

COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY 8719

dentists, and any other providers of drugs, and begin making the necessary changes in drug formularies, drug purchasing guides and drug claims payment processes.

As of May 1, 1972, regulations have not been issued to implement the revised Federal drug policy for Medicaid.

SI. SUBSTANTIAL FUNDS BEING EXPENDED
UNDER MEDICAID FOR INEFFECTIVE
AND POSSIBLY EFFECTIVE DRUGS

Officials who administer the Medicaid drug programs in Illinois, New Jersey, and Ohio, furnished us with computer printouts listing purchases by drug name, number of prescriptions, and amount paid during the first month of each quarter of calendar year 1970. We compared this information to FDA's November 1970 listing^{1/} of drugs classified as ineffective and found the following.

--In Ohio about \$196,000 was expended in January, April, July, and October for about 38,000 prescriptions for 106 drugs classified as ineffective.

--In Illinois and New Jersey about \$99,000 was expended in July and October for about 21,000 prescriptions for 16 drugs classified as ineffective.

Although our identification of purchases of ineffective drugs was limited to these three States, similar conditions probably exist in other States. For example, the Mississippi Medicaid Commission--the single State agency administering the program--reported that in a study of drug usage from July 1, 1970, to February 19, 1971, about \$89,000 was expended for about 22,000 prescriptions for three drugs classified as either ineffective (two drugs) and possibly effective (one drug).

State officials in Illinois, New Jersey, and Ohio informed us that they would continue to pay for such drugs until HEW notifies them that such drugs are no longer eligible under Medicaid. These officials further informed us that their States were not in a position to determine drug efficacy and if they were to declare such drugs not eligible for Medicaid they would be subject to strong criticism from pharmaceutical manufacturers.

^{1/} We did not compare this information to FDA's October 1970 listing of drugs classified as possibly effective; however, as discussed above, expenditures were made under Mississippi's Medicaid program for the purchase of drugs classified as possibly effective.