

In preparation for these hearings, on January 6 of this year I asked the Department of Health, Education and Welfare for data on drug expenditures. The following information was requested:

(1) A list of the 50 most prescribed drugs under medicare, and (separately) medicaid programs for the latest fiscal year available, preferably 1971.

(2) Total expenditures by the Department of Health, Education, and Welfare under the medicare, and (separately) the medicaid, programs for each of these drugs for that year.

(3) The prices paid by HEW for each of these drugs in medicare and medicaid programs during that year.

On April 7 the Department answered these three questions as follows:

The Department is unable to provide a list of the 50 most prescribed drugs under the medicare and medicaid programs, the total expenditures and the prices paid for these drugs. The reporting systems do not provide for a compilation of the frequency or the total amounts of drug usage and prices paid by individual drug products.

Now, these products are costing the Federal Government and the State and local governments approximately \$1.5 billion a year.

Don't you think we ought to know what the money is being spent on, and whether the situation is as it is in the State of Mississippi, where it would appear that a substantial percentage of the expenditures are for ineffective drugs, or drugs like Darvon Compound 65, which was rated as an irrational combination, or unnecessary drugs?

Don't you have to do individual studies of this kind by State?

Why can't it be done in the medicare program? Aren't all those drugs dispensed in an institutional situation in medicare?

Mr. SEGGER. Yes, that is right.

Senator NELSON. All of them; is that right?

Mr. SEGGER. Those are the only ones that are reimbursable in medicare.

Mr. OLDER. Under the medicare program, cost reports, the cost by departments rather than the individual items in that department.

For example, we have costs for the pharmacy department in the hospital, but we don't have the individual costs of the drugs that were dispensed. We have program validation teams that review some of those costs, and they review them from the point of view, at least at present, of whether the costs were reasonable, and whether the proprietors of the hospital had used prudent buying procedures in purchasing these drugs.

Senator NELSON. But you do not know what money was spent on what particular drug products?

Mr. OLDER. No.

Senator NELSON. So you don't know how much money is being spent on ineffective, unnecessary, unacceptable, or excessively expensive drugs; is that correct?

Mr. OLDER. At this time we don't. We do know the costs of the Department. And we do know that when we find these costs are out of line, the review teams will compare the costs of certain specific drugs to see how the costs compare with what they could have been purchased for, either at the wholesale level or at the retail level, but we do not know the amount spent for each specific drug.