

means of therapy are not available. On January 19, 1971, the Department instructed its agencies that provide direct patient care to stop the procurement and use of such drugs and to advise contract physicians of the Department's policy.

The December 1970 policy announcement stated that the policy also applies to Government financed programs and the Federal Register of October 16, 1971, contains the proposed regulation for Medicare. The Department planned to furnish Medicare carriers and intermediaries with listings of "ineffective" and "possibly effective" drugs to be excluded from reimbursement under the Medicare program. However we understand that the Department has recently undertaken a reevaluation of whether to extend the December 1970 policy to Government financed programs.

In January 1971, the Medical Services Administration of the Social Rehabilitation Service, HEW, notified all Associate Regional Commissioners for Medical Services of the departmental policy relating to purchases of "ineffective" and "possibly effective" drugs. The Medical Services Administration stated that program regulations were being amended to implement this policy for Medicaid. As of May 1, 1972, regulations have not been issued to implement the revised Federal drug policy for Medicaid.

Since 1966 HEW has required that Federal funds be expended only for the lowest priced drugs consistent with acceptable standards of identity, strength, quality, purity, and effectiveness. Information we have obtained on the Medicaid program in four states shows usage of "ineffective"