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# REPORT TO THE CONGRESS

## Controls Over Medicaid Drug Program In Ohio Need Improvement <sup>48</sup> B-164031(3)

Social and Rehabilitation Service <sup>48</sup>  
Department of Health, Education,  
and Welfare <sup>44</sup>

BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES

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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON D C 20548

B-164031(3)

To the President of the Senate and the  
Speaker of the House of Representatives

This is our report entitled "Controls Over the Medicaid Drug Program in Ohio Need Improvement". Medicaid is a grant-in-aid program administered at the Federal level by the Social and Rehabilitation Service of the Department of Health, Education, and Welfare. Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U S C 53), and the Accounting and Auditing Act of 1950 (31 U S C 67).

Copies of this report are being sent to the Director, Office of Management and Budget, and to the Secretary of Health, Education, and Welfare.

A handwritten signature in black ink that reads "James B. Stacks".

Comptroller General  
of the United States

that prescriptions were being issued only by licensed physicians.

#### Pharmacy B

Dosages and quantities were not shown on some prescriptions filled by the pharmacist for welfare recipients. Also, receipts were not obtained from the nursing home to evidence the delivery of drugs for welfare patients.

#### Pharmacy C

We identified four drugs for welfare recipients for which the pharmacy had been paid higher prices by the State than by the general public. On each pharmacy's claim form the State notified pharmacists that under no circumstances could the prices charged the State exceed the prices charged the general public.

The pharmacist informed us that he had charged higher prices to the State to compensate for the additional work involved in billing for prescriptions for welfare recipients.

A particularly serious weakness is that SDPW has not established controls for verifying that drugs dispensed by pharmacies are actually received by welfare recipients. Recipients are not required to sign for the drugs. In November 1969, an HEW program review group reported that SDPW accepted invoices as evidence that drugs were provided, without confirming their receipt on a test basis.

Although utilization reviews should identify weaknesses in controls over drugs at pharmacies, HEW's task force on Medicaid and related programs reported in an interim report in November 1969 that no State had established an effective system of utilization review. The task force recommended that Federal policy on State reviews of the Medicaid program be made strong, specific, and comprehensive.

SDPW officials informed us that, in the future, the State's utilization reviews would be expanded to include

pharmacies. An SDPW official agreed that the State's Board of Pharmacy should participate in the reviews, since the board makes inspections for licensing of pharmacies.

## IMPROVEMENTS NEEDED TO CONTROL DRUG USE

SDPW has not provided adequate information to enable county welfare departments to determine whether welfare recipients are being provided with only needed drugs. )

As part of their responsibility of being alert to the type and amount of health care needed by welfare recipients, county caseworkers must examine into the need for health services, including drugs. Data to be used by the caseworker in fulfilling this responsibility is provided by SDPW in the form of monthly tabulations which show, by recipient, all health care services paid for by the State

The health care tabulations, however, have not been an effective means of control over drug use, because they do not contain sufficient data for caseworkers to make adequate evaluations of the numbers and kinds of drugs being dispensed to welfare recipients. Cuyahoga and Summit County officials informed us that the tabulations were not being used by the caseworkers because SDPW had not provided instructions on how the information should be used and because the caseworkers were unable to identify from the tabulations what drugs had been provided to the recipients

Current data on drugs provided to welfare recipients is not always included on the tabulations, since some drug payments shown on the tabulations represent payments made long after the drugs were dispensed. During fiscal year 1969 about \$2.4 million of the \$14 million paid to pharmacies in Ohio under Medicaid were for drugs dispensed more than 4 months' prior to the month of payment.

The delay in payment was often due to delayed submission of invoices by pharmacies. Under SDPW billing procedures there is no time limitation for submitting invoices. Our review of selected invoices showed that, in general, pharmacies did not submit an invoice until 5 months after the date the last drug on the invoice had been dispensed. In some cases, invoices contained errors which necessitated their return to the pharmacies, which delayed payment by the State

SDPW recognizes that current and sufficient information on drugs dispensed on behalf of recipients is not being provided to caseworkers. An SDPW official informed us that a more suitable format for the health-care tabulation would be developed. SDPW is considering revising tabulations to show only those cases where drugs apparently are being overprovided.

### CONCLUSIONS

To help control drugs, nursing homes must maintain for each patient a plan of care, a record of the drugs administered, and recorded observations showing the patient's progress. Contrary to HEW and/or State regulations, many nursing homes in Ohio are not maintaining these records. Because the State, through its utilization reviews, has identified these deficiencies, it should be able to take effective corrective action. Such action is essential if drugs provided to welfare patients in nursing homes are to be properly controlled.

Weaknesses in controls over the dispensing of drugs demonstrate that the State should expand its utilization reviews to include pharmacies. Although HEW guidelines have been deficient in this and other areas of utilization reviews, these reviews must be made if problems in the dispensing of drugs are to be corrected.

### RECOMMENDATIONS TO THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE

We recommend that the Secretary of Health, Education, and Welfare issue guidelines for utilization reviews of drugs so that the States will have a uniform system for accumulating, analyzing, and reporting data for use by HEW and the State in evaluating this aspect of the Medicaid program. We recommend also that he monitor the implementation of these guidelines and give assistance to Ohio and other States, as needed.

## AGENCY COMMENTS AND ACTION

HEW advised us that utilization review guidelines, which have been in draft form for quite some time, have been withheld from final publication while under consideration by HEW's task force on Medicaid and related programs. (See p. 31.) The final report of the task force, which was issued on June 29, 1970, stated that a strong, specific, and comprehensive Federal policy should be developed that would require the States to establish Medicaid program effectiveness systems designed to effectively control services provided under the program to welfare recipients. HEW stated that it hoped to issue utilization review guidelines in the near future.

HEW informed us that, in addition, it had awarded contracts to four States--Colorado, Oklahoma, Rhode Island, and West Virginia--for the implementation of a pilot medical surveillance and utilization review program. HEW stated that the model system developed through this pilot program, which was expected to strengthen the ability of States to monitor, plan, and administer the Medicaid program, would be made available for adoption by all participating States.

HEW stated also that it planned to institute in each regional office a closer monitoring and liaison program with the individual State agencies. HEW stated further that, under this new program, it planned to have a closer relationship with State agencies, along with more frequent visits and detailed reviews of State operations. HEW informed us that it would, however, continue to evaluate the adequacy of its guidelines in the light of information obtained through its continued monitoring of State programs.

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The administrative actions taken or promised by HEW should assist in strengthening administration of the Medicaid program.

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## CHAPTER 5

### SCOPE OF REVIEW

To evaluate controls established to safeguard Ohio's Medicaid drug program from improper use, we

- examined selected welfare case records and inquired into the timeliness and accuracy of eligibility re-determinations,
- examined into the effectiveness of the State's policy of paying pharmacies for drugs dispensed,
- ascertained, for selected drugs, whether prices paid were reasonable,
- ascertained whether adequate records of drugs administered to nursing home patients were being maintained,
- ascertained whether adequate records of drugs dispensed by pharmacies were being maintained, and
- reviewed information provided by SDPW to counties for caseworker determinations of drug usage.

Our review was made at SDPW, Cuyahoga and Summit County Welfare Departments, and selected nursing homes and pharmacies. We informed officials of HEW, SDPW, and the two selected counties of the results of our review.

APPENDIXES



DEPARTMENT OF HEALTH, EDUCATION AND WELFARE  
WASHINGTON, D C 20201

OFFICE OF THE SECRETARY

AUG 31 1970

Mr. John D Heller  
Assistant Director  
Civil Division  
U.S General Accounting Office  
Washington, D.C. 20548

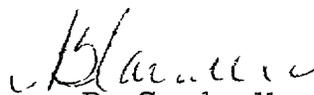
Dear Mr Heller:

The Secretary has asked that I reply to the draft report of the General Accounting Office on the Control Over Drugs Provided Under the Medicaid Program in the State of Ohio

Enclosed are the Department comments on the findings and recommendations in your report

We appreciate the opportunity to review and comment on your draft report

Sincerely yours,

  
James B Cardwell  
Assistant Secretary, Comptroller

Enclosure

COMMENTS ON GENERAL ACCOUNTING OFFICE DRAFT REPORT

CONTROLS OVER DRUGS PROVIDED UNDER THE MEDICAID

PROGRAM IN THE STATE OF OHIO

The draft report of the General Accounting Office presents a factual picture of the situation in Ohio with regard to controls over drugs, and is consistent with the findings of the SRS Regional Office on these points

Comments obtained by us from an official of the State of Ohio indicates that the State Agency is undertaking studies to develop a new drug reimbursement basis. We will, of course, work with the State in order to achieve a drug reimbursement plan in the most expeditious manner possible. In addition, the State indicated they planned to drop the present \$1 minimum on drugs.

The first recommendation (page 24 of the draft) addresses to the point that HEW should provide assistance to thirteen States in revising their drug-pricing policies, from a cost-plus-a-percentage-of-cost basis to conform with HEW's pricing policy. We currently have in draft form guidelines for payments of reasonable charges for prescribed drugs which should be released to the States within the next several months. These guidelines delve into several optional methods for establishing drug-pricing fees within the framework of Federal regulations. Concerning the twelve States other than Ohio mentioned in the report, correspondence from Kansas, Louisiana, Massachusetts, Nevada, Oregon, Pennsylvania, and Washington indicates that they have adopted or intend to adopt in the near future, drug fee basis in conformity with Federal regulations. The remaining States, Connecticut, Illinois, Utah, Virgin Islands, and West Virginia are working with our Regional Offices to bring their State plans in conformity with Federal regulations. We see no reasons why these remaining States should not be in conformity in the near future. In addition, through our regional review, we will follow up periodically on the actions promised by the States.

Concerning the second recommendation (page 24 of the draft) that HEW complete its efficacy studies of brand name and chemically equivalent drugs and furnish the results to physicians, we are in full agreement. However, we feel that the inseparability of quality from price requires that we make certain that all manufacturers' versions of every drug product available to American patients are in fact safe and effective. We are not in such a position today. We would be reluctant to impose constraints on prescribers until such time as the Department has acceptable answers to the question

surrounding the equivalency of drug products. The problem is considerably more difficult than we had anticipated and will require substantial time and effort to resolve. We are all aware of the rising cost of medical care in this country, and we will institute the appropriate actions as soon as the results of the efficacy study are known.

Third and fourth recommendations (page 34 of the draft) provide that HEW establish guidelines for utilization reviews of drugs and that HEW monitor the implementation of the guidelines and provide assistance to Ohio and other States. Utilization review guidelines have been in draft form for quite some time. The guidelines have been held from final publication while under consideration by the McNerney Task Force on Medicaid and Related Programs. The final report on the Task Force, which was issued on June 29, 1970, stated that a strong, specific, and comprehensive Federal policy should be developed which would require the States to establish Medical Program effectiveness systems designed to control Program utilization. We hope to issue utilization review guidelines in the near future.

In addition to these guidelines, we have executed contracts for the implementation of a pilot medical surveillance and utilization review program with four States, Colorado, Oklahoma, Rhode Island, and West Virginia. It is hoped that the results thus obtained will strengthen the ability of States to monitor, plan and administer the title XIX Program. Further, the model system developed through this pilot project will be made available for adoption by all participating States.

Finally, we plan to shortly institute a closer monitoring and liaison Program with each individual State Agency by each of the SRS-MSA Regional Offices along with the cooperation of the Washington Central Office. Under this new Program we plan to have a closer relationship with the State Agencies along with more frequent visits and detailed reviews of State operations. We will continue to evaluate the adequacy of these guidelines in light of information brought to our attention through our continuing monitoring of State Programs

BEST DOCUMENT AVAILABLE

APPENDIX II

PRINCIPAL OFFICIALS OF THE  
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE  
HAVING RESPONSIBILITY FOR THE ADMINISTRATION OF  
ACTIVITIES DISCUSSED IN THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
SECRETARY OF HEALTH, EDUCATION, AND WELFARE:		
Elliot L. Richardson	June 1970	Present
Robert H. Finch	Jan. 1969	June 1970
Wilbur J. Cohen	Mar. 1968	Jan. 1969
John W. Gardner	Aug. 1965	Mar. 1968
ADMINISTRATOR, SOCIAL AND REHABILITATION SERVICE:		
John D. Twiname	Mar. 1970	Present
Mary E Switzer	Aug. 1967	Mar. 1970