

drug formulary. This procedure is apparently not fully effective, however, because California paid for three drugs in September 1973 which FDA had finally declared ineffective in March and May 1973.

We also contacted officials in Illinois and New Jersey, which with Ohio were the States included in our prior review, who informed us that neither State had changed its drug payment policies. The officials told us that their States would continue to pay for drugs which had been classified as ineffective and possibly effective, until HEW made its final determination on this matter and issued regulations.

CONCLUSIONS

It has been more than 3 years since the Surgeon General requested HEW agencies to prohibit the use of Federal funds for the purchase of ineffective and possibly effective drugs, but regulations have not been issued for Medicaid. Such regulations should result in more effective utilization of Federal funds and improved health care of individuals included under Medicaid, through the substitution of drugs having evidence of effectiveness for drugs having little or no evidence of effectiveness.

Since evaluation of specific drugs by FDA also applies to identical drugs and may be applied to related or similar drugs¹, HEW should prepare and distribute a list of all drugs which are identical, related or similar to drugs declared to be ineffective or possibly effective.

RECOMMENDATIONS

SRS officials told us that a draft of a regulation precluding the use of Federal funds for ineffective and possibly effective drugs under Medicaid will be sent to your office shortly for your approval and publication as a proposed regulation. We recommend that you expedite publication of the proposed regulation and that, after comments are received, final regulations be published without delay.

¹An identical, related, or similar drug includes other brands, potencies, dosage forms, salts, and esters of the same drug moiety as well as of any drug moiety related in chemical structure or known pharmacological properties.