UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

MANPOWER AND WELFARE
DIVISION

May 9, 1972

Dear Mr. Twiname:

At the request of the Chairman, Subcommittee on Long-Term Care, Senate Special Committee on Aging, we obtained information on prescribed drugs provided to recipients of old-age assistance in nursing homes under the Medicaid program in Illinois, New Jersey, and Ohio. In response, we issued a report to the Chairman on information obtained on the Medicaid drug program in Illinois (B-164031(3), dated September 10, 1971) and a consolidated report on all three States entitled "Drugs provided to elderly persons in nursing homes under the Medicaid program" (B-164031(3), dated January 5, 1972). These reports have been made public by the Chairman and copies have been furnished to officials of the Social and Rehabilitation Service (SRS) and to officials of the Department of Health, Education, and Welfare (HEW).

This letter report presents our views concerning the need for SRS to issue instructions to States which would implement the Department's policy relating to the payment for purchases of ineffective and possibly effective drugs under the Medicaid program.

INTRODUCTION

On December 11, 1970, the Surgeon General directed HEW agencies to establish the necessary procedures within 45 days to implement departmental policy prohibiting the use of Federal funds for the purchase of drug products classified as ineffective and possibly effective by the Food and Drug Administration (FDA). This policy was applicable to HEW's direct care programs, contract-care programs under its direct care programs, grant programs, and the Medicaid and Medicare programs.

In January 1971, the Medical Services Administration (MSA) of SRS notified all Associate Regional Commissioners for Medical Services of the departmental policy relating to purchases of ineffective and possibly effective drugs. MSA stated that program regulations were being amended to implement this policy for Medicaid. The Commissioners were instructed to notify Medicaid State agencies as soon as possible of the change in Federal policy so that they in turn could notify hospitals, nursing homes, pharmacies, physicians,