

8720 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

For calendar year 1970, Illinois, New Jersey, and Ohio reported drug expenditures under their Medicaid programs of about \$50 million, of which about \$25 million, or 50 percent, represented the Federal share. These expenditures accounted for about 12 percent of the total \$425 million expended nationwide for drugs under Medicaid for calendar year 1970.

As discussed above, Ohio expended about \$196,000 for ineffective drugs during January, April, July, and October 1970--an average of \$49,000 a month. If these monthly expenditures for ineffective drugs were representative of the entire calendar year, then as much as \$588,000 could have been expended in Ohio for these drugs during 1970. Considering the large amount of expenditures for Medicaid drugs during 1970--\$425 million--and the probability that other States are purchasing ineffective and possibly effective drugs under their Medicaid programs, then nationwide expenditures for such drugs purchased under Medicaid could be substantial.

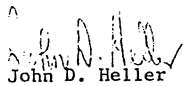
RECOMMENDATION TO THE ADMINISTRATOR,
SOCIAL AND REHABILITATION SERVICE

Because of the substantial amounts expended for drugs under the Medicaid program--and the probability that a significant portion of the expenditures are being made for ineffective and possibly effective drugs--we recommend that SRS issue, without further delay, regulations to preclude the purchase of ineffective and possibly effective drugs under Medicaid.

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We shall appreciate receiving your comments and advice as to any actions taken or planned with respect to our recommendation.

Sincerely yours,


John D. Heller
Associate Director

Mr. John D. Twiname, Administrator
Social and Rehabilitation Service
Department of Health, Education,
and Welfare