

firm did not yet have the necessary NDA approval and the others said that they did not market or manufacture the items.

Appendix IV shows the drug items procured from foreign firms in the years 1968 through 1971 by DPSC and VA.

POLICIES, REGULATIONS, AND PRACTICES PERTAINING
TO FURNISHING DRUGS UNDER THE MEDICAID AND
MEDICARE PROGRAMS

Medicaid

The current HEW policy for the payment for prescription drugs under the Medicaid program does not require uniform procedures and practices to be followed by the States. Also, the use of a formulary is optional, but where one is used standards for quality, safety, and effectiveness must be set and supervised by professionals. The Social and Rehabilitation Service is responsible for administering the Medicaid program.

The formulary system should be broad enough to enable physicians and pharmacists to select high quality drugs of recognized therapeutic value for the treatment of any medical situation. Approximately 20 States have attempted to control the cost of drugs in their Medicaid programs through the use of formularies. Attempts have also been made by the States to limit certain drugs in their formularies to generic names.

In November 1970 we reported to the Congress that significant savings could be available to the States and the Federal Government if physicians were to prescribe lower-priced, chemically equivalent drugs instead of higher-priced