Appendix A

COMPTROLLER GENERAL'S REPORT TO THE CONGRESS

CONTROLS OVER THE MEDICAID DRUG PROGRAM IN OHIO NEED IMPROVEMENT
Social and Rehabilitation Service
Department of Health, Education, and Welfare B-164031(3)

D I G E S T

WHY THE REVIEW WAS MADE

Under Medicaid, the Department of Health, Education, and Welfare (HEW) shares with the States the costs of providing medical care to persons unable to pay. Because Medicaid expenditures for drugs, nationally, amounted to about $307 million in fiscal year 1969, the General Accounting Office (GAO) reviewed the Medicaid drug program. About $14 million of that amount was spent in Ohio where GAO made its review.

FINDINGS AND CONCLUSIONS

GAO sought answers to three basic questions:

--Are recipients of drugs eligible under Medicaid?
--Are drugs reasonably priced?
--Are controls over drugs adequate?

On the basis of a statistical sample, GAO estimates that, during the year ended March 31, 1969, the welfare recipients comprising at least 4,300, and possibly as many as 9,300, welfare cases in Ohio were ineligible for Medicaid services, including drugs. That situation is attributable primarily to a need for more timely and accurate determinations of eligibility, on a continuing basis, by the county welfare departments. (See pp. 7 to 11.)

Certain drugs purchased under Ohio's Medicaid program were not reasonably priced because of several factors.

--The State's policy of paying pharmacies for drugs on a cost-plus-a-percentage-of-cost basis is contrary to Federal and HEW policy because it gives the pharmacies an incentive to sell high-cost drugs to obtain a greater profit. GAO noted that 11 other States and the Virgin Islands paid for drugs on that basis. (See pp. 12 and 13.)

--The State's controls were not adequate for ensuring that prices billed to the State conformed to its formula for determining

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