

advise their contract physicians of the Department's policy. These instructions remain in effect.

Although the policy was intended for use in all of the Department's programs, it has not yet been implemented for the Medicare and Medicaid programs. The Department, SSA, and SRS have each drafted proposed regulations to address this matter. We understand that the drafts of the proposed regulations are under review in the Department and that notices of proposed rule making will be published for comments by interested parties in the near future.

You may recall that we issued a letter to the Administrator, SRS, in May 1972 bringing the matter to his attention and asking him to advise us concerning SRS plans for implementing the Department's policy. In June 1972, the Administrator told us that a draft of a regulation implementing the Surgeon General's 1970 policy had been cleared in SRS and was being prepared for transmittal to the Office of the Secretary for publication as a proposed rule. The regulation was not published.

As part of our continuing review efforts concerning Medicaid activities, we have recently initiated a survey of the administration of the Medicaid drug program. We have