

# Defense Health Agency Pharmacy Operations Division

*RADM Thomas J McGinnis, USPHS  
Monday, November 18, 2013  
Defense Health Board Briefing*

# Defense Health Agency (DHA) Pharmacy Program

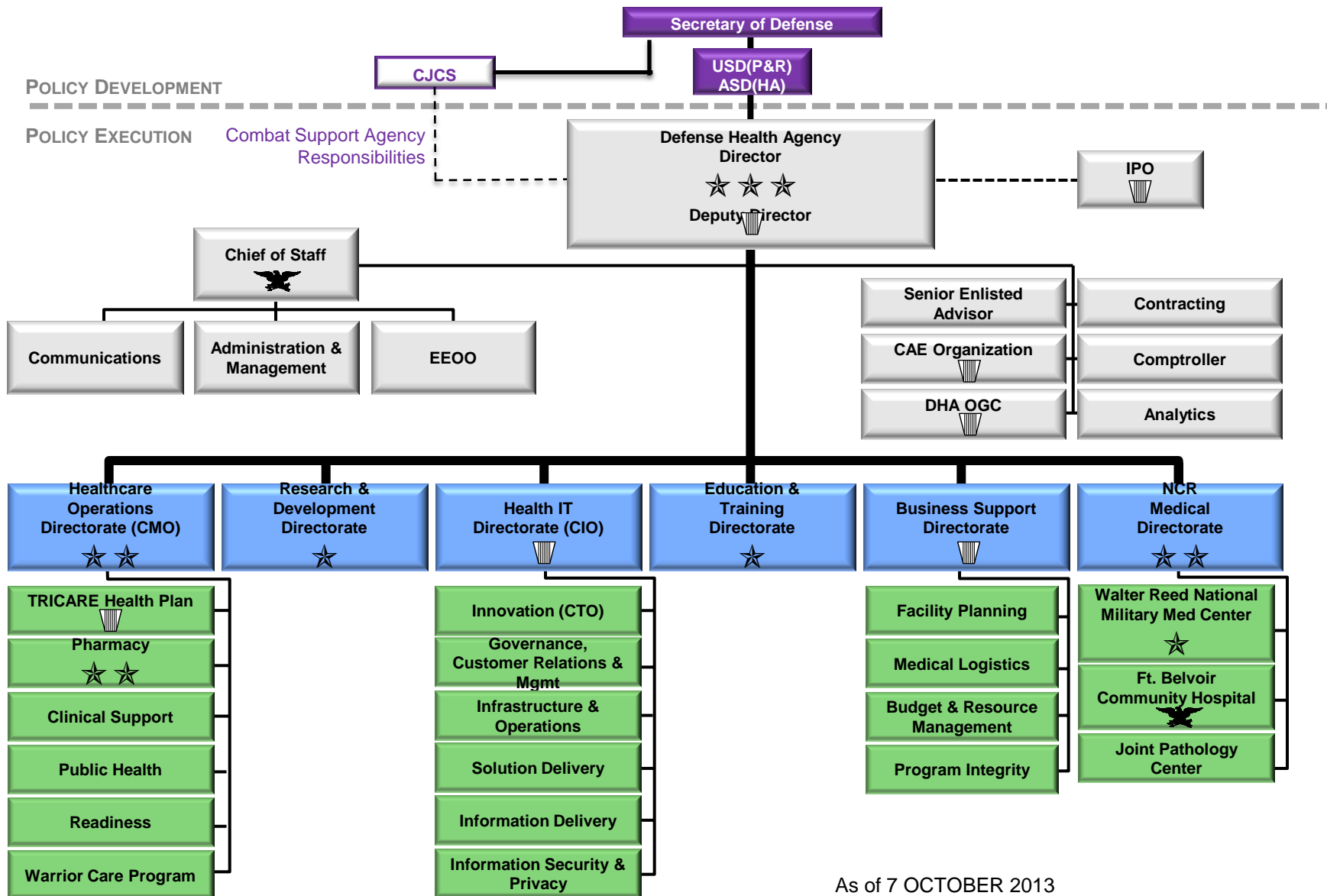
## Mission

To direct the DoD Pharmacy benefit in support of the MHS' mission through effective planning, programming, budgeting, and execution of the DoD Pharmacy operations.

## Goal

To improve patient outcomes while reducing overall healthcare costs through the delivery of optimal pharmaceutical care.

# DHA Structure



# Pharmacy Operations Division (POD)

FTEs	
At IOC	76
By 30 September 2014	79

**Pharmacy Operations  
Division Chief**  
CIV, 1 FTE

**Deputy Chief**  
MIL, 1 FTE

**Service Consultants/  
Board of Advisors**

Service SGs

**Chief of Staff /  
Personnel Operations**

CIV, 1 FTE

**Informatics &  
Operations  
Branch Chief**

CIV, 1 FTE

**TPharm Operations  
Branch Chief**

CIV, 1 FTE

**Integrated Utilization  
Branch Chief**

CIV, 1 FTE

**Pharmacoeconomic  
Branch Chief**

MIL, 1 FTE

**Informatics &  
Operations  
Deputy Chief**  
MIL, 1 FTE

**TPharm Operations  
Deputy Chief**  
MIL, 1 FTE

**Integrated  
Utilization  
Deputy Chief**  
MIL, 1 FTE

**Overview of Roles and Responsibilities:** To manage and support execution of ongoing and future enterprise-wide pharmacy activities

**DHA POD Staff**

MIL, CIV, & CTR, 69 FTEs

Army

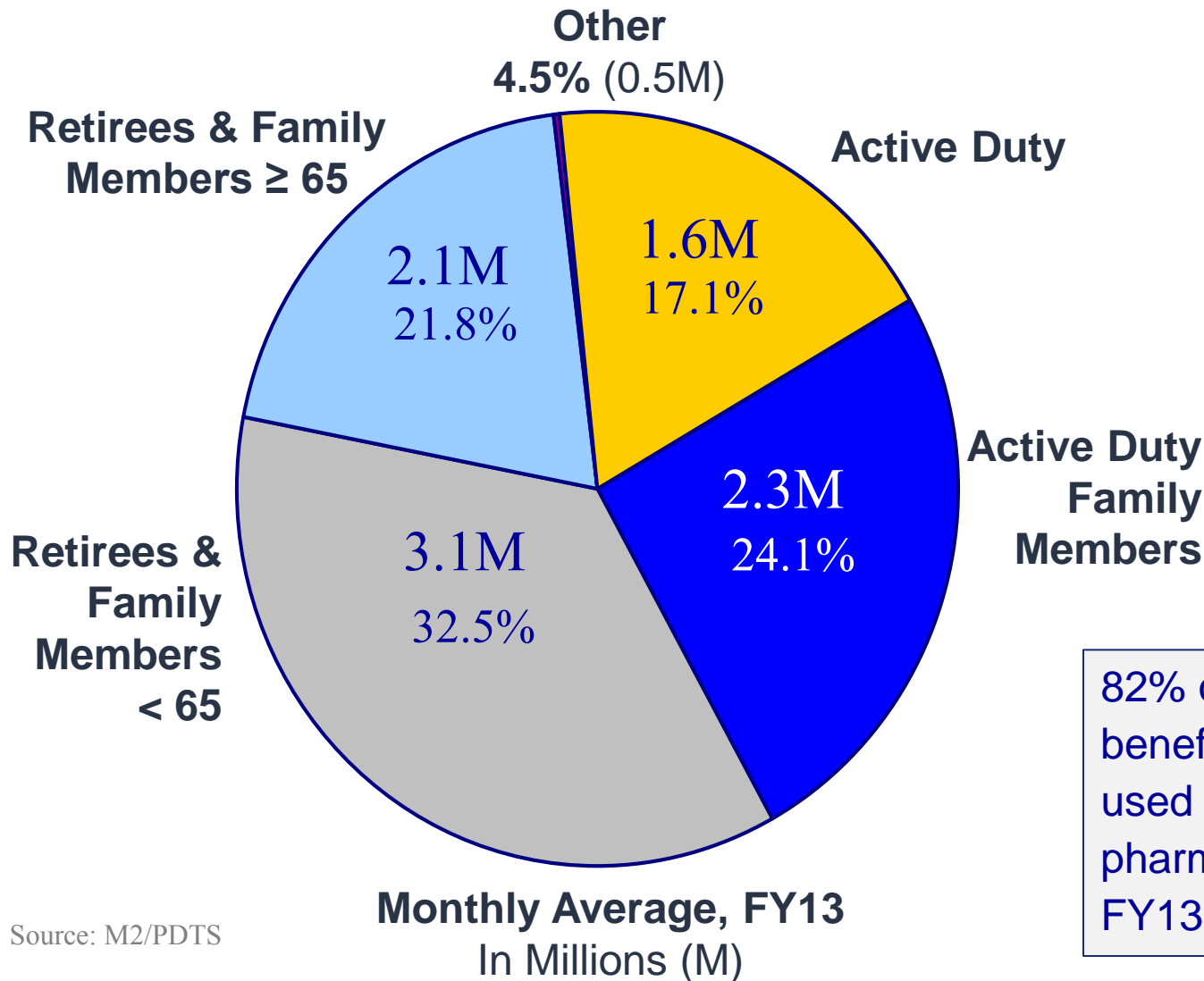
Navy

Air Force

New position to be filled by a nominated Service billet

Two-way communication between DHA and Services

# TRICARE Eligible Beneficiaries



FY02	8.6 M
FY03	8.9 M
FY04	9.1 M
FY05	9.2 M
FY06	9.2 M
FY07	9.2 M
FY08	9.3 M
FY09	9.5 M
FY10	9.6 M
FY11	9.7 M
FY12	9.7 M
FY13	9.6 M

82% of all eligible beneficiaries (7.8M) used the TRICARE pharmacy benefit in FY13

# DHA Pharmacy Division Focus

- Advise DoD Health Affairs (HA) on policy development and priorities setting related to Pharmacy operations
- Create and implement a unified set of business rules to guide and execute DoD policies for Pharmacy, with consideration for:
  - Beneficiary Satisfaction
  - Cost-effectiveness
  - Evidence-based best practices
  - Retail recapture
  - Data-driven performance measures
- Align incentives across the enterprise to drive behaviors
- Provide clinical pharmacists credentialed to participate in direct medical care (i.e., Patient Centered Medical Home (PCMH))

## Scope and Key Elements

- Managing global pharmacy benefit – 3 points of service (POS) for 9.6M beneficiaries located around the globe
  - 546 military pharmacies
  - ~56,000 retail pharmacy network
  - 1 mail order pharmacy contract
- Uniform Formulary (UF) process
- Coordinate pharmacy efforts among Services and Veteran's Health Administration (VHA)
- Coordinate patient care with Managed Care Support contractors (MCSC) and other stakeholders

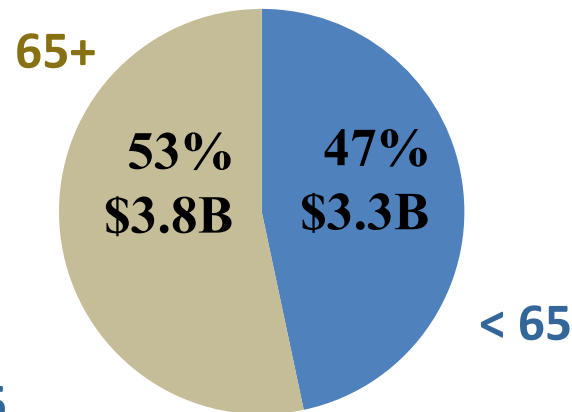
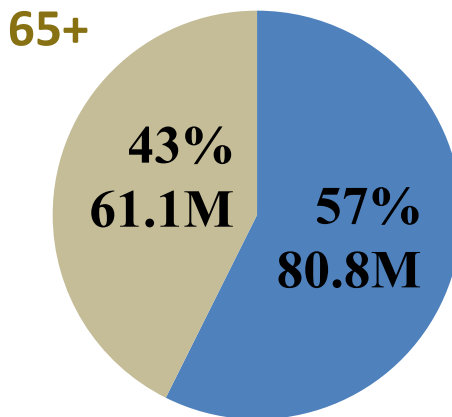
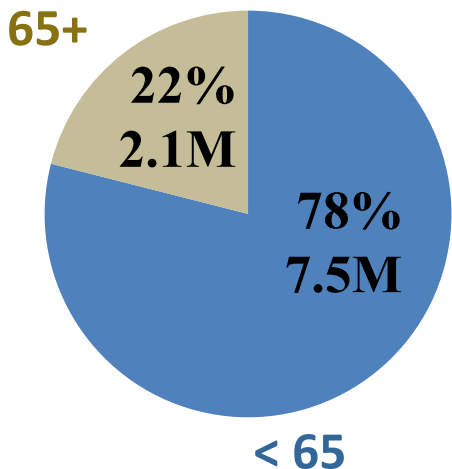
# Pharmacy Costs

Mean cost per Beneficiary per Year

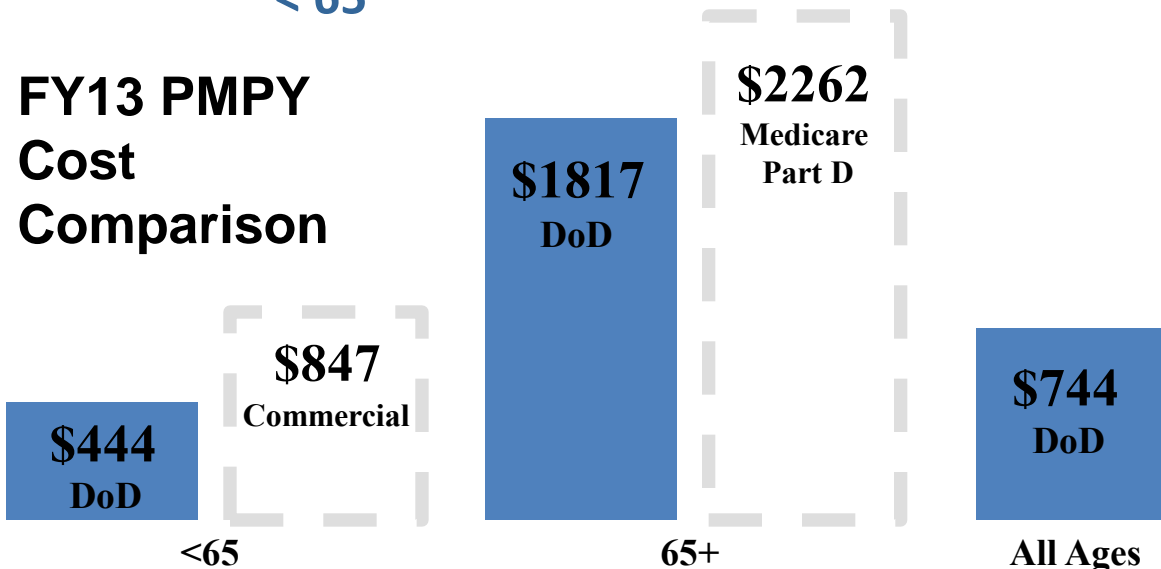
## Eligible Beneficiaries

## Rxs

## Cost



## FY13 PMPY Cost Comparison



Data source: M2 & PDTs Data, FY13

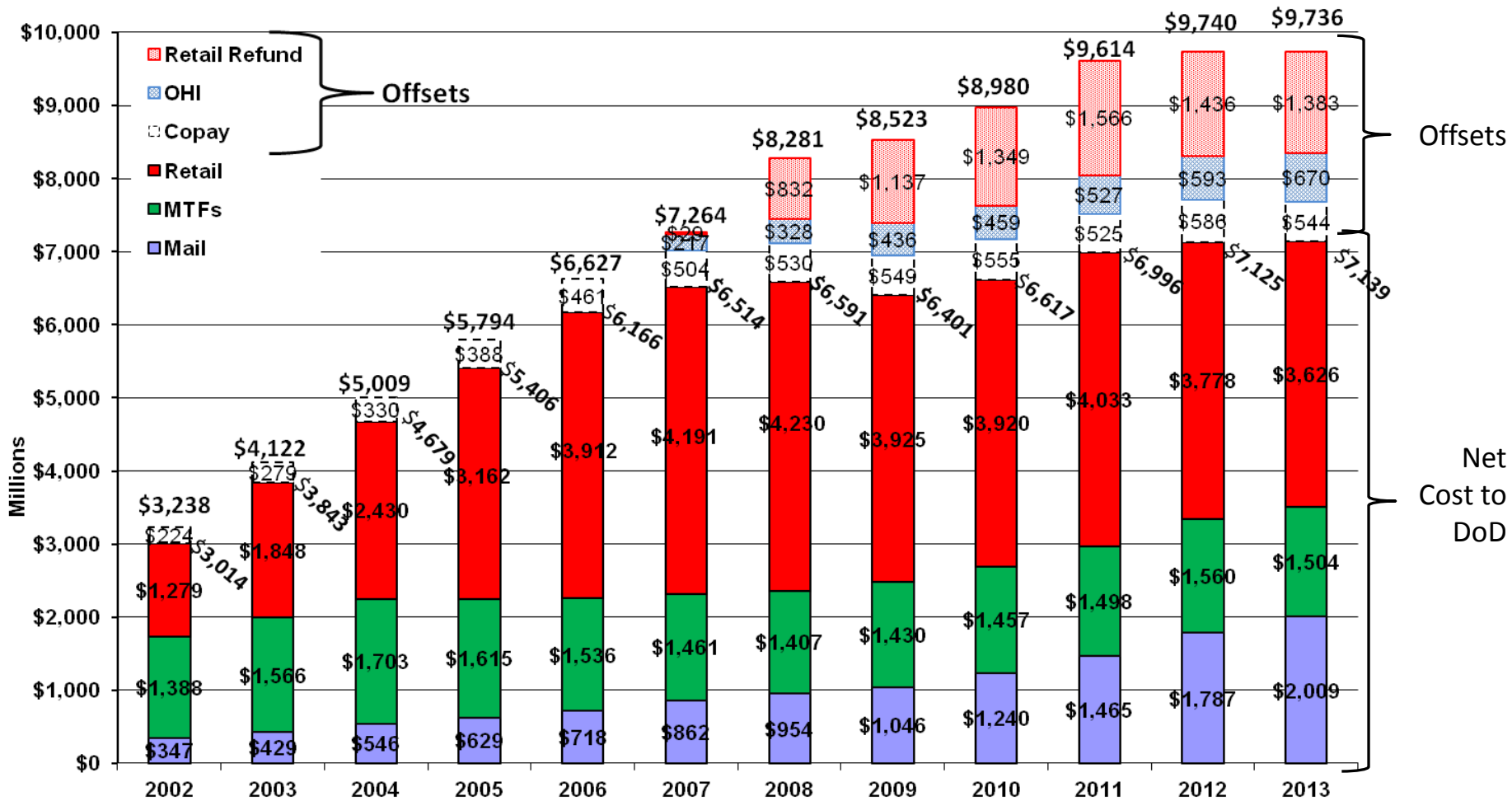
\*Notes: MTF costs do not include dispensing costs; retail costs are net of refund/rebates from manufacturers, copays, dispensing fee, tax and other payer costs; but do not include contract costs; mail order costs do not include contract costs.

Refunds/rebates applied to DHP & MERHCF programs for FY13 attributed to <65 and 65+ groups, respectively

\*\*2012 Commercial and Medicare Part D costs from ESI Drug Trend Report



# MHS Drug Spend (FY 02-13)



Source: Pharmacy Data Transaction Service (PDTs) Data Warehouse; DHA Pharmacy Operations Division (POD) (refunds).

- Note: 1. Net Cost to DoD represents total prescription expenditures minus copays; coverage by other health insurance (OHI), and retail refunds invoiced.  
 2. Mail Order dispensing fees are included; however, other retail/mail contract costs and MTF cost of dispensing are not included.  
 3. Retail Refunds are reported on an accrual rather than a cash basis, corresponding to the original prescription claim data.

# Cost Comparison Across POS

## 3QFY13 Mean Cost to DoD

### Non-Specialty Maintenance Meds, 90-day supply

- Time period = 3rd quarter FY13 (Apr 13 – Jun 13)
- Overall, mean cost per 90-day supply **14-16%** lower at Military Treatment Facility (MTF)/Mail vs. Retail
- Similar costs seen at MTFs vs. Mail
- Brand-only products drove overall lower costs at MTF/Mail
  - Brand-only products **25 to 28%** lower at MTF/Mail vs. Retail
  - Generically available meds slightly higher (**3 to 5%**) at MTF/Mail vs. Retail

	<b>Retail</b>	<b>Mail / MTFs</b>	<b>% Difference</b>
<b>All medications</b>	<b>\$104</b>	<b>\$88 – \$90</b>	<b>-14/-16%</b>
<b>Brand-only</b>	<b>\$313</b>	<b>\$225 – \$234</b>	<b>-25/-28%</b>
<b>Generically-available</b>	<b>\$48</b>	<b>\$50</b>	<b>+3/+5%</b>

- Analysis adjusts for differences in drug mix across points of service; applies POS-specific weighted average unit costs to a standardized market basket (retail utilization 3QFY13); includes retail refunds, taxes, dispensing fees/admin fees/overhead costs, and contract costs (incurred during 3QFY13), applicable to each POS (MTFs, mail order, retail)
- Unit costs for mail and MTFs obtained from prime vendor purchase data; retail costs obtained from PDTs Data Warehouse prescription data; included all non-specialty maintenance medications used at all 3 POS 3QFY13
- Costs calculated on a product-by-product basis (at the generic class [GCN] level) to account for differences in use of specific NDCs across POS (e.g., 1000-count bottles vs. unit-of-use bottles of 30); based on 1687 GCNs (602 brand-only, 1073 generically-available)

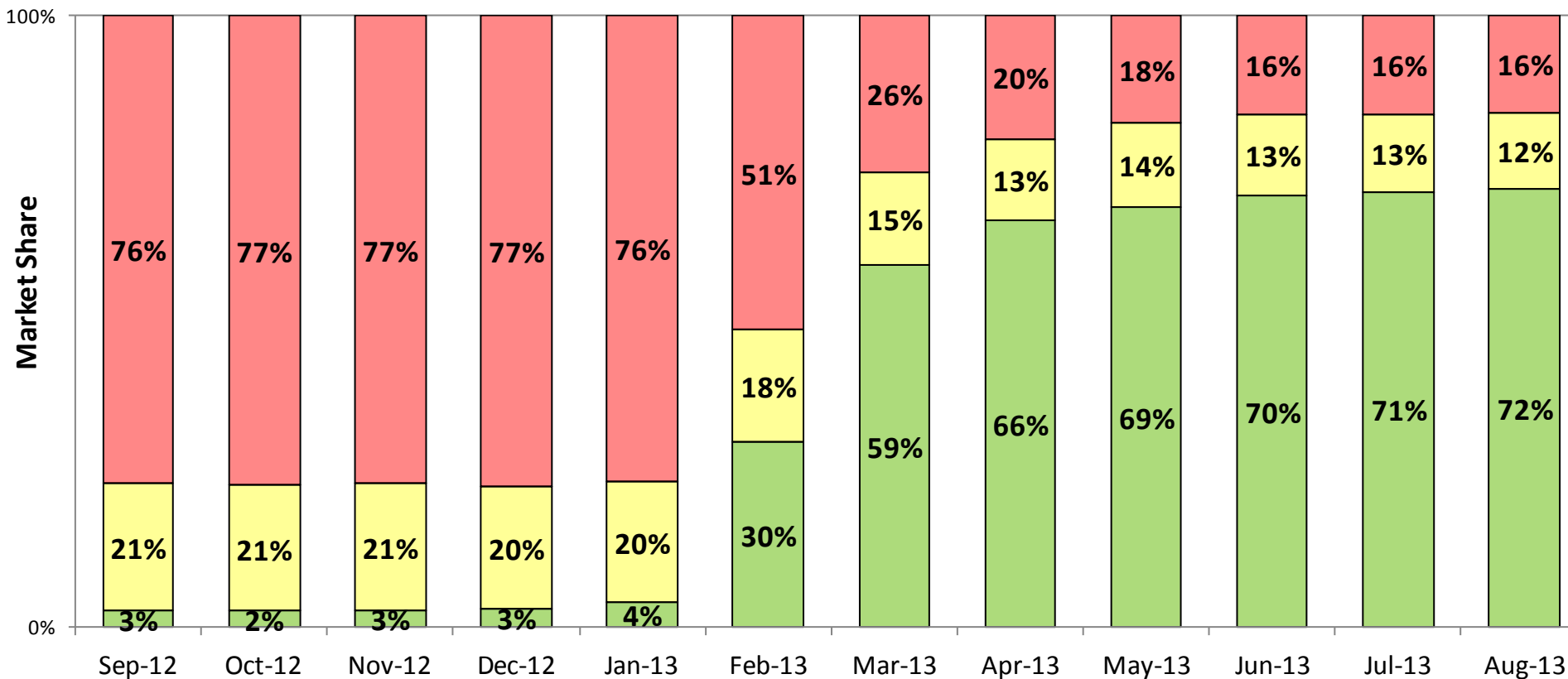
# Managing Utilization and Costs

- Retail Refund Program
  - \$7.0 B in total refunds (FY09-OCT13)
  - \$1.4 B average annually since 2009
- Formulary management plays a key role in negotiating with manufacturers
  - \$1.3 B cost avoidance in FY12
- Formulary Management Tools
  - Medical necessity, prior authorizations, quantity limits, step therapy
  - Maximize use of Home Delivery
- Cost Share/Co-Pay considerations

# Managing Utilization and Costs

**Testosterone Replacement Therapy  
Percentage of 30 Day Equivalents, All POS  
UF Implementation Date: 6 Feb 2013**

■ UF, Step-Preferred (Single Agent)   
 ■ UF, Non-Preferred (Three Agents)   
 ■ NF, Non-Preferred (Three Agents)



# TPharm Vaccine Program

- Administered 1.61 M vaccines from JAN10- OCT13
- Access to vaccines at 45,413 retail network pharmacies at \$0 copay (preventative services)
  - Interim Final Rule in 2009 covered: H1N1, Season Flu, Pneumococcal
  - Final Rule in Aug 2011 expanded covered list of vaccines, to Centers for Disease Control and Prevention (CDC) guidelines and State Regulations
- Retail vaccinations visible on Pharmacy Data Transaction Service (PDTs) and Armed Forces Health Longitudinal Technology Application (ALPHA) med list
- Received American Pharmacists Association (APhA) Vaccination Award – 2012

# TPharm Vaccine Program

<b>Vaccine Type</b>	<b>Total Since Implementation</b>
Influenza, H1N1	1,335,914
Zoster	197,663
Pneumococcal	33,583
Tetanus, Diphtheria, Pertussis & Combinations	29,947
Meningococcal	5,110
Hepatitis A & B, A & B Combo	4,249
Human Papillomavirus	2,275
Others	1,144
Measles, Mumps, Rubella & Combinations	546
Polio	38
<b>Total</b>	<b>1,610,469</b>

\*current as of October 31, 2013

# FY 13 National Defense Authorization Act (NDAA) Language

- Cost-Sharing Rates for Pharmacy Benefits Program under TRICARE (effective February 2013)
  - Retail Pharmacies
    - Generic \$5, Formulary \$17, Non-Formulary \$44
  - TRICARE Mail Order
    - Generic \$0, Formulary \$13, Non-Formulary \$43
  - Limits annual increase in cost-sharing rates to the amount equal to the percentage increase in retiree pay
- Inclusion of certain Over-The-Counter (OTC) drugs in TRICARE uniform formulary (rule pending)
- Includes mandatory refills of maintenance medication for TRICARE for life beneficiaries through the TRICARE mail-order pharmacy program or MTF (rule pending)





# Mandatory Refill Program

- Section 716 of the NDAA for Fiscal Year 2013
- TRICARE for Life Beneficiaries
  - Program will launch upon publication of an interim final regulation
    - Pilot runs through December 31, 2017
    - Requires use of Mail Order/MTFs for recurring Rx's for chronic conditions
    - Does not include Rx's to treat acute conditions
    - Can opt out of pilot program after 1 year
    - Includes procedures to assist in the transfer of covered prescriptions to the mail order pharmacy program

# OTC Drugs Demo

- Section 705 of the NDAA for Fiscal Year (FY) 2007
  - Coverage of certain OTC medications as part of the uniform formulary under section 1074g of Title 10, United States Code
  - From 2007 through Nov 2012, est. \$63M cost avoidance
  - Demo extended until November 2014 while waiting for permanent authority
- Section 702 of the NDAA for FY 2013 permanent authority (rule pending)

# OTC Demo and Plan B

- Changes to current OTC Demo Project
  - Inclusion of Plan B One-Step (levonorgestrel)
  - Will not require a prescription
  - Eligibility- active duty service women and female beneficiaries of child-bearing potential, without age restrictions
  - Availability and Cost
    - Retail- Zero co-pay
    - MTF- Zero co-pay
    - Mail Order- Not Available\*
- The demonstration project will continue until November 30, 2016

# Pharmacy Outcomes Research Team (PORT)

- Integrated with UF decision-making process
  - Cost effectiveness analysis and DoD P&T support
  - Impact of formulary decisions (“closing the loop”)
- Other analyses (Congressional Budget Office (CBO), Government Accountability Office (GAO), congressional inquiries)
- Perform and support research into outcomes of drug therapy
- Recent focus on medication adherence
  - Medication adherence measures (feed-back for providers, metrics)
  - Copay adherence study (completed; with MHS Scientific Advisory Panel)
  - Adherence to lipid-lowering therapy and LDL goal attainment in a MTF secondary prevention population
- *“Automated Profile Review for Transdermal Fentanyl to Verify Opioid Tolerance in the Military Health System”* – pending publication in Military Medicine

# Controlled Drugs Take Back

- Drug Take Back Study
  - Final report, "Recommendations for DoD to Reduce Pharmaceutical Related Suicide Behaviors in Member of the Armed Forces"
    - Delivered June 7, 2013
    - Analyzed issues, costs and policies needed to implement such program in the Military Health System (MHS)
- DoD is working closely with the Drug Enforcement Agency to develop a Memorandum of Agreement (MOA) for future drug take-back programs.

# E-Prescribing

- Allow electronic prescribing from all points of order entry to all points of dispensing
- Electronically share information
  - Military & Civilian Providers, Pharmacies, Beneficiaries
  - MTF Focus: Implement electronic prescribing from Civilian providers to MTF pharmacies
- Impact of not implementing e-prescribing at MTFs
  - Decrease in MTF filled prescriptions and increase in retail pharmacy filled prescriptions
  - i.e., 1% shift in non-specialty maintenance medications (270,000 Rxs) from MTF to retail pharmacies could cost the MHS an additional ~\$7.4 M annually
- Site Acceptance Test (SAT)/Pilot: February 2014 at NH Bremerton, tentative Roll-Out date April/May 2014

# E-Prescribing

- Potential Benefits
  - Improves patient safety
    - Reduce translation and transcription related errors
  - Improves MTF pharmacy workflow efficiency and business processes
    - Reduce the number of callbacks and rework of prescriptions
    - Possibly resolve issues prior to patient arrival
  - Manage costs
    - 1% shift in non-specialty maintenance medications (~420,000 prescriptions) from retail pharmacies to MTF pharmacy
      - \$5.8 million in potential annual savings for MHS
    - Increase utilization of preferred drugs
      - Formulary readily available

# TRICARE Home Delivery

- Part of the Secretary of Defense initiative to reduce costs
- Massive education campaign began July 2011
  - DHA, Express Scripts, Tricare Regional Offices, Managed Care Support Contractors, MTFs
  - Focused on beneficiaries receiving maintenance medications and those using both mail and retail
- Encourages use of Home Delivery over retail for maintenance medications due to price differential

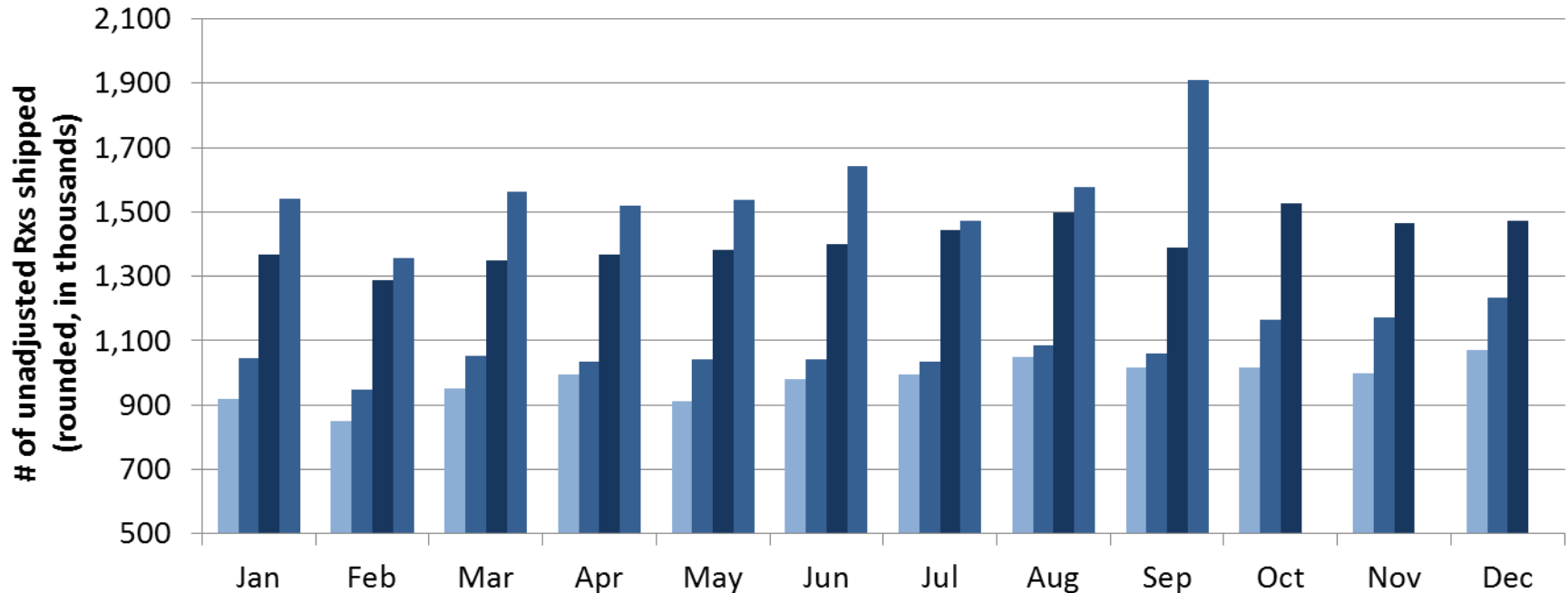


# TRICARE Home Delivery

- The Inspector General's Report
  - Compared prescription drug costs at Home Delivery and what the cost would have been at retail pharmacies
- Findings
  - Home Delivery saved nearly \$67 million in 3<sup>rd</sup> quarter FY12
  - Over the course of a year, shifting from retail to mail order saved DoD ~\$104 million, and beneficiaries approximately ~\$34 million in reduced co-payments.
  - Low prescription error rates (0.003 percent), a low rate of returned pharmaceuticals (0.08 percent returned as undeliverable), and high beneficiary satisfaction (96 percent satisfied).

# Communications Plan Success

■ 2010 ■ 2011 ■ 2012 ■ 2013

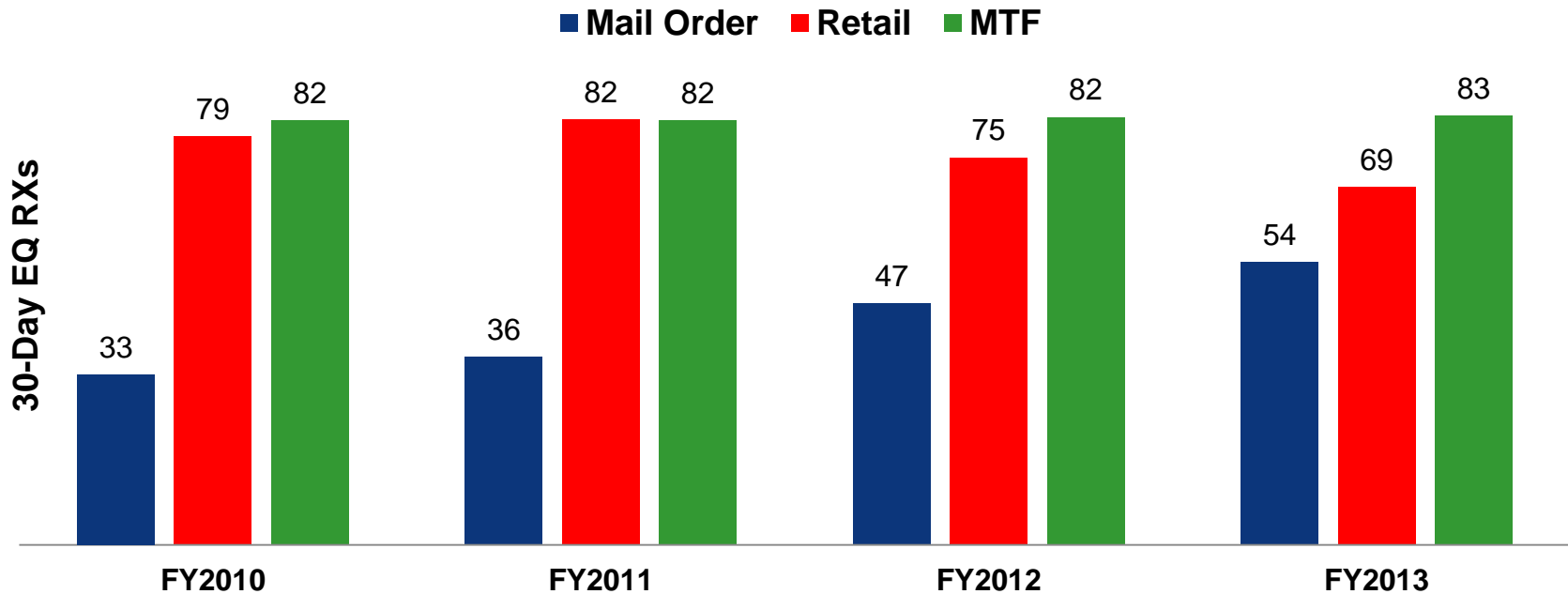


Volume Growth From Prior Year			
	2011	2012	2013 YTD
Home Delivery	9.9%	31.2%	13.0%
Retail	-0.2%	-10.0%	-6.5%

Volume Down 2.5% in 2011;  
Down 14.6% in 2012;  
Down 12.6% in 2013 YTD

# TRICARE Home Delivery Growth

## 30-Day EQ Rx Workload by Point of Service (in millions)



Change in 30-Day EQ RX Volume				Change in Maintenance 30-Day EQ RX Volume			
	FY2011	FY2012	FY2013		FY2011	FY2012	FY2013
Mail Order	10.5%	28.5%	17.0%	Mail Order	10.7%	28.2%	17.6%
Retail	4.1%	-8.9%	-7.7%	Retail	3.9%	-9.7%	-8.8%
MTF	0.0%	0.8%	0.3%	MTF	-0.7%	0.1%	0.2%

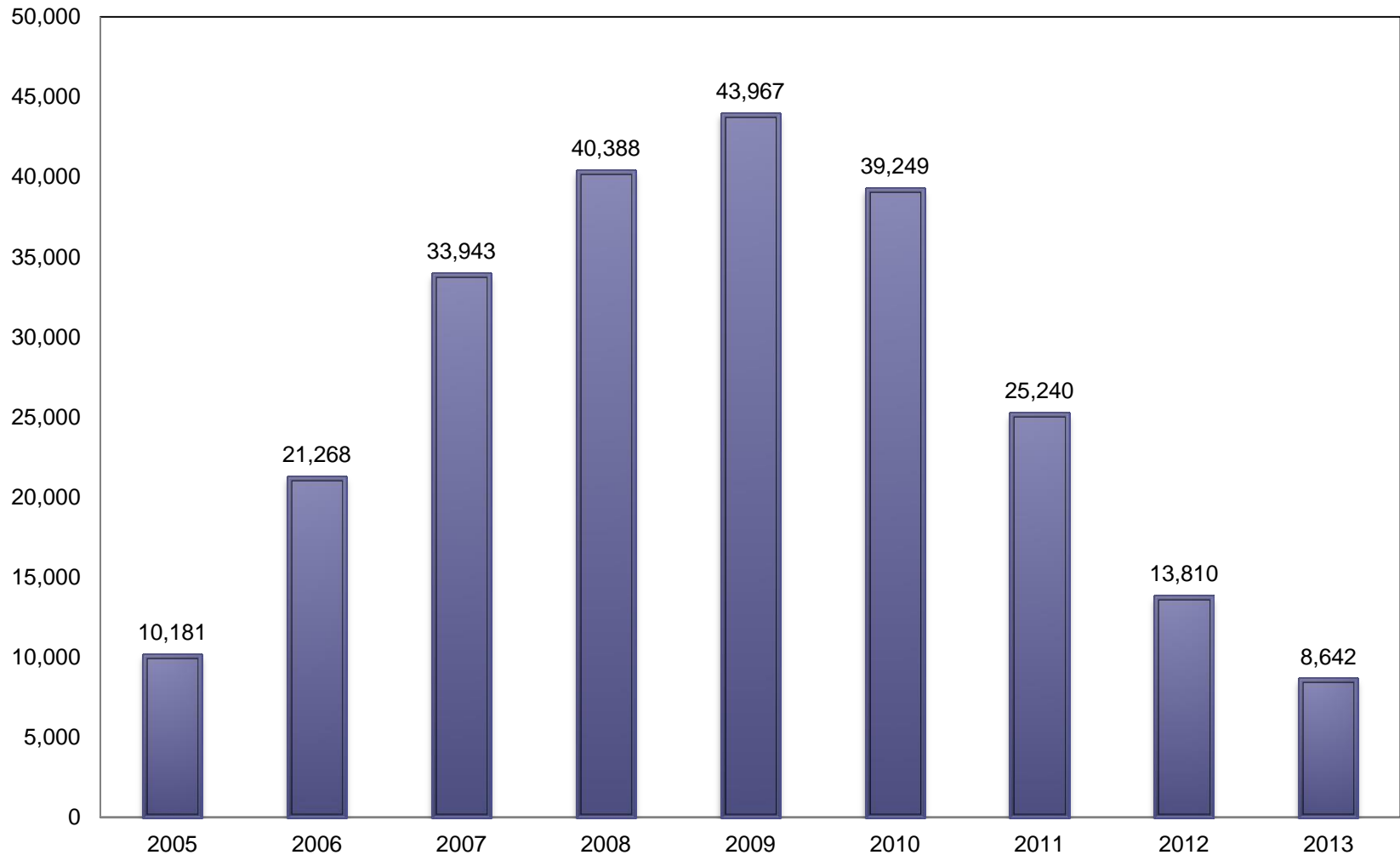
# Managing the Benefit: Clinical

- PCMH
  - Promote expanded inclusion of Pharmacists as either embedded or supporting PCMH teams
  - Medication therapy management/adherence
  - Tri-Service workflow Clinical Pharmacy AIM page
  - Promote standardization of practice
- Smoking Cessation
- Polypharmacy and Warrior Transition Unit (WTU) medication use monitoring
- Coordination of infusion services with MCSCs
- Specialty Pharmacy Services at Mail Order

# War Fighter Support

- Prescription Medication Analysis & Reporting Tool
  - Pre-deployment screening tool identifies high-risk Members
- Deployment Prescription Program (DPP)
  - Facilitates mail order support to deployed members
  - Peaked in 2009 at 42K, currently 10K in 2013
- WTU/Medication Analysis & Reporting Tool
  - Weekly Rx report/tool sent to all WTUs concentrated on psychotropics, narcotics, and several high risk combinations of medications at all Points of Service
- Sole Provider/1-1-1/MTF Rx restriction Program
  - PPTS leveraged as data source for restrictions
  - MCSCs/MTF providers currently restrict over 2,000 beneficiaries
- Controlled Drug MART (CD-MART)
  - Automated tool to assist providers in analyzing controlled prescription usage within MTF 40 mile catchment area
  - Includes utilization from all points of service
  - 244 reports requested in FY13

## Deployment Prescription Forms by Calendar Year February 2005 - September 2013



# Top 3 Priorities for 2014

- **Emphasis on Improved Outcomes & Quality**
  - Expand Pharmacist delivery of care in PCMH
  - Optimal medication selection through Medication Therapy Management (MTM) and provider interaction
  - Promote and measure medication adherence
- **Managing Overall Costs**
  - Retail Refund Program
  - Formulary Management
  - Move to Mail / MTF
  - Contract compliance and generic transitions
- **Informatics**
  - Implementation of TPharm4 and PDTS4
  - E-Prescribing
  - Automated MTF to Mail

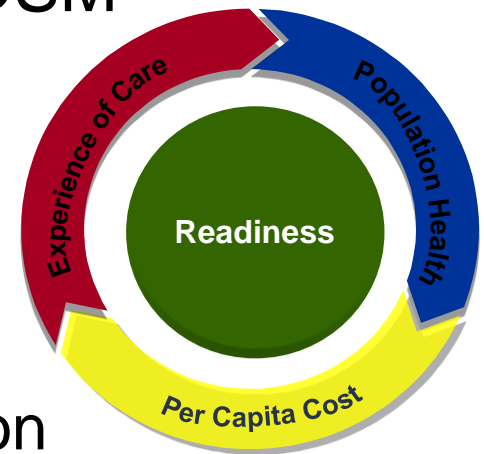
## Strategic Needs

- A centralized pharmacy budget including all pharmacy points of service (Mail, Retail, and all MTFs)
- A new EHR/Pharmacy information system that includes an inventory management component
- “Pharmacist as provider” designation to maximize use of credentialed pharmacists in purchase care
- MTF- Central refill program



# The Way Ahead

- Goals
  - Continued emphasis on deployed ADSM
  - Maximize value of therapy
    - Increase adherence; MTM
  - Maximize use of technology
    - Implement e-prescribing
    - Better beneficiary access to information
  - Increase use of lowest-cost POS
  - Encourage cost-effective use of medications



# Resources

- <http://www.tricare.mil/tma/>
  - Pharmacy program information for beneficiaries
- [www.pec.ha.osd.mil](http://www.pec.ha.osd.mil)
  - Uniform Formulary Search Tool
  - DoD P&T Committee review schedule, minutes
  - MTF formulary resources (handouts, webcast)