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**

<table>
<thead>
<tr>
<th>Mission</th>
<th>Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>To direct the DoD Pharmacy benefit in support of the MHS’ mission through effective planning, programming, budgeting, and execution of the DoD Pharmacy operations.</td>
<td>To improve patient outcomes while reducing overall healthcare costs through the delivery of optimal pharmaceutical care.</td>
</tr>
</tbody>
</table>
**Pharmacy Operations Division (POD)**

**FTEs**

<table>
<thead>
<tr>
<th>At IOC</th>
<th>76</th>
</tr>
</thead>
<tbody>
<tr>
<td>By 30 September 2014</td>
<td>79</td>
</tr>
</tbody>
</table>

**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

**New position to be filled by a nominated Service billet**

Two-way communication between DHA and Services
TRICARE Eligible Beneficiaries

Monthly Average, FY13
In Millions (M)

Retirees & Family Members ≥ 65
2.1M 21.8%
3.1M 32.5%
1.6M 17.1%
2.3M 24.1%
Other 4.5% (0.5M)

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

Source: M2/PDTS
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

<table>
<thead>
<tr>
<th>Group</th>
<th>Percentage</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>65+</td>
<td>22%</td>
<td>2.1M</td>
</tr>
<tr>
<td>&lt; 65</td>
<td>78%</td>
<td>7.5M</td>
</tr>
</tbody>
</table>

Rxs

<table>
<thead>
<tr>
<th>Group</th>
<th>Percentage</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>65+</td>
<td>43%</td>
<td>61.1M</td>
</tr>
<tr>
<td>&lt; 65</td>
<td>57%</td>
<td>80.8M</td>
</tr>
</tbody>
</table>

Cost

<table>
<thead>
<tr>
<th>Group</th>
<th>Percentage</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>65+</td>
<td>53%</td>
<td>$3.8B</td>
</tr>
<tr>
<td>&lt; 65</td>
<td>47%</td>
<td>$3.3B</td>
</tr>
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</table>

FY13 PMPY Cost Comparison

<table>
<thead>
<tr>
<th>Group</th>
<th>Commercial</th>
<th>DoD</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;65</td>
<td>$444</td>
<td>$847</td>
</tr>
<tr>
<td>65+</td>
<td>$1817</td>
<td>$744</td>
</tr>
</tbody>
</table>

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

### Retail vs. MTF/Mail

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

- 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

Source: PDTS, Sep 2012 – Aug 2013
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 (ALTHA) med list
- Received American Pharmacists Association (APhA) Vaccination Award – 2012
# TPharm Vaccine Program

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

*current as of October 31, 2013*

- 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)
# FY 13 NDAA Language

<table>
<thead>
<tr>
<th>Date/Description</th>
<th>COLA</th>
<th>Value Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base</td>
<td></td>
<td>Copay amount at the beginning of this program</td>
</tr>
<tr>
<td>Jan 1 2014 Increase</td>
<td>1.50%</td>
<td>COLA multiplied by last calculated copay</td>
</tr>
<tr>
<td>Calculated Copay</td>
<td></td>
<td>Copay with COLA, before rounding down to nearest dollar</td>
</tr>
<tr>
<td>Portion rolled over</td>
<td></td>
<td>Difference between Effective and Calculated Copay</td>
</tr>
<tr>
<td>Effective Copay</td>
<td></td>
<td>No Change for CY 2014 Actual copay charged, after rounding down to nearest dollar</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Generic Formulary</th>
<th>Brand-Name Formulary</th>
<th>Non-Formulary</th>
<th>Generic Formulary</th>
<th>Brand-Name Formulary</th>
<th>Non-Formulary</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base</td>
<td>$ -</td>
<td>$ 13.00</td>
<td>$ 43.00</td>
<td>$ 5.00</td>
<td>$ 17.00</td>
<td>$ 44.00</td>
<td></td>
</tr>
<tr>
<td>Jan 1 2014 Increase</td>
<td>1.50%</td>
<td>$ -</td>
<td>$ 0.20</td>
<td>$ 0.65</td>
<td>$ 0.08</td>
<td>$ 0.26</td>
<td></td>
</tr>
<tr>
<td>Calculated Copay</td>
<td>$ -</td>
<td>$ 13.20</td>
<td>$ 43.65</td>
<td>$ 5.08</td>
<td>$ 17.26</td>
<td>$ 44.66</td>
<td></td>
</tr>
<tr>
<td>Portion rolled over</td>
<td>$ -</td>
<td>$ 0.20</td>
<td>$ 0.65</td>
<td>$ 0.08</td>
<td>$ 0.26</td>
<td>$ 0.66</td>
<td></td>
</tr>
<tr>
<td>Effective Copay</td>
<td>$ 13.00</td>
<td>$ 43.00</td>
<td>$ 5.00</td>
<td>$ 17.00</td>
<td>$ 44.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base</td>
<td>$ 13.20</td>
<td>$ 43.65</td>
<td>$ 5.08</td>
<td>$ 17.26</td>
<td>$ 44.66</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>$ x%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Calculated Copay</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effective Copay</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>
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 Rxs for chronic conditions
    - Does not include Rxs 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 3rd 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

Volume Growth From Prior Year

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013 YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home Delivery</td>
<td>9.9%</td>
<td>31.2%</td>
<td>13.0%</td>
</tr>
<tr>
<td>Retail</td>
<td>-0.2%</td>
<td>-10.0%</td>
<td>-6.5%</td>
</tr>
</tbody>
</table>

Source: Express Scripts Home Delivery Growth Dashboard
TRICARE Home Delivery Growth

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

<table>
<thead>
<tr>
<th>Point of Service</th>
<th>FY2010</th>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mail Order</td>
<td>79</td>
<td>82</td>
<td>82</td>
<td>83</td>
</tr>
<tr>
<td>Retail</td>
<td>33</td>
<td>36</td>
<td>47</td>
<td>54</td>
</tr>
<tr>
<td>MTF</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Change in 30-Day EQ RX Volume

<table>
<thead>
<tr>
<th>point of service</th>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mail Order</td>
<td>10.5%</td>
<td>28.5%</td>
<td>17.0%</td>
</tr>
<tr>
<td>Retail</td>
<td>4.1%</td>
<td>-8.9%</td>
<td>-7.7%</td>
</tr>
<tr>
<td>MTF</td>
<td>0.0%</td>
<td>0.8%</td>
<td>0.3%</td>
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</table>

Change in Maintenance 30-Day EQ RX Volume

<table>
<thead>
<tr>
<th>point of service</th>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mail Order</td>
<td>10.7%</td>
<td>28.2%</td>
<td>17.6%</td>
</tr>
<tr>
<td>Retail</td>
<td>3.9%</td>
<td>-9.7%</td>
<td>-8.8%</td>
</tr>
<tr>
<td>MTF</td>
<td>-0.7%</td>
<td>0.1%</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

Source: PDTS
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**
  - PDTS 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

  - Pharmacy program information for beneficiaries
- www.pec.ha.osd.mil
  - Uniform Formulary Search Tool
  - DoD P&T Committee review schedule, minutes
  - MTF formulary resources (handouts, webcast)