payment for drugs, that is, cost plus 50 percent. For example, average markups were 159 percent for Lanoxin, 233 percent for milk of magnesia, and 248 percent for digoxin. The State's policy of permitting pharmacies to charge a minimum of $1 for each prescription increased the difficulty of controlling costs. (See pp. 13 to 20.)

--Nursing homes were not obtaining long-term maintenance drugs in economical quantities, because the State limits to a 30-day supply the drugs prescribed for welfare patients in nursing homes. (See pp. 23 and 24.)

Also there is a need for HEW, in its studies of drug efficacy, to give priority to certain lower cost, frequently used drugs identified by the HEW Task Force on Prescription Drugs as offering potential for considerable savings. (See pp. 20 to 22.)

Ohio's controls over drugs under its Medicaid program were inadequate for either the State or HEW to determine whether (1) drugs obtained by nursing homes were administered to welfare patients and were effective in their treatment, (2) drugs dispensed and billed by pharmacies were actually received by welfare recipients, and (3) only needed drugs were provided to welfare recipients. For example:

--At four of six nursing homes visited, controls were not adequate for ensuring that drugs paid for by the State had been authorized by a physician. (See pp. 26 to 29.)

--At five of 14 pharmacies visited by GAO, controls were not adequate for ensuring that prescriptions were complete as to quantities, dosages, forms, strengths, or dates. (See pp. 29 to 32.)

--The State had not given county welfare departments adequate information for determining whether recipients were receiving only needed drugs. (See pp. 33 and 34.)

RECOMMENDATIONS OR SUGGESTIONS

GAO is recommending that the Secretary of Health, Education, and Welfare:

--Provide assistance to Ohio and other States in revising their drug-payment policies to conform to HEW policy. (See p. 24.)

--Give priority in the conduct of HEW's drug-efficacy studies to those drugs identified by the HEW Task Force on Prescription Drugs as having considerable potential for savings and furnish physicans with information on the results of the studies. (See p. 24.)