The June 1993 issue of Health Reports is a list of health products including reports and testimonies issued by the General Accounting Office (GAO) over the past 2 years. Organized chronologically, the entries provide a title, report number, and issue date for each GAO health product. Reports and testimonies on the same topic may be combined into a single entry.

The first section—Recent GAO Products—summarizes reports and testimonies on selected health issues published from February through May 1993. This section is followed by a list of additional products published during the same period and then a listing of summaries of most frequently requested health reports. The remainder of Health Reports is a list of health products published from June 1991 through May 1993 organized by subject areas as shown in the table of contents. As appropriate, entries have been cross-indexed and are included in more than one subject area. An order form to be placed on our mailing list for Health Reports is on page 47 of this report. An order form to request GAO products is on page 48.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preface</td>
<td>1</td>
</tr>
<tr>
<td>Abbreviations</td>
<td>4</td>
</tr>
<tr>
<td>Recent GAO Products</td>
<td>5</td>
</tr>
<tr>
<td>Summaries of Selected Reports</td>
<td>5</td>
</tr>
<tr>
<td>List of Additional GAO Health Products</td>
<td>10</td>
</tr>
<tr>
<td>Most Frequently Requested Health Reports</td>
<td>13</td>
</tr>
<tr>
<td>Health Financing and Access</td>
<td>16</td>
</tr>
<tr>
<td>Medicare and Medicaid</td>
<td>20</td>
</tr>
<tr>
<td>Managed Care</td>
<td>25</td>
</tr>
<tr>
<td>Public Health and Education</td>
<td>26</td>
</tr>
<tr>
<td>Health Quality and Practice Standards</td>
<td>27</td>
</tr>
<tr>
<td>Long-Term Care and Aging</td>
<td>29</td>
</tr>
<tr>
<td>Substance Abuse and Drug Treatment</td>
<td>31</td>
</tr>
<tr>
<td>Prescription Drugs</td>
<td>33</td>
</tr>
<tr>
<td>Military and Veterans Health Care</td>
<td>34</td>
</tr>
<tr>
<td>Employee and Retiree Health Benefits</td>
<td>39</td>
</tr>
<tr>
<td>Other Health Issues</td>
<td>41</td>
</tr>
<tr>
<td>Environmental Impact on Health</td>
<td>41</td>
</tr>
<tr>
<td>Food and Drug Administration</td>
<td>42</td>
</tr>
<tr>
<td>Medical Malpractice</td>
<td>43</td>
</tr>
<tr>
<td>Occupational Safety and Health</td>
<td>43</td>
</tr>
<tr>
<td>Research</td>
<td>44</td>
</tr>
<tr>
<td>Social Security Disability</td>
<td>44</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>44</td>
</tr>
</tbody>
</table>
Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADMS</td>
<td>Alcohol, Drug Abuse and Mental Health Services</td>
</tr>
<tr>
<td>ADP</td>
<td>automatic data processing</td>
</tr>
<tr>
<td>AIDS</td>
<td>acquired immunodeficiency syndrome</td>
</tr>
<tr>
<td>CDC</td>
<td>Centers for Disease Control and Prevention</td>
</tr>
<tr>
<td>CHAMPUS</td>
<td>Civilian Health and Medical Program of the Uniformed Services</td>
</tr>
<tr>
<td>DC</td>
<td>District of Columbia</td>
</tr>
<tr>
<td>DOD</td>
<td>Department of Defense</td>
</tr>
<tr>
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</tr>
<tr>
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</tr>
<tr>
<td>GAO</td>
<td>General Accounting Office</td>
</tr>
<tr>
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<td>Health Care Financing Administration</td>
</tr>
<tr>
<td>HHS</td>
<td>Department of Health and Human Services</td>
</tr>
<tr>
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</tr>
<tr>
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<td>health maintenance organization</td>
</tr>
<tr>
<td>IHS</td>
<td>Indian Health Service</td>
</tr>
<tr>
<td>JCAHO</td>
<td>Joint Commission on Accreditation of Healthcare Organizations</td>
</tr>
<tr>
<td>OSHA</td>
<td>Occupational Safety and Health Administration</td>
</tr>
<tr>
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<td>research and development</td>
</tr>
<tr>
<td>RBRVS</td>
<td>Medicare Resource-Based Relative Value Scale</td>
</tr>
<tr>
<td>USDA</td>
<td>United States Department of Agriculture</td>
</tr>
<tr>
<td>VA</td>
<td>Department of Veterans Affairs</td>
</tr>
<tr>
<td>WIC</td>
<td>Special Supplemental Food Program for Women, Infants, and Children</td>
</tr>
</tbody>
</table>
SUMMARIES OF SELECTED REPORTS


The states and the private sector have initiated a number of efforts to address the problems associated with an inefficient and inequitable compensation system and the adverse effects on the way physicians practice medicine. Four of these efforts currently receiving considerable attention are (1) risk management at the Harvard medical institutions, (2) the use of practice guidelines in Maine, (3) alternatives to litigation in several states and some health maintenance organizations, and (4) no-fault approaches in Virginia and Florida. Any reform of the malpractice system should address the issues of (1) reducing the incidence of negligent care, (2) fairly compensating individuals injured through medical negligence, and (3) dealing with the complexities involved in efforts to enhance the overall quality of care provided in the United States.


GAO reviewed a subsample of Medicare's audits to assess their adequacy and found that the audits were incomplete and poorly done. If the audits had been adequately performed, additional costs would probably have been disallowed and removed from the cost reports. This would have resulted in a further reduction of the median cost per treatment. Cost report data show that integrated facilities provided dialysis treatments at a substantially lower cost than nonintegrated firms.


In assessing the organ allocation and procurement system, GAO found that existing practices raise questions as to equity of organ allocation decisions. The lack of an adequate measure of organ procurement effectiveness hinders efforts to monitor and improve organ procurement. Although the National Organ Procurement and Transplantation Network has improved the procurement and allocation of organs for transplant, further improvements are needed.

Increasing the cap on Medicare payments to encourage physicians to offer mammography in their offices is not a cost-effective way to expand the use of screening mammography. Inconsistent Health Care Financing Administration (HCFA) guidance and differing Medicare regulations for diagnostic and screening mammography have led to confusion about the appropriate billing procedures for screening mammography provided under package leasing arrangements.


Freestanding diagnostic imaging centers have proliferated in many parts of the country and are also among the most popular types of physician-owned joint ventures. Referral practices for diagnostic imaging varied among the medical specialties. GAO's study of diagnostic imaging referral practices provides further evidence that physician investment in medical facilities is associated with more frequent referral to those facilities and higher health care costs.

Indian Health Service: Basic Services Mostly Available; Substance Abuse Problems Need Attention (Report, Apr. 9, 1993, GAO/HRD-93-48).

GAO reviewed the availability of health care services to American Indians and Alaska Natives residing in five Indian Health Service (IHS) areas--Aberdeen, Alaska, California, Navajo, and Portland. While they differed greatly in the way they delivered health care services, the five areas reported generally similar availability of basic clinical services. Service units officials generally identified alcohol and substance abuse services as their greatest unmet health need. IHS lacks data on alcoholism rates among Indians and the effectiveness of current prevention and treatment programs. Without such data, IHS is hard pressed to develop effective strategies that maximize the use of its limited resources.


Beginning in 1980, the Congress enacted a number of laws making Medicare the secondary payer for most beneficiaries covered under employer-sponsored group health insurance. These amendments have
reduced Medicare costs by billions of dollars. Medicare has had
problems recouping funds from other insurers when it discovers that
it has mistakenly paid for the services for which another insurer
was liable. GAO believes opportunities exist to identify a more
efficient and less costly approach to identify Medicare secondary
payer activities.


GAO found that use of the Texas disproportionate share program formula favors public hospitals that receive a relatively large amount of state and local revenue. The formula does not give full credit to hospitals’ charity care that is not tax supported—such as that provided by some private hospitals. Four other states—Florida, Louisiana, Michigan, and Virginia—reviewed by GAO have established qualifying formulas which include a measure of charity care provided to low-income patients.


Most state Medicaid programs could save money if low-cost vaccines acquired through Centers for Disease Control and Prevention (CDC) contracts were made available to all health care providers administering vaccinations to poor children. Savings on vaccine costs, however, will do little to improve preschool immunization levels unless funds are provided for educating parents and tracking and following up on the immunization status of children to help ensure that preschool children receive timely immunizations. Most states do not systematically carry out these three activities.


The Yale University forecasting model, which GAO found to be credible, estimated a 33 percent reduction in new HIV infections among New Haven, Connecticut, needle exchange program participants over one year. Despite the potential of such programs as an AIDS prevention strategy, HHS is currently restricted from using certain funds to directly support the funding of exchange programs. Only three of nine needle exchange programs reviewed by GAO had published results showing changes in needle sharing behaviors based on strong evidence. Two of these three programs reported a reduction in needle sharing while a third reported an increase. Five programs found that injection drug use did not increase among users; four reported no increase in frequency of injection and one found no increase in the prevalence of use.
Nine pharmacies in Illinois and Maryland received about 19 percent more Medicaid reimbursement for selected drugs than the total amount paid for these drugs by the pharmacies. For the Illinois pharmacies, the amount by which reimbursements exceeded purchase costs ranged from 10 to 23 percent. For the Maryland pharmacies, the range was from 11 to 34 percent.

Most states are rapidly developing or expanding their managed care programs. States choosing managed care for their Medicaid programs report facing difficult implementation issues. Medicaid managed care plans have had mixed results in improving access to care, assuring the quality of services, and saving money. States moving to managed care are under increasing pressure to monitor access and quality of services to ensure that providers' medical decisions are not compromised by financial incentives.

Health insurance experts estimate that fraud and abuse contribute to some 10 percent of the $800-plus billion currently spent on health care. Overcoming obstacles, which frustrate insurers' efforts to prevent or detect and pursue cases involving fraudulent or abusive billing, will require systematic collaboration by insurers, law enforcement agents, regulators, and providers, on problems involving health insurance fraud and abuse. Resource constraints add to the problems of pursuing health care fraud.

Drug manufacturers typically charge wholesalers in the United States more than those in Canada. U.S./Canadian price differentials for 121 widely dispensed drugs sold in both countries varied significantly. These price differences can be explained largely by two factors that manufacturers encounter in Canada but not in the United States: (1) federal regulations are designed to restrain drug prices, and (2) provincial drug benefit plans pay for drugs for a large segment of the population.

Canadian federal strategy for limiting prescription drug prices relies largely on the Patented Medicine Prices Review Board to determine when the price of a patented drug is excessive and to apply sanctions, when necessary, against drug manufacturers. The Board has the power, following a public hearing, to order the removal of market exclusivity or a price reduction if it finds a price to be excessive. Canadian experience shows that a drug price review board can restrain prescription drug prices. The Board's effect on Canadian pharmaceutical research and development (R & D) is in dispute.

**Medicare: Funding and Management Problems Result in Unnecessary Expenditures** *(Testimony, Feb. 17, 1993, GAO/T-HRD-93-4).*

Medicare's soaring expenditures underscore the need for the government to fund and manage the program judiciously. Despite a 12-to-1 return on money invested in payment safeguards (payment control activities), contractors' per claim funding for payment safeguards has declined by over 24 percent since 1989. The Medicare program is also suffering from management weaknesses. The Health Care Financing Administration (HCFA) has not compiled information on contractors' payment safeguard controls and cannot systematically identify where important controls may be needed. In addition, HCFA has not always provided adequate guidance to contractors on such matters as recovering overpayments and investigating complaints alleging fraud and abuse.

**Health Insurance: Legal and Resource Constraints Complicate Efforts to Curb Fraud and Abuse** *(Testimony, Feb. 4, 1993, GAO/T-HRD-93-3).*


The size of the health care sector and sheer volume of money involved make it an attractive target for fraud and abuse. Profiteers are able to stay ahead of those who pay claims, in part, because of the obstacles to preventing and pursuing dishonest practices. Once detected, fraud is expensive and time-consuming to pursue. Limited resources can constrain state and federal prosecutors from pursing health care cases involving relatively small dollar amounts. Without adequate resources, the two significantly involved federal agencies cannot effectively investigate and pursue health care fraud cases. Due to the complexity of health care structural issues, GAO asked the Congress to consider establishing a national commission to develop comprehensive solutions to health insurance fraud and abuse.
LIST OF ADDITIONAL GAO HEALTH PRODUCTS ISSUED BETWEEN FEBRUARY AND MAY 1993


Long-Term Care Case Management: State Experiences and Implications for Federal Policy (Report, Apr. 6, 1993, GAO/HRD-93-52).


VA Health Care: Selection of a Planned Medical Center in East Central Florida (Report, Mar. 1, 1993, GAO/HRD-93-77).


Rochester, New York, has succeeded in keeping health care costs lower than costs in other communities without sacrificing its residents' access to care. Rochester residents are more likely to have health insurance than populations of other cities and the nation. Rochester's system is distinguished by the interaction of several factors, beginning with a long history of community-based health planning. These planning initiatives have included limiting the expansion of hospital capacity, implementing global budgeting that capped total hospital revenues, and controlling the diffusion of medical technology.


Nationwide emergency department patient caseloads grew dramatically from 1985 through 1990. Growth was concentrated among patients whose medical care is often not reimbursed, such as the uninsured and Medicaid patients in some states. This disproportionate growth may make it more difficult for hospitals to absorb or offset losses due to unreimbursed emergency department patient care costs. Nationwide patterns of caseload growth, payer mix, and timeliness of care conceal substantial variations in emergency department conditions among hospitals.


Many employers are facing rapidly increasing health insurance premiums and are frustrated by their unsuccessful efforts to contain health care costs. Firms most vulnerable to rising health costs are those whose health insurance plans offer extensive benefits and cover a large number of retirees or dependents; those whose workers are older, less healthy, or earning higher incomes; those with relatively few workers; and those in high health-cost areas. Individual firms can do little to lower their health care costs because they cannot readily change their size, location, or employee demographics.

States have taken a leadership role in devising strategies to expand access to health insurance and contain the growth of health costs. A difficult hurdle to overcome, however, is the restrictions imposed by the preemption clause of the Employee Retirement Income Security Act of 1974 (ERISA). This clause effectively prevents states from exercising control over all employer-provided insurance. Hawaii is the only state with an exemption, in part because its law requiring employer-provided health insurance took effect before ERISA was enacted. Other states have tried to move toward coverage of all their citizens within ERISA's constraints. Some state initiatives have been more narrowly focused, creating programs to assist specific groups. State budgetary constraints, however, have limited these programs to serving a small fraction of the uninsured population.


In some localities, Medicare's technical component payments for Magnetic Resonance Imaging (MRI) do not reflect the lower costs per scan now being achieved through faster scanning and higher machine utilization. Current payment levels are based, in part, on the charges allowed by local Medicare contractors in the mid-1980s. The 1991 payment levels in some localities were more than twice as high as in others, reflecting wide geographic disparities in the historical allowed charges. Medicare should base its payments on the costs incurred by high-volume, efficient facilities to reduce Medicare program expenditures and to discourage providers from adding excess capacity to the health care system.


Weaknesses within the health insurance system allow unscrupulous health care providers to cheat insurance companies and programs out of billions of dollars annually. Repairing the system's weaknesses presents a dilemma to policymakers: on the one hand, safeguards must be adequate for prevention, detection, and pursuit; on the other, they must not be unduly burdensome or intrusive for policyholders, providers, insurers, and law enforcement officials. GAO has asked the Congress to consider establishing a national health care fraud commission as a way to unite the efforts of public and private payers and to build consensus among representatives of divergent viewpoints.


This report contains testimony presented to the House Committee Ways and Means on April 17, 1991, on health care costs in the United States as well as on long-term strategies for reform of the U.S. health care system.


If the universal coverage and single-payer features of the Canadian system were applied in the United States, the savings in administrative costs alone would be more than enough to finance insurance coverage for the millions of Americans who are currently uninsured. There would be enough left over to permit a reduction, or possibly even the elimination, of copayments and deductibles. With the authority and responsibility to oversee the system as a whole, as in Canada, the single payer could potentially constrain the growth in long-run health care costs. Canadians have few problems with access to primary care services. The Canadian method of controlling hospital costs has limited the use of expensive, high technology diagnostic and surgical procedures.
HEALTH FINANCING AND ACCESS


Health Insurance: Remedies Needed to Reduce Losses From Fraud and Abuse (Testimony, Mar. 8, 1993, GAO/T-HRD-93-8).

Major Issues Facing a New Congress and a New Administration (Testimony, Jan. 8, 1993, GAO/T-OCG-93-1).


Hospital Costs: Adoption of Technologies Drives Cost Growth (Report, Sept. 9, 1992, GAO/HRD-92-120).


MEDICARE AND MEDICAID


Resource-Based Relative Value Scale (RBRVS) and Administrative Costs (Letter, July 13, 1992, GAO/HRD-92-38R).


Medicaid: Factors to Consider in Managed Care Programs (Testimony, June 29, 1992, GAO/T-HRD-92-43).


Medicaid: Oregon’s Managed Care Program and Implications for Expansions (Report, June 19, 1992, GAO/HRD-92-89).


Medicaid: Factors to Consider in Expanding Managed Care Programs (Testimony, Apr. 10, 1992, GAO/T-HRD-92-26).


Medicare: Over $1 Billion Should Be Recovered From Primary Health Insurers (Report, Feb. 21, 1992, GAO/HRD-92-52).


MANAGED CARE


Medicaid: Factors to Consider in Managed Care Programs (Testimony, June 29, 1992, GAO/T-HRD-92-43).


Medicaid: Factors to Consider in Expanding Managed Care Programs (Testimony, Apr. 10, 1992, GAO/T-HRD-92-26).


PUBLIC HEALTH AND EDUCATION


HEALTH QUALITY AND PRACTICE STANDARDS


Indian Health Service: Basic Services Mostly Available; Substance Abuse Problems Need Attention (Report, Apr. 9, 1993, GAO/HRD-93-48).


LONG-TERM CARE AND AGING


Long-Term Care Case Management: State Experiences and Implications for Federal Policy (Report, Apr. 6, 1993, GAO/HRD-93-52).


SUBSTANCE ABUSE AND DRUG TREATMENT

Indian Health Service: Basic Services Mostly Available; Substance Abuse Problems Need Attention (Report, Apr. 9, 1993, GAO/HRD-93-40).


PRESCRIPTION DRUGS


33
MILITARY AND VETERANS HEALTH CARE


VA Health Care: Selection of a Planned Medical Center in East Central Florida (Report, Mar. 1, 1993, GAO/HRD-93-77).


VA Health Care: Closure and Replacement of the Medical Center in Martinez, California (Report, Dec. 1, 1992, GAO/HRD-93-15).


VA Health Care: Copayment Exemption Procedures Should be Improved (Report, June 24, 1992, GAO/HRD-92-77).


Medical ADP Systems: Composite Health Care System is Not Ready to be Deployed (Report, May 20, 1992, GAO/IMTEC-92-54).


Defense Health Care: Efforts to Address Health Effects of the Kuwait Oil Well Fires (Report, Jan. 9, 1992, GAO/HRD-92-50).


EMPLOYEE AND RETIREE HEALTH BENEFITS


Fraud and Abuse: Stronger Controls Needed in Federal Employees Health Benefits Program (Report, July 16, 1991, GAO/GGD-91-95)
OTHER HEALTH ISSUES

ENVIRONMENTAL IMPACT ON HEALTH


FOOD AND DRUG ADMINISTRATION


Nonprescription Drugs: Over the Counter and Underemphasized (Testimony, Apr. 8, 1992, GAO/T-PEMD-92-5).


MEDICAL MALPRACTICE


OCCUPATIONAL SAFETY AND HEALTH


RESEARCH


SOCIAL SECURITY DISABILITY


MISCELLANEOUS


HHS Staff for Board and Care Issues (Letter, Apr. 1, 1992, GAO/HRD-92-29R).


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<table>
<thead>
<tr>
<th>Name</th>
<th>Address</th>
</tr>
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<tbody>
<tr>
<td>Report</td>
<td>Report Title</td>
</tr>
<tr>
<td>Number</td>
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</table>

48