

required. Presently 20 States use some type of formulary. SRS, in its Medical Assistance Manual, points out the arguments for and against the use of generic drugs but does not emphasize their use.

Although States generally accumulate data concerning the specific drugs being dispensed under the Medicaid program, the data is not normally provided to SRS.

As you know, Secretary Weinberger recently announced that HEW will be publishing regulations for public comment which, if adopted, would limit drug reimbursements under programs administered by the Department to the lowest cost at which the drug is generally available unless there is a demonstrated difference in therapeutic effect. The Secretary stated that this reimbursement policy will result in significant savings in the cost of providing prescription drugs under Medicare and Medicaid. The Secretary's announcement prompted the Chairman of the Senate Subcommittee on Health, Committee on Labor and Public Welfare, to hold another hearing on February 1, 1974, to provide representatives of the Administration and the drug industry the opportunity to clarify their positions concerning this significant new HEW policy. To date, the proposed regulations referred to by the Secretary have not been published.