

TRICARE Pharmacy Options

Issue Brief ♦ Health Care Survey of DoD Beneficiaries (HCSDB)

HEALTH PROGRAM ANALYSIS & EVALUATION DIRECTORATE

In both the military health system (MHS) and U.S. health care system, spending on prescription drugs has increased rapidly in recent years. According to the U.S. National Health Expenditure Accounts (NHEA), which breaks down health care spending by source of payment and type of service, over \$188 billion was spent on prescription drugs in 2004, an 8 percent increase over 2003 and 10 percent of the total spending on health care for 2004. According to the NHEA, pharmacy spending by the DoD has increased more rapidly than all other public expenditures in every year from 1998 to 2004. During that time MHS pharmacy spending went from under 2 percent to more than 6 percent of public funds spent on prescription drugs¹.

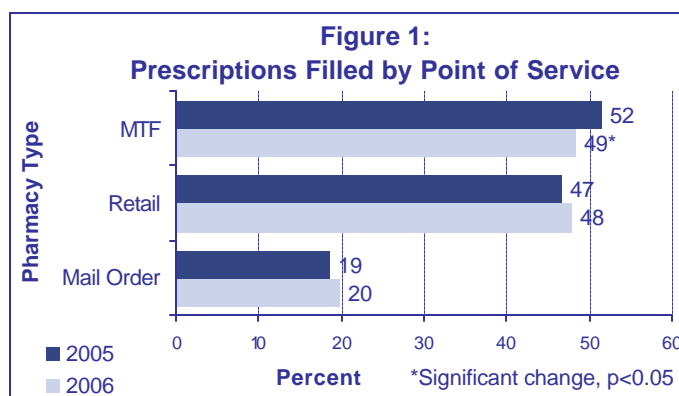
Expanded coverage through the TRICARE Senior Pharmacy program has contributed to the annual increase in MHS prescription drug spending since 2001. This program enables military retirees and their family members 65 and over to use the same pharmacy options that other TRICARE beneficiaries can. As a result of the expanded benefits and the overall increase in prescription drug spending, the estimated cost of the DoD pharmacy benefit in FY 2006 was \$6.18 billion².

Policy Changes

To reduce costs, TRICARE policy attempts to direct beneficiaries to lower cost drugs and to lower cost pharmacies. To promote lower cost drugs, the Uniform Formulary designates drugs for full coverage, based on clinical and cost effectiveness. It created a higher cost-sharing tier for non-formulary drugs obtained by mail or retail, effective May 3, 2004³. MTF pharmacies may fill

prescriptions for non-formulary drugs only if medical necessity has been certified.

DoD estimates that prescriptions filled through retail pharmacies cost on average at least twice as much as MTF prescriptions or mail order prescriptions⁴. Therefore, TRICARE encourages beneficiaries to use MTF pharmacies and the TRICARE mail-order pharmacy. For the same copayment, beneficiaries can obtain a 90-day supply of their prescription through mail order, or a 30-day supply from a retail pharmacy. Nonetheless, most of the recent increase in TRICARE's prescription drug spending has paid for drugs from retail pharmacies⁴.



HCSDB Results

According to the HCSDB, the proportion of TRICARE pharmacy users that fill prescriptions at military pharmacies has fallen in the past year, from 52 percent in 2005, to 49 percent in 2006. The proportion using retail pharmacies and the mail order pharmacy have increased, though the changes are not statistically significant.

As shown in Table 1, the greatest drop in MTF pharmacy use has occurred among retirees under age 65. MTF pharmacy use in that beneficiary group dropped from 49 percent in 2005 to 42 percent in 2006. Over half of retirees filling prescriptions under TRICARE use retail pharmacies. Mail order pharmacy use increased in all beneficiary groups, though not statistically significantly.

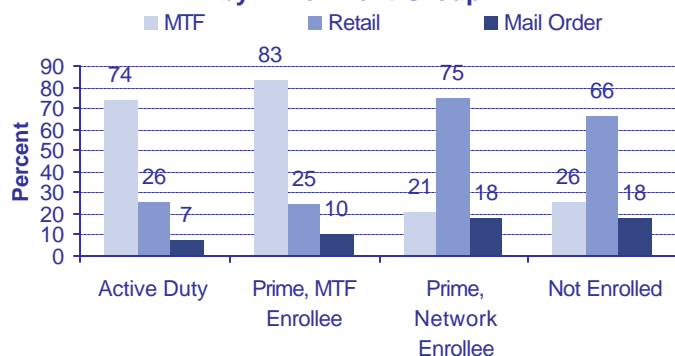
Figure 2 shows that MTF use is found primarily among active duty and retirees or family members enrolled to MTFs. Beneficiaries enrolled to the Managed Care Support Contractors and those who rely on civilian insurance and their TRICARE pharmacy benefit primarily use retail pharmacies.

Table 1. Pharmacy Choice by Beneficiary Category		MTF	Retail	Mail Order
		Percent		
Active Duty	2005	75	24	5
	2006	74	26	7
ADFM	2005	63	41	7
	2006	65	42	8
Retired <65	2005	49	53	17
	2006	42*	55	18
Retired >65	2005	35	57	34
	2006	34	56	36

*Significant change, p<0.05

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Figure 2: Pharmacy Choice by Enrollment Group



MTF pharmacies are used when other health care is obtained in MTFs. Fifty-two percent of MTF pharmacy users say they chose that pharmacy at least in part because they were seeing an MTF doctor (not shown).

If a beneficiary is not receiving care from MTF doctors, retail pharmacies are generally more accessible. Other options must compete on the basis of cost, but the perceived convenience of the retail wins out even over mail order. As shown in Table 2, the convenience of retail pharmacies is the leading reason for selecting that option instead of mail order. Among retirees age 65 and over, the convenience of civilian pharmacies is mentioned by half of those who do not use mail order.

Some beneficiaries do not use mail order because of its unfamiliarity. Twenty-nine percent of beneficiaries do not use mail order because they are unaware that they can use it. Thirty percent do not use mail order because they do not know how. Most who do not use mail order because they lack knowledge of it are active duty and their family members. This group primarily uses MTF pharmacies, so

a change in their pharmacy choice would not reduce costs. However, thirty percent of retirees under age 65 indicate they do not know how to use mail order, and nearly a quarter report they are not aware of the option. These are beneficiaries who may be switched from retail to mail order by targeted education.

Conclusion

Results from the HCSDB indicate that use of retail pharmacies continues to increase compared to use of MTF pharmacies, particularly among retirees. Retail pharmacies are used because beneficiaries who do not use direct care see civilian pharmacies as convenient, whether they rely on TRICARE or other civilian insurance. As beneficiaries are referred to civilian health care providers, the shift away from MTF pharmacies is likely to continue.

Results from the survey also suggest that information about the mail-order option can switch some users from retail to mail order. Substantial numbers of respondents report they do not use mail order because they do not know of the option or do not know how to use it. Educational strategies targeted at such beneficiaries may reduce the cost of their pharmacy benefits to DoD. The survey appears to suggest that more savings would be reaped if beneficiaries can be convinced that mail order is easy and convenient. Otherwise, changing copayments to increase the patient's savings from using mail order compared to the retail network may cause more beneficiaries to adopt mail order.

Sources

¹Centers for Medicare and Medicaid Services (CMS). National Health Expenditure Data, "National Health Expenditures by Type of Service and Source of Funds: Calendar Years 2004-1960." Available at [\[www.cms.hhs.gov/NationalHealthExpendData/02_NationalHealthAccountsHistorical.aspx#TopOfPage\]](http://www.cms.hhs.gov/NationalHealthExpendData/02_NationalHealthAccountsHistorical.aspx#TopOfPage). Accessed 10/19/06.

²McGinnis, T. "Pharmacoeconomic Center Conference January 8, 2007" available at http://www.pec.ha.osd.mil/2007_PEC_Conference/Presentation/s/2. Accessed 02/12/07.

³U.S. Department of Defense. Military Health System. TRICARE Uniform Formulary Final Rule Published [Press Release No. 004-10]. April 09, 2004. See www.tricare.osd.mil/pressroom/news.aspx?fid=72.

⁴General Accounting Office. "Mail Order Pharmacies: DOD's Use of VA's Mail Pharmacy Could Produce Savings and Other Benefits." Washington, DC: General Accounting Office. GAO-05-555. June 2005.

Health Care Survey of Beneficiaries. Fielded July, 2006. N=12,863.

Table 2. Reasons For Not Using Mail Order

	Active Duty	ADFM	Retired <65	Retired >65	Total
	Percent				
Civilian pharmacy is more convenient	12	19	36	49	31
Did not know how to use	32	40	30	21	30
Did not know I could use	47	46	23	11	29
Needed drugs immediately	21	29	29	30	27
MTF pharmacy is more convenient	29	24	22	26	25
Not comfortable with mail order	11	17	20	20	18