

COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY 8053

Appendix A

- Issue guidelines for utilization reviews of drugs so that the States will have a uniform system for accumulating, analyzing, and reporting data for use by HEW and the States in evaluating this aspect of the Medicaid program. (See p. 34.)
- Monitor the implementation of these guidelines and give assistance to Ohio and other States, as needed. (See p. 34.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

HEW stated:

- that guidelines for payments of reasonable charges for prescribed drugs were expected to be issued in the next several months; Ohio planned to abolish the \$1 minimum for each prescription; and the States not in conformity with HEW regulations on drug prices had adopted, or were working toward adoption of, policies to bring them into conformity. (See pp. 24 and 25.)
- that it agreed that its efficacy studies of brand-name and chemically equivalent drugs should be completed and the results should be given to physicians. HEW, however, must make certain of the safety and effectiveness of all available drugs. GAO believes that giving priority, in HEW's drug-efficacy studies, to relatively low-cost, chemically equivalent drugs would not be inconsistent with HEW's responsibility and could result in significant economies in Medicaid drug costs. (See p. 25.)
- that utilization review guidelines would be issued in the near future; contracts had been awarded to four States for a pilot medical surveillance and utilization review program which was expected to strengthen the ability of States to plan, administer, and monitor the Medicaid program; and, the model system developed through the pilot program would be made available for adoption by all participating States. (See p. 35.)
- that it planned to institute a closer monitoring and liaison program in each regional office to bring about a closer relationship with State agencies and to include more frequent visits and detailed reviews of State Medicaid operations. (See p. 35.)

MATTERS FOR CONSIDERATION BY THE CONGRESS

GAO is sending this report to the Congress because of congressional interest in the Medicaid program. The report should be useful to the Congress in considering legislative changes to the program.

Tear Sheet