, but at $1.20 a hundred. The question is, should the taxpayers be paying $17.90 a hundred, when the same firm is trying to sell it at $1.20 at competitive bids to the city of New York? This is the kind of problem we are going to confront constantly as we start expanding our expenditure of public moneys in this field. A billion and a half dollars is a lot of money for drugs. And that is just the beginning, it won't be long before we will be spending $3 billion in medical care programs paid for by the Federal Government.

But the taxpayer isn't going to stand for the idea of spending four, five, and 10 times as much for a drug than the equivalent which is available to the Defense Supply Agency on competitive bid, just because a brand name identification moves the doctor to write that prescription in that way.

I don't think the taxpayer is going to stand for that very long. It raises a big problem. I don't see that it is easy to answer. But it is going to have to be answered at some stage.

With respect to Darvon, all the testimony—unrefuted—is that it is not a drug of choice. It is a mild analgesic. The Defense Department was spending about $4.5 million when it could have bought aspirin for less than $180,000, at a saving of over $4 million. What had developed was that at the military hospitals this drug was being widely prescribed routinely, although everybody agreed that it wasn't the drug of choice.

Well, should the taxpayer be paying more than $4 million extra just because it is preferred by a physician using public moneys at a military hospital contrary to the unanimous opinion of the clinical experts on this drug? That is the question.

So then when you say to the Defense Department, well, certainly in a military situation you can establish a formulary, they are very worried about that, because that makes the physician mad at the local level. If you can't have a rational system of prescribing drugs in the military services, if you can't do it there you can't do it any place else.

I don't have any more questions.

Mr. GORDON. Why can't you issue a formulary, a list of drugs, with respect to Medicaid, and state that we will reimburse for these drugs, and none other? What is wrong with that?

Mr. SEGGEL. Mr. Richter?

Mr. RICHTER. We, of course, don't have such a requirement now.

Mr. GORDON. In a way you have that requirement, because that memorandum issued by the Surgeon General states that we are not going to reimburse for certain types of drugs.