Drug pricing methods in some contracts with private pharmacies which furnish prescriptions to Indian beneficiaries were based on cost-plus-percentage-of-cost features that GAO believes are not conducive to economical drug purchasing. This pricing method may encourage the dispensing of higher cost drug products than may be needed to meet the requirements of prescriptions because the amount of markup by a pharmacy is contingent upon its acquisition cost of the drugs. (See p. 12.)

In some locations, recurring or repetitive-type prescriptions for Indian patients treated outside DIH facilities have not been filled by Indian health pharmacies. Present policy established by the DIH central office permits, but does not require, that this method of furnishing needed medications be used to achieve the benefit of lower cost than obtainable from private pharmacies. (See p. 16.)

RECOMMENDATIONS OR SUGGESTIONS

GAO recommends that action be taken to strengthen controls over drug procurement by requiring officials responsible for administering the Indian health program to

--maximize the use of centralized and competitive buying of drugs by purchasing them through the PHS supply center or VA supply depots.

--establish a program-wide system, and consider adoption of a program-wide drug formulary, to determine which drug products are, or could be, commonly used by field installations and could be purchased at lower prices through the supply depots.

--revise pricing methods in contracts with private pharmacies by requiring that the reimbursement to the pharmacies be based on actual acquisition cost of the drug plus a fixed professional fee; and

--use DIH pharmacies, whenever feasible, to fill recurring or repetitive-type prescriptions.

During the review, GAO discussed its findings with DIH officials who indicated that consideration would be given to the above recommendations.