



September 2015

TRICARE PHARMACY PILOT

Improved Monitoring Needed with Expansion of Pilot Requirements

Accessible Version

GAO Highlights

Highlights of [GAO-15-768](#), a report to congressional committees

Why GAO Did This Study

DOD offers a pharmacy benefit to TRICARE beneficiaries who may obtain prescriptions from TRICARE's mail-order program, MTF pharmacies, or retail pharmacies. In 2013, the DOD Inspector General reported it was more cost efficient to fill prescriptions through mail order than retail pharmacies. To reduce costs, the National Defense Authorization Act (NDAA) for Fiscal Year 2013 required DOD to implement a pilot for certain TRICARE beneficiaries to obtain covered brand maintenance medications through mail order or MTF pharmacies. Under NDAA 2015, the pilot terminates at the end of fiscal year 2015, after which the pilot requirements are to be expanded to all eligible TRICARE beneficiaries.

The NDAA 2015 included a provision for GAO to examine the pilot. This report examines the extent to which DOD has (1) monitored whether covered brand maintenance medications were available, and prescriptions were filled on time and accurately, (2) monitored the satisfaction of participating beneficiaries, (3) achieved expected cost savings, and (4) prepared for the expansion. GAO reviewed and analyzed pilot performance and beneficiary satisfaction data, and cost savings estimates, and interviewed DOD officials and other stakeholders.

What GAO Recommends

GAO recommends that DOD develop a monitoring plan as part of its expansion planning documents. DOD concurred with GAO's recommendation.

View [GAO-15-768](#). For more information, contact Debra A. Draper at (202) 512-7114 or draperd@gao.gov.

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What GAO Found

For covered brand maintenance medications—those medications that are taken on a regular and recurring basis—the Department of Defense (DOD) has not fully monitored availability or the timeliness and accuracy of prescriptions filled for the TRICARE for Life Pharmacy Pilot. Specifically, GAO found that for the

- **mail-order program:** DOD has monitored the availability of medications. It has also established and monitored performance standards on the timeliness and accuracy of prescriptions filled through mail order for all of TRICARE, but has not separately monitored performance through mail order for the pilot.
- **military-treatment-facility (MTF) pharmacies:** DOD has not established or systematically monitored performance standards for the pilot on the availability of covered medications, or the timeliness and accuracy of prescriptions filled across MTF pharmacies.

Federal internal control standards suggest that agencies establish and review performance standards and monitor performance data to assess the quality of performance over time. Without fully monitoring the pilot's performance, DOD does not know whether it is working as intended, information that would be beneficial given the upcoming expansion of its requirements to all eligible TRICARE beneficiaries.

DOD has not monitored the extent to which beneficiaries were satisfied with the transfer of prescriptions to mail order or MTF pharmacies for the pilot. DOD officials said they relied on the results from a quarterly survey of TRICARE mail-order users to assess the satisfaction of pilot beneficiaries. However, other DOD officials who monitor the survey data said they do not know how representative the respondents are of pilot beneficiaries making the use of these data for this purpose questionable. Moreover, DOD has not monitored satisfaction of pilot beneficiaries across MTF pharmacies. Federal internal control standards require agencies to obtain information from external stakeholders to assess if they are achieving their goals, and to monitor and assess the quality of performance over time to ensure that issues are resolved. Without this stakeholder input, DOD lacks important information as to whether pilot beneficiaries faced any difficulties, including with obtaining their medications.

DOD appears to have achieved its expected cost savings based on estimates GAO reviewed. For the first year of the pilot, DOD's estimated cost savings were approximately \$123 million based on the prescriptions for covered medications filled through mail order. This was comparable to DOD's projected cost savings of \$120 million, an estimate that DOD developed prior to the start of the pilot.

DOD has issued regulations, but not finalized planning documents for the expansion of the pilot requirements. Officials said that they are in the process of developing planning documents, which will generally model those that were developed for the pilot. Given the limited monitoring conducted during the pilot, as it finalizes its planning documents for the expansion of the pilot to all eligible TRICARE beneficiaries, DOD would benefit from developing a robust monitoring process of affected beneficiaries, including the availability of medications, the timeliness and accuracy of prescriptions filled, and beneficiary satisfaction.

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Abbreviations

DOD	Department of Defense
DODIG	Department of Defense Inspector General
ESI	Express Scripts, Inc.
MOAA	Military Officers Association of America
MTF	military treatment facility
NDAA	National Defense Authorization Act
TREA	The Retired Enlisted Association

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September 30, 2015

Congressional Committees

The Department of Defense's (DOD) military health system offered comprehensive health care coverage—including a pharmacy benefit—to an estimated 9.5 million eligible beneficiaries through its TRICARE program in fiscal year 2015.¹ TRICARE beneficiaries may obtain prescription medications from: (1) military-treatment-facility (MTF) pharmacies operated by DOD; (2) TRICARE's mail-order pharmacy program; or (3) network or nonnetwork retail pharmacies.² We previously reported that pharmacy benefit costs have been one of the fastest growing cost areas within the military health system and that retail prescription spending drove most of the growth, comprising 63 percent of overall prescription drug spending from fiscal years 2000 through 2006.³ We also reported that retail prescription spending remained over half of DOD's overall prescription drug spending in fiscal year 2011.⁴

The DOD Inspector General (DODIG) reported in 2013 that it was generally more cost efficient for DOD to have TRICARE beneficiaries obtain prescription medications through mail order than through retail pharmacies.⁵ Specifically, the DODIG highlighted that the government pays about 17 percent less on average for maintenance medication

¹Eligible beneficiaries of TRICARE include active duty personnel and their dependents, Reserve and National Guard personnel and their dependents, and retirees and their dependents and survivors.

²MTFs are DOD-operated hospitals and clinics located on military bases throughout the United States and overseas.

³GAO, *DOD Pharmacy Program: Continued Efforts Needed to Reduce Growth in Spending at Retail Pharmacies*, [GAO-08-327](#) (Washington, D.C.: April 2008).

⁴In fiscal year 2011, DOD's prescription drug spending totaled about \$7.48 billion; about \$3.9 billion (53.2 percent) of which was for prescription drugs that beneficiaries obtained at retail pharmacies. See GAO, *Prescription Drugs: Comparison of DOD, Medicaid, and Medicare Part D Retail Reimbursement Prices*, [GAO-14-578](#) (Washington, D.C.: June 2014).

⁵Department of Defense, Office of Inspector General, *The TRICARE Mail Order Pharmacy Program Was Cost Efficient and Adequate Dispensing Controls Were in Place*, DODIG-2013-108 (Alexandria, Va: July 2013).

prescriptions (those taken on a regular and recurring basis) filled through mail-order pharmacies than for those filled through retail pharmacies. DOD also encourages beneficiaries to fill prescriptions through MTF pharmacies as another lower-cost option for the government. Moreover, beneficiaries have lower copayments when filling brand maintenance medications through mail order than at retail pharmacies and have no copayments when filling prescriptions for these medications at MTF pharmacies.⁶

To reduce costs, DOD implemented a pilot aimed at shifting the volume of TRICARE prescriptions for brand maintenance medications from retail pharmacies to less expensive options. DOD implemented the TRICARE for Life Pharmacy Pilot under a provision in the National Defense Authorization Act (NDAA) for Fiscal Year 2013 that required particular TRICARE beneficiaries to obtain prescriptions for brand maintenance medications covered for the pilot (hereafter referred to as covered medications) through mail order or MTF pharmacies rather than through retail pharmacies.⁷ The pilot specifically focused on TRICARE for Life beneficiaries—TRICARE beneficiaries enrolled in a “Medicare wraparound coverage option”—because they are high users of maintenance medications who typically fill a high percentage of prescriptions through retail pharmacies.⁸ Of the 70 million prescriptions dispensed to TRICARE beneficiaries through retail pharmacies in fiscal year 2012 at a cost of \$3.8 billion, 47 percent were filled for TRICARE for

⁶A brand medication is a non-generic medication marketed under a proprietary, trademark-protected name. Copayments for brand medications were \$17 for a 30-day supply filled at a retail pharmacy and \$13 for a 90-day supply through mail order, during the first year of the pilot (February 2014 through February 2015). Starting Feb. 1, 2015, copayments increased to \$20 for a 30-day supply filled at a retail pharmacy and \$16 for a 90-day supply through mail order.

⁷National Defense Authorization Act for Fiscal Year 2013, Pub. L. No. 112-239, § 716, 126 Stat. 1632, 1804 (Jan. 2, 2013). Covered medications include those prescribed for a chronic, long-term condition taken on a regular recurring basis and that DOD selected to include as part of the pilot. See www.health.mil/TFLDrugList for those medications covered for the pilot.

⁸Specifically, TRICARE for Life beneficiaries are entitled to Medicare Part A and enrolled in Medicare Part B. In general, Medicare Part A provides benefits for services provided in inpatient settings, such as hospitals and Medicare Part B provides benefits for services provided in outpatient settings, such as physician offices. TRICARE for Life beneficiaries eligible for the pilot are those who have filled covered medications at a retail pharmacy. According to DOD officials, TRICARE for Life beneficiaries who are active duty servicemembers or their dependents are excluded from the pilot.

Life beneficiaries at a cost of \$2.2 billion, according to DOD.⁹ In the implementing regulations for the pilot, DOD reported that it expected the shift from retail pharmacies to mail order or MTF pharmacies would save the department approximately \$120 million during the first year.¹⁰ The pilot began in February 2014 and terminates at the end of fiscal year 2015, after which the requirements that were for the pilot are to be expanded to all eligible TRICARE beneficiaries pursuant to the NDAA for Fiscal Year 2015.¹¹

The NDAA for Fiscal Year 2015 included a provision for GAO to examine the pilot.¹² This report examines the extent to which DOD has (1) monitored whether covered medications were available and prescriptions were filled on time and accurately for the pilot, (2) monitored the satisfaction of participating beneficiaries, (3) achieved its expected cost savings for the first year of the pilot, and (4) prepared for the expansion of the pilot requirements to all eligible TRICARE beneficiaries.

To determine the extent to which DOD has monitored whether covered medications were available and prescriptions were filled on time and accurately for the pilot, we examined the performance data that Express Scripts, Inc. (ESI)—the pharmacy benefits manager that DOD contracts with to manage its network of retail pharmacies and its mail-order program—reports to DOD for all prescriptions filled through mail order. The data included the extent to which medications were out of stock, and the timeliness and accuracy of prescriptions filled. We also requested this performance data from DOD and ESI specific to the pilot for covered medications for the first year of the pilot from February 2014 through

⁹CHAMPUS/TRICARE: Pilot Program for Refills of Maintenance Medications, DOD interim final rule, 78 Fed. Reg. 75245, 75246 (Dec. 11, 2013) (regulations codified at 32 C.F.R. Part 199.21(r)).

¹⁰78 Fed. Reg. 75246. The regulations implementing the pilot became effective on Feb. 14, 2014.

¹¹Carl Levin and Howard P. “Buck” McKeon National Defense Authorization Act for Fiscal Year 2015, Pub. L. No. 113-291, § 702(c), 128 Stat. 3292, 3410-3411 (Dec. 19, 2014). According to DOD, the expansion of the pilot requirements will save the department approximately \$88 million per year. See 80 Fed. Reg. 46796 (Aug. 6, 2015). Pilot beneficiaries will be included in the expansion, along with other eligible TRICARE beneficiaries, such as dependents of active duty servicemembers.

¹²Pub. L. No. 113-291, § 702(d), 128 Stat. 3292, 3410-3411 (Dec. 19, 2014).

February 2015.¹³ We compared ESI's performance data for the pilot to the performance standards ESI was expected to meet in its contract with DOD for the mail-order program. In addition, we requested performance standards and data from DOD specific to the pilot for MTF pharmacies, but according to DOD officials, these standards and data were not available.¹⁴

To determine the extent to which DOD has monitored the satisfaction of participating beneficiaries, we requested information and data on communications that DOD made with pilot beneficiaries regarding satisfaction. We reviewed DOD's quarterly survey data on beneficiary satisfaction with TRICARE's mail-order program that overlapped with the first year of the pilot from February 2014 through February 2015.¹⁵ We also requested information and data on communications made with pilot beneficiaries regarding satisfaction with MTF pharmacies; however, this information and data were not available according to DOD officials. We also spoke with officials from two military service organizations about their members' experiences and satisfaction with the pilot.¹⁶

To determine the extent to which DOD achieved its expected cost savings for the first year of the pilot, we compared the projected cost savings that DOD reported prior to the start of the pilot and ESI's estimate of cost savings for the first year (February 2014 through February 2015).¹⁷ We reviewed the methodology for both of these estimates.

¹³Data collection for the pilot began on Feb. 15, 2014, according to an ESI official.

¹⁴For the purposes of this report, unless otherwise noted, "DOD officials" refer to those officials from DOD's Defense Health Agency's Pharmacy Operations Division who are responsible for monitoring the pilot.

¹⁵The survey methodology includes a target response of 402 responses each quarter. To achieve this target, 4,500 unique beneficiaries who used the mail-order program in the previous three months are randomly selected to be contacted.

¹⁶We spoke with officials from the Military Officers Association of America (MOAA) and The Retired Enlisted Association (TREA). MOAA is a professional association that provides transition services (e.g., military benefits counseling and career transition assistance) to military officers and their families. TREA is a nonprofit retired military veterans association that represents enlisted retirees.

¹⁷For the purpose of this report, DOD's estimate that was developed prior to the start of the pilot will be referred to as the "projected cost savings." ESI's estimate will be referred to as the "estimate of cost savings for the first year of the pilot."

To determine the extent to which DOD has prepared for the expansion of the pilot requirements to all eligible TRICARE beneficiaries, we interviewed DOD officials and requested documents evaluating the pilot and planning documents for the expansion. We also reviewed DOD's contract with ESI to determine if it included requirements specific to the expansion.

For each of our research objectives, we interviewed DOD officials and, as appropriate, ESI officials. These interviews included discussion about how DOD assessed the quality of the data and about the data systems that generate the reports provided to DOD. Based on our review of the information describing the data collection, analysis, cost saving estimates, and systematic checks of the data provided by DOD and ESI, we determined the data were sufficiently reliable for our purposes. In addition, we reviewed the relevant standards for internal control in the federal government.¹⁸

We conducted this performance audit from March 2015 to September 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

In February 2014, DOD began mailing notices to TRICARE for Life beneficiaries eligible for the pilot informing them of the pilot requirements for filling covered medications through mail order or MTF pharmacies, rather than retail pharmacies. In its contract with DOD, ESI is responsible for implementing the mail-order component of the pilot, which includes operating a call center through which beneficiaries may ask questions about the pilot and transfer prescriptions from a retail pharmacy to mail order. According to DOD officials, individual MTF pharmacies are responsible for implementing the MTF pharmacy component of the pilot. DOD's Defense Health Agency's Pharmacy Operations Division is

¹⁸GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: Nov. 1999).

responsible for monitoring both the mail-order and MTF-pharmacy components of the pilot.

After receiving DOD's notice, beneficiaries are allowed two 30-day supply refills at a retail pharmacy as a courtesy. The courtesy refills give beneficiaries time to transfer their prescriptions to mail order or an MTF pharmacy, according to DOD officials.¹⁹ After each of these two refills, ESI contacts the beneficiary by letter to remind them about the options for obtaining future refills—either through mail order, through an MTF pharmacy, or by paying 100 percent of the cost at a retail network pharmacy. Requests for coverage for a third refill at a retail pharmacy are denied.

Eligible beneficiaries may waive participation in the pilot. Specifically, beneficiaries may obtain blanket waivers for medications needed for acute care or covered by other health insurance. Beneficiaries may also qualify for waivers in certain special circumstances, such as living in a nursing home. These waivers are granted on a case-by-case basis. Additionally, under the law and implementing regulations, beneficiaries may opt out of the pilot after participating for 1 year.²⁰

ESI reported to DOD that there were about 317,000 TRICARE for Life beneficiaries eligible to participate in the pilot from February 15, 2014 through February 28, 2015.²¹ Of those beneficiaries who were eligible, about 186,000 (59 percent) transferred their prescriptions from a retail pharmacy to mail order for medications covered for the pilot. DOD did not have data on the number of eligible pilot beneficiaries who transferred their prescriptions from a retail pharmacy to an MTF pharmacy. Beneficiaries who did not participate in the pilot did so for reasons such as obtaining an override, which is an approval to refill a prescription for a covered medication at a network retail pharmacy when not available through mail order.

¹⁹A 90-day supply of medication is generally provided through mail order and MTF pharmacies.

²⁰As of February 2015, ESI reported that 29 beneficiaries had opted out of the pilot after meeting this one-year participation requirement.

²¹ESI reports these numbers at the end of each month to DOD and updates them as prescriptions are processed for the pilot. The numbers shown were reported as of March 2015.

The NDAA for Fiscal Year 2013 included a provision for the pilot to run for 5 years expiring by December 31, 2017. However, the NDAA for Fiscal Year 2015 terminated the pilot effective September 30, 2015 and expanded the requirements for the pilot to all eligible TRICARE beneficiaries beginning October 1, 2015. For the expansion, the requirements for filling prescriptions through mail order and MTF pharmacies are to generally remain the same as for the pilot; however, the option to opt out after participating for 1 year will not be permitted, according to DOD officials.²² Although the NDAA for Fiscal Year 2015 also increased the copayments for all TRICARE prescriptions filled at retail pharmacies and through mail order, they continue to be less through mail order than at retail pharmacies. Additionally, there continues to be no copayment for prescriptions filled at MTF pharmacies.²³

DOD Has Not Fully Monitored the Availability of Covered Medications or the Timeliness and Accuracy of Prescriptions Filled for the Pilot

DOD has monitored the availability of covered medications, but has not separately tracked the timeliness and accuracy of prescriptions filled for the pilot through mail order. DOD also has not systematically tracked any of this information for the pilot across MTF pharmacies.

²²Pub. L. No. 113-291, § 702(c), 128 Stat. 3292, 3410-3411 (Dec. 19, 2014).

²³Pub. L. No. 113-291, § 702(b), 128 Stat. 3292, 3410-3411 (Dec. 19, 2014).

DOD Has Monitored Availability of Covered Medications for the Pilot through Mail Order

In the contract in effect at the start of the pilot, DOD required ESI to monitor the availability of covered medications for the pilot through mail order.²⁴ According to DOD officials, there have been some overall issues with availability in mail order due to a medication being out of stock because of a manufacturer shortage.²⁵ For the pilot, when a covered medication is not available through mail order, the affected beneficiary may receive an override to obtain the medication from a retail pharmacy. ESI officials told us that the affected beneficiary must receive an override for each prescription for a covered medication that is out of stock. From March 2014 through February 2015, these officials told us that 5,069 pilot beneficiaries (approximately 3 percent of those that participated) received 5,611 overrides. This represented less than 1 percent of the prescriptions filled through mail order for the pilot, and was comparable to the availability experience of the entire TRICARE mail-order program. ESI officials said that of the 5,611 total overrides approved, only 1,448 were actually used by beneficiaries to obtain covered medications from a retail pharmacy. DOD officials offered possible explanations for this low use, including that the physician may have changed the medication or that the beneficiary may have decided to fill the prescription at an MTF pharmacy instead of a retail pharmacy. Another potential explanation for not using the override may be the higher copayment to fill a covered medication at a retail pharmacy.

²⁴The pharmacy contract between DOD and ESI that was in effect at the start of the pilot was modified to include requirements specific to the pilot. This contract ended on April 30, 2015. Full performance under the current pharmacy contract became effective on May 1, 2015, which includes requirements specific to the pilot.

²⁵DOD officials told us they reviewed the list of covered medications for the pilot and updated it in February 2015 due to availability and manufacturer issues in providing some of the medications on the original list. While DOD officials told us they generally prefer not to make many changes, it is their practice to review the medication list every quarter and examine whether each medication is still applicable to the mail-order program.

DOD Has Monitored the Timeliness and Accuracy of Prescriptions Filled through Mail Order for All of TRICARE, but Not Separately for the Pilot

In the contract in effect at the start of the pilot, DOD required ESI to report monthly on the timeliness and accuracy of all TRICARE prescriptions filled through mail order, but not separately for the pilot. Prescriptions filled by pilot beneficiaries represented about 3 percent—about 785,000 prescriptions—of the approximately 25 million total prescriptions filled through mail order from February 2014 through February 2015.²⁶ DOD officials said that since they expected the performance standards and the process for the mail-order program to be the same for the pilot, they did not require separate reports to monitor the timeliness and accuracy of prescriptions filled for the pilot. Absent such separately tracked data for the pilot, however, it may not be clear to what extent any issues identified through DOD's monitoring efforts may have affected prescriptions filled for the pilot differently than for all TRICARE prescriptions. Federal internal control standards suggest that agencies should monitor performance data to assess the quality of performance over time. Monitoring is particularly important during transitions of care, such as for medications. Without monitoring performance data separately for the pilot, DOD does not know what, if any, problems beneficiaries may have experienced filling their prescriptions. As a result, DOD lacks potentially important information to help inform the upcoming expansion of the pilot requirements, which is slated for October 1, 2015.

Because separate reports on the pilot's performance were not available, we reviewed the monthly timeliness and accuracy reports that ESI provided to DOD for all TRICARE mail-order prescriptions from February 2014 through February 2015. We found that ESI did not meet one of the four timeliness performance standards—shipping 95 percent of prescriptions within 2 calendar days if a clarification or intervention, such as a consultation from a pharmacist, is not required—for June and July 2014.²⁷ During these 2 months, some pilot beneficiaries may have

²⁶ESI is contractually required to report monthly the number of prescriptions filled for the pilot.

²⁷In the contract in effect at the start of the pilot, DOD required ESI to meet four timeliness performance standards monthly for mail order prescriptions: 1) ship 95 percent of prescriptions within 2 calendar days of receipt if a clarification or intervention is not required; 2) ship 100 percent of prescriptions within 4 calendar days of receipt if a clarification or intervention is not required; 3) ship 95 percent of prescriptions within 7 calendar days of receipt if a clarification or intervention is required; and 4) ship 100 percent of prescriptions within 10 calendar days of receipt if a clarification or intervention is required. In the current pharmacy contract, the performance standard for timeliness has been revised; specifically, DOD requires ESI to ship mail order prescriptions within 10 calendar days of receipt.

reached their limit of two courtesy refills at a retail pharmacy and may have been in the process of transferring their prescriptions to mail order. Therefore, to determine if there were any differences in meeting the timeliness performance standards for the pilot compared to all mail-order prescriptions, we requested ESI create separate reports specifically for the pilot. However, the information ESI provided was for all prescriptions filled by pilot beneficiaries, not just those for covered medications.²⁸

The information ESI provided to us showed that, similar to performance results for all mail-order prescriptions, for 2 months of the pilot ESI did not meet one of the four timeliness standards. As with all mail-order prescriptions, ESI did not meet the standard that 95 percent of prescriptions be shipped within 2 calendar days of receipt if a clarification or intervention is not required. For June and July 2014, ESI shipped 84 percent of all prescriptions filled by pilot beneficiaries within 2 days, compared to 86 percent for the entire mail-order program. DOD reported that in June 2014, ESI experienced a system-wide issue—not specific to the pilot—with an automatic refill process that was operating improperly and was not processing prescriptions, which caused a backlog during June and July 2014. However, because data were not separately tracked for the pilot, DOD does not know whether pilot beneficiaries were disproportionately affected for covered medications.

For the accuracy of prescriptions filled, ESI reported meeting the performance standard of 100 percent accuracy each month for all TRICARE prescriptions, including those for the pilot, for the entire period from February 2014 through February 2015. DOD officials said ESI has an internal process to identify potential errors during the prescription-filling process, such as a pharmacist checking after a technician enters prescription information into its data system; or weighing the contents of a prescription to verify that the correct number of units was dispensed. Once a prescription is dispensed to a beneficiary, DOD officials told us that prescription accuracy is measured as the percent of prescriptions dispensed that did not have a validated error, such as a shipping error,

²⁸The data ESI provided reflected all the prescriptions filled by pilot beneficiaries, including covered medications for the pilot required to be transferred from retail, medications that were not required to be transferred from retail, and medications that were already being filled through mail order. In total, about 3.3 million prescriptions were filled through mail order by pilot beneficiaries from February 2014 through February 2015, which included the approximately 785,000 prescriptions for covered medications.

having two different medications mixed in a bottle, or incorrect drug, strength, form, patient name, or address. ESI is notified of dispensing errors when a beneficiary contacts them regarding the error and shipping errors are identified when the medication is returned through the mail.

DOD Has Not Systematically Monitored the Availability of Covered Medications or the Timeliness and Accuracy of Prescriptions Filled for the Pilot across MTF Pharmacies

For the pilot, DOD has not systematically monitored the availability of covered medications, or the timeliness and accuracy of prescriptions filled across MTF pharmacies. According to the standards for internal control in the federal government, agencies should establish and review performance standards, and then monitor these data to assess the quality of performance over time. DOD has not established performance standards across MTF pharmacies for ensuring that covered medications are available and prescriptions are filled in a timely and accurate manner for pilot beneficiaries. Additionally, while some individual MTF pharmacies may collect and monitor performance data on their own, DOD has not systematically collected and monitored this information for the pilot because the department does not have a central data system for doing so.²⁹ As a result, DOD is unable to assess the availability of covered medications and whether these prescriptions were filled in a timely and accurate manner across MTF pharmacies. DOD also does not know if beneficiaries encountered difficulties in obtaining covered medications. This information would be beneficial in assisting DOD with the expansion of the pilot requirements.

DOD Has Not Monitored Beneficiary Satisfaction with the Pilot

DOD has not monitored the extent to which beneficiaries who participated in the pilot were satisfied with the transfer of prescriptions to mail order or MTF pharmacies. Federal internal control standards suggest that agencies obtain information from external stakeholders who may have a significant impact on the agency achieving its goals. Communications—such as through a survey—with pilot beneficiaries regarding their satisfaction with obtaining medications through mail order and MTF pharmacies are mechanisms that may have assisted DOD in assessing whether it was achieving its goal for beneficiaries to transfer prescriptions from retail to mail order and MTF pharmacies. Additionally, a satisfaction survey of pilot beneficiaries may have provided information about how

²⁹DOD officials also told us that during the first year of the pilot ESI did not have access to prescription data to track a beneficiary that transferred a prescription from a retail pharmacy to an MTF pharmacy.

well the pilot is being implemented, served as a tool for DOD to assess the performance of ESI and individual MTF pharmacies, and provided senior management information to determine what they could do to improve the pilot's effectiveness. Federal internal control standards also require agencies to monitor and assess the quality of performance over time in order to ensure that findings are promptly resolved. By not separately surveying pilot beneficiaries' satisfaction with mail order or MTF pharmacies, DOD does not know whether beneficiaries faced any difficulties obtaining their covered medications, which is particularly important to monitor during transitions of care. Consequently, DOD lacks assurance that the pilot is working for participating beneficiaries as intended, and is missing important information that may be useful to help inform the expansion of the pilot's requirements to all eligible TRICARE beneficiaries.

For mail order, DOD officials who monitor the pilot told us they have relied on the results from a quarterly survey of all TRICARE mail-order pharmacy users—the TRICARE Mail-Order Pharmacy Satisfaction Survey—to assess the satisfaction of pilot beneficiaries.³⁰ DOD has not separately monitored beneficiary satisfaction for the pilot through mail order because DOD officials said the mail-order process is the same for pilot and non-pilot beneficiaries, and therefore the results of the TRICARE Mail-Order Pharmacy Satisfaction Survey would also be applicable to pilot beneficiaries. However, other DOD officials who monitor the survey results said they do not recommend generalizing the survey results to the overall TRICARE mail-order population or to pilot beneficiaries, thus making the use of these data for this purpose questionable. These officials said they do not know how representative the survey respondents are of the TRICARE mail-order population or pilot beneficiaries.³¹ Pilot beneficiaries may have different characteristics than those of all mail-order beneficiaries. Officials told us that DOD does not collect demographic information of survey respondents (e.g., age, regional information) and has never compared the information on the survey respondents to the overall mail-order population to assess similarities

³⁰The results of this survey along with other performance measures, such as program cost control, are used to determine a quarterly performance bonus to ESI for operating the mail-order program, according to DOD officials.

³¹DOD officials who monitor the satisfaction survey results are from DOD's Defense Health Agency's Decision Support Division.

between the two groups. Moreover, DOD has not compared the characteristics of beneficiaries who responded to the survey to those that did not, and consequently, is therefore unable to determine representativeness and how these characteristics may be related to satisfaction.

DOD also has not monitored beneficiary satisfaction with the pilot based on calls to ESI's call center. DOD officials told us that beneficiaries could use the call center to express complaints with the pilot. ESI reported at least two significant increases in call volume during March and May of 2014, which DOD and ESI officials said they thought was due largely to beneficiaries seeking assistance in transferring prescriptions from a retail pharmacy to mail order. For example, according to DOD and ESI officials, the increase in call volume in March 2014 could have been due to eligible beneficiaries having received their initial letters to transfer their prescriptions for the pilot. In May 2014, beneficiaries who used courtesy refills may have started to reach their two-refill limit at a retail pharmacy and would therefore need to transfer prescriptions to mail order or MTF pharmacies. However, DOD officials told us that ESI is not required to track the details of these calls, including whether beneficiaries expressed any complaints with the pilot. According to these officials, ESI provided general feedback about the pilot during monthly meetings with DOD.

Additionally, DOD officials told us they have not monitored beneficiary satisfaction with the pilot across MTF pharmacies. DOD officials said because they do not have a central data system to track pilot beneficiaries that transferred prescriptions from a retail pharmacy to an MTF pharmacy, they are unable to assess beneficiary satisfaction for the pilot. However, DOD officials said that individual MTF pharmacies may assess beneficiary satisfaction.

Although DOD did not assess pilot beneficiary satisfaction, two military service organizations—the Military Officers Association of America (MOAA) and The Retired Enlisted Association (TREA)—reported informally collecting information from members about their experience with the pilot. A TREA representative told us that some of their members reported having problems with the initial enrollment, but said that once the pilot started the organization stopped receiving complaint calls and surmised the pilot was working well. Similarly, a MOAA representative reported their members having an issue with the “roll out” of the pilot. This representative also reported contacting members who participated in the pilot, and found that a little more than half of 40 members contacted indicated they were better off having received their medications through

the pilot, thus illustrating that while some are satisfied with the pilot, there may be varying levels of satisfaction among participating beneficiaries.

DOD's Estimated Cost Savings for the First Year of the Pilot Were Generally Comparable to Projected Cost Savings

As of February 2015, ESI estimated that DOD saved approximately \$123 million based on prescriptions processed through mail order for the first year of the pilot.³² This number was comparable to DOD's projected cost savings of approximately \$120 million that was estimated prior to the start of the pilot (see table 1).³³

The estimated cost savings for the first year of the pilot did not reflect prescriptions transferred to MTF pharmacies because DOD has not tracked these prescriptions for the pilot, according to DOD officials. Rather, these officials said they expected that most beneficiaries participating in the pilot would transfer their prescriptions from retail pharmacies to mail order rather than to MTF pharmacies based on a model the department developed. This model examines workload at retail, mail order, and MTF pharmacies, and shows that most prescriptions have moved from retail to mail order over time. Cost savings may have been greater than the estimated \$123 million had prescription transfers from retail pharmacies to MTF pharmacies been included because MTF pharmacies are a lower-cost option than retail pharmacies.

³²DOD is required to periodically report to the congressional defense committees on the pilot. For example, DOD reported estimated cost savings of \$106 million for the pilot for the period Feb. 15, 2014 through Dec. 31, 2014—representing slightly over 10 months of the first year of the pilot. However, the \$106 million reflects estimated cost savings before DOD paid an administrative fee to ESI to transfer prescriptions from retail to mail order through its call center. After deducting that administrative fee, the cost savings would have been about \$97 million.

³³Appendix I provides a description of the methodologies used to determine the cost savings estimates.

Table 1: Cost Savings Estimates for Prescription Transfers from Retail to Mail Order or Military Treatment Facility (MTF) Pharmacies for the TRICARE for the Life Pharmacy Pilot

Source	Estimate	Time period	Mail order or MTF pharmacy transfers	Methodology
DOD's regulations implementing the pilot (effective February 2014) ^a	\$120 million projection	A projected calendar year	<input checked="" type="checkbox"/> (checked box) Mail order <input checked="" type="checkbox"/> (checked box) MTF pharmacy	Used data from the 4th quarter 2012 to determine the difference in the cost of filling brand maintenance medications through mail order or an MTF pharmacy instead of a retail pharmacy and projected those savings for one calendar year.
Express Scripts, Inc. report to DOD (March 2015)	\$123 million estimated cost savings	February 15, 2014 – February 28, 2015 ^b	<input checked="" type="checkbox"/> (checked box) Mail order <input type="checkbox"/> (unchecked box) MTF pharmacy ^c	Used data from February 15, 2014 – February 28, 2015 to determine the difference in the cost of filling a covered medication ^d through mail order instead of a network retail pharmacy and then subtracted an administrative fee DOD pays Express Scripts, Inc. to facilitate the transfer of the prescription from retail to mail order through its call center.

Source: GAO analysis of information from DOD and Express Scripts, Inc. | GAO-15-768

^aSee 78 Fed. Reg. 75246 (regulations became effective February, 2014).

^bThis time period represents 2 weeks more than a calendar year.

^cTransfers to MTF pharmacies have not been included in the savings; if they had, the savings would be expected to have been greater.

^dSee www.health.mil/TFLDrugList for those medications covered for the pilot.

DOD Has Issued Regulations, but Has Not Finalized Planning Documents for the Expansion of the Pilot Requirements

As of August 6, 2015, DOD issued an interim final rule implementing the expansion of the pilot requirements to all eligible TRICARE beneficiaries.³⁴ DOD officials told us that they are in the process of developing planning documents for the expansion of the pilot requirements to all eligible TRICARE beneficiaries, but have not finalized these documents. Officials explained that they will use planning documents prepared for the pilot (e.g., a plan to communicate the requirements of the program) to guide them in developing these documents for the expansion. Similarly, officials said that they generally plan to follow the same processes used for the pilot. For example, they will mail notices to eligible beneficiaries that they are required to obtain their covered medications through mail order or from an MTF pharmacy.

³⁴80 Fed. Reg. 46796 (Aug. 6, 2015). Comments on the interim final rule will be accepted through Oct. 5, 2015 and will be considered during the second year of the expansion.

DOD officials also stated that they are drafting contractual requirements for the expansion that will be added to the current pharmacy contract with ESI. Officials said these contract requirements will likely model those that were developed for the pilot, including requiring ESI to report monthly cost savings estimates.³⁵ While not specific to the expansion, DOD also added in new requirements to ESI's current pharmacy contract including assisting with the transfer of prescriptions from a select number of MTF pharmacies to mail order, a service that ESI previously did not provide. A DOD official told us that the ability to transfer a prescription from a retail pharmacy to mail order has been helpful for beneficiaries and key to expanding TRICARE's mail-order program. The official added that these new requirements will give ESI the ability to provide the same support to beneficiaries who want to transfer prescriptions from MTF pharmacies to mail order.

DOD officials told us that they do not have plans to conduct a systematic evaluation of the pilot to prepare for the expansion. Officials explained that because the NDAA for Fiscal Year 2015 required that the pilot end 2 years earlier than expected, there is not enough time to conduct an evaluation prior to the expansion of the requirements to all eligible TRICARE beneficiaries. They also told us that the NDAA for Fiscal Year 2013, which established the pilot, did not require that they conduct such an evaluation. However, officials said they have performed ongoing assessments during the pilot and identified some lessons learned that will be incorporated during the implementation of the expansion, such as ensuring that beneficiaries have sufficient time to transfer their covered medications so as to not disrupt their medication regimens.

Additionally, DOD does not know how the expected increase in the number of beneficiaries with the expansion may affect the capacity of mail order and MTF pharmacies. As of March 2015, ESI estimated that about 416,000 additional beneficiaries will be required to transfer prescriptions from retail to mail order or MTF pharmacies when the expansion is implemented.³⁶ DOD officials told us that ESI officials verbally assured

³⁵Other requirements included reporting the number of covered medications, number of unique pilot beneficiaries, and the number of pilot beneficiaries who received an override.

³⁶ESI officials explained that because the number of eligible beneficiaries is based on data that are available at a specific time, they plan to recalculate this estimate closer to the time that the expansion occurs.

them that the company has sufficient capacity to handle the increased volume when the expansion is implemented. DOD did not conduct its own assessment of ESI's ability to handle the additional capacity because DOD officials said they expect ESI to meet the contractual requirements related to availability, timeliness and accuracy for all mail order prescriptions, including the additional prescriptions resulting from the expansion.

DOD officials also stated that MTF pharmacies should be able to handle the additional capacity for the expansion because they expect most prescriptions to be transferred to mail order based on the workload model previously discussed. However, according to DOD officials, this model is not specific to the pilot and does not track pilot beneficiaries' use of MTF pharmacies to predict how the expansion could affect MTF pharmacies' workload. Additionally, because DOD has not monitored the availability, timeliness or accuracy of prescriptions filled for covered medications, beneficiary satisfaction, or cost savings for the pilot across MTF pharmacies, it does not know how the expansion may impact the capacity of MTF pharmacies.

We recognize that NDAA for Fiscal Year 2015 shortened the period of the pilot; however, the lack of systematic monitoring that we identified and discussed earlier in the report suggests that DOD, in planning for the expansion of the pilot requirements, would benefit from enhanced emphasis on the monitoring of the availability of covered medications, the timeliness and accuracy of prescriptions filled through mail order and MTF pharmacies, and beneficiary satisfaction. This would be consistent with federal standards for internal controls, which supports monitoring to be performed continually and ingrained in an agency's operations.

Conclusions

While DOD's monitoring of the effects of the pilot on participating beneficiaries has been limited, the pilot appears to have yielded substantial cost savings for the government and lower copayments for beneficiaries during its first year. These savings are expected to grow once the requirements of the pilot are expanded to all eligible TRICARE beneficiaries. As DOD implements the expansion of pilot requirements, the agency would benefit from improved monitoring of affected beneficiaries, including the availability of covered medications, the timeliness and accuracy of prescriptions filled, and satisfaction. Particularly in light of the absence of a systematic evaluation of the pilot and its implications for the full expansion, such monitoring is important in identifying and addressing problems that may occur as beneficiaries

transition their covered medications from retail to mail order or MTF pharmacies.

Recommendation for Executive Action

To be able to identify and address problems that may occur and thus help ensure a smooth transition, we recommend that the Secretary of Defense require the Defense Health Agency ensure that planning documents for the expansion include specific requirements to continuously monitor affected beneficiaries, including whether

- covered medications are available and filled in a timely and accurate manner through mail order and across MTF pharmacies; and
- beneficiaries are satisfied with the transition to mail order and MTF pharmacies.

Agency Comments and Our Evaluation

In commenting on a draft of this report, DOD concurred with our audit findings and conclusions, as well as our recommendation that planning documents for the expansion should include requirements to monitor affected beneficiaries, including the availability of covered medications, the timeliness and accuracy of prescriptions filled, and the satisfaction of beneficiaries with mail order and MTF pharmacies. DOD's comments are reprinted in Appendix II.

DOD commented that the experience and lessons learned from the pilot were included in developing the pharmacy contract requirements to expand the program. Subsequent to sending the draft report to DOD for comment, the pharmacy contract was modified on September 3, 2015 to include requirements for the expansion. Upon our review of the modified contract, we found that the requirements related to the expansion did not require the separate monitoring of the timeliness and accuracy of prescriptions filled for beneficiaries directly affected by the expansion who are transitioning from retail to mail order. We maintain that DOD would benefit from monitoring performance separately for these affected beneficiaries. This population, which takes maintenance medications for chronic conditions, may represent a different profile of prescriptions than for all mail-order beneficiaries. Therefore, this population may experience timeliness and accuracy differently than do all mail-order beneficiaries. Without monitoring performance data separately, it may not be clear to what extent any issues identified through DOD's monitoring efforts may be different for this population, especially during the initial transition from retail to mail order.

DOD also commented that after the expansion occurs beneficiary satisfaction with mail order will continue to be measured as it was done previously through a survey of all TRICARE mail-order pharmacy users. However, as we reported, the results of this survey of all TRICARE mail-order pharmacy users may not represent well the satisfaction of sub-populations, such as affected beneficiaries. Also, as we reported, DOD officials who monitor this satisfaction survey said they do not recommend generalizing the survey results for multiple reasons, such as being unable to determine representativeness of the survey respondents. We maintain that DOD should separately survey the satisfaction of affected beneficiaries with mail order given that this population may have different characteristics than those of all mail-order beneficiaries generally, and those differences may be associated with satisfaction. Without assessing the satisfaction of affected beneficiaries, DOD will not know whether these beneficiaries faced any difficulties in obtaining their covered medications, which is important to know during transitions of care.

Finally, DOD commented, that there is no indication based on workload data, that affected beneficiaries will choose to use MTF pharmacies once the expansion occurs. In addition, DOD commented that MTF pharmacies will continue to individually monitor their own performance and beneficiary satisfaction according to individual performance standards. However, as we discuss in the report, DOD officials told us that the workload model does not specifically track pilot beneficiaries' use of MTF pharmacies to predict how the expansion could affect MTF pharmacies' workload. Given that there are 416,000 additional beneficiaries expected to be affected by the expansion and that their use of MTF pharmacies could be different than the use for all TRICARE beneficiaries generally, we maintain that DOD would benefit from systematically monitoring affected beneficiaries, including across MTF pharmacies. Without doing so, DOD will not know if affected beneficiaries encountered difficulties in obtaining covered medications.

We are sending copies of this report to the appropriate congressional committees, the Secretary of Defense, and other interested parties. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-7114 or at draperd@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.

A handwritten signature in black ink, appearing to read 'Debra A. Draper', with a stylized flourish at the end.

Debra A. Draper
Director, Health Care

List of Committees

The Honorable John McCain
Chairman
The Honorable Jack Reed
Ranking Member
Committee on Armed Services
United States Senate

The Honorable Thad Cochran
Chairman
The Honorable Richard Durbin
Ranking Member
Committee on Appropriations
Subcommittee on Defense
United States Senate

The Honorable Mac Thornberry
Chairman
The Honorable Adam Smith
Ranking Member
Committee on Armed Services
House of Representatives

The Honorable Rodney Frelinghuysen
Chairman
The Honorable Pete Visclosky
Ranking Member
Committee on Appropriations
Subcommittee on Defense
House of Representatives

Appendix I: Methodologies to Develop the TRICARE for Life Pharmacy Pilot's Cost Savings Estimates

The estimated cost savings for the first year of the pilot of \$123 million were generally comparable to the projected cost savings of approximately \$120 million that the Department of Defense (DOD) reported prior to the start of the pilot. The \$120 million estimate represented projected cost savings from the transfer of prescriptions for brand maintenance medications from retail pharmacies to either TRICARE's mail-order pharmacy program or a military treatment facility (MTF) pharmacy.¹ The \$123 million estimate represented cost savings from the transfer of prescriptions for covered brand maintenance medications (hereafter referred to as covered medications) from retail pharmacies to TRICARE's mail-order program for the period February 15, 2014 through February 28, 2015.²

DOD's projected cost savings for the pilot. DOD officials told us that they made some assumptions about the transfer of prescriptions for brand maintenance medications from retail pharmacies to mail order or MTF pharmacies in calculating the projected cost savings of \$120 million for a calendar year. DOD assumed that cost savings would be the same if they repriced these retail prescriptions to reflect the cost at mail order or at MTF pharmacies because the average cost of a brand maintenance medication was about the same at both, based on a model that DOD developed.³ For the purposes of calculating projected cost savings, DOD officials told us that they assumed that 100 percent of the retail prescriptions would transfer to mail order, but told us the projected cost savings would have been about the same if they assumed that less than 100 percent of retail prescriptions were transferred to mail order (e.g., if 90 percent were transferred to mail order and 10 percent were transferred to MTF pharmacies).

¹A brand medication is a non-generic medication marketed under a proprietary, trademark-protected name. DOD officials told us that at the time of developing the projected cost savings they used a list of brand maintenance medications that were suitable for mail order. They used this list as proxy for the covered medications for the pilot since the list had not yet been developed.

²Covered medications include those prescribed for a chronic, long-term conditions taken on a regular recurring basis and that DOD selected to include as part of the pilot. See www.health.mil/TFLDrugList for those medications covered for the pilot.

³DOD officials said they developed a model to estimate cost savings across all DOD initiatives, including the pilot, and to examine workload at retail, mail order, and MTF pharmacies.

To develop the projected cost savings of \$120 million, DOD officials explained that they

- used data from the fourth quarter of 2012 to determine that approximately 800,000 prescriptions for brand maintenance medications were filled by beneficiaries aged 65 years and older at retail pharmacies,
- determined the retail cost for each of these prescriptions, typically filled for a 30-day supply, including ingredient cost, dispensing fees and administrative fees,⁴
- converted the retail cost of these prescriptions from a 30-day supply to the cost for a 90-day supply (e.g., the ingredient cost for a 30-day supply at a retail pharmacy of \$10 would have been \$30 for a 90-day supply at a retail pharmacy),
- determined what the cost would have been for these prescriptions if they had been filled through mail order, typically filled for a 90-day supply,
- calculated the difference in the copayment that a beneficiary paid at a retail pharmacy to the copayment for mail order,
- calculated the total cost savings for filling these 800,000 prescriptions at mail order instead of at retail pharmacies: retail cost less mail-order cost and copayment difference. Any manufacturer refunds for brand maintenance medications filled through retail pharmacies also were taken into account. This yielded a savings of about \$40 million per quarter.

DOD officials explained that after accounting for factors such as beneficiaries using the courtesy refills at retail and receiving waivers to not participate in the pilot, they assumed that about 75 percent of the \$40 million quarterly savings would be achieved. Therefore, they projected that the pilot would save about \$30 million per quarter, or \$120 million for a calendar year.

⁴Ingredient cost reflects the price of a drug negotiated for the TRICARE program. A dispensing fee is the amount paid to the pharmacy for dispensing a medication. An administrative fee is paid to Express Scripts Inc., DOD's pharmacy-benefits-management contractor, for a prescription dispensed through its network of retail pharmacies and the mail-order program.

Express Scripts Inc.'s estimate of cost savings for the first year of the pilot. DOD requires Express Scripts, Inc. (ESI)—the pharmacy benefits manager that DOD contracts with to manage its network of retail pharmacies and mail-order program—to calculate and report a monthly cost savings estimate for mail-order prescriptions specific to the pilot.

To develop the cost savings estimate of \$123 million for the first year of the pilot (February 15, 2014 through February 28, 2015), ESI officials explained that they

- used data from February 15, 2014 through February 28, 2015 to determine that approximately 785,000 prescriptions for covered medications were filled through mail order for the pilot,
- determined the mail-order cost of these prescriptions, typically filled for a 90-day supply, including ingredient cost, dispensing fees, and administrative fees,
- converted the mail-order cost of each of these prescriptions from a 90-day supply to the cost for a 30-day supply (e.g., the ingredient cost for a 90-day supply at mail order of \$30 would have been \$10 for a 30-day supply at a retail pharmacy),
- determined what the cost would have been for these prescriptions if they had been filled at a retail pharmacy, typically filled for a 30-day supply,
- calculated the difference between the copayments at mail order to the copayments that beneficiaries would pay at retail pharmacies,
- calculated the total cost savings for filling these 785,000 prescriptions through mail order instead of at retail pharmacy: total ingredient cost difference plus dispensing fee difference plus administrative fee difference less copayment difference. Any manufacturer refunds for brand maintenance medications filled through retail pharmacies were also taken into account. This resulted in a savings of about \$132 million.
- subtracted an administrative fee DOD pays ESI to transfer each prescription from retail pharmacy to mail order through its call center. According to a DOD official, the administrative fee to transfer prescriptions from retail pharmacies to mail order is an initial discretionary cost that DOD chose to incur to ensure a smooth transition for beneficiaries. After subtracting the \$9 million administrative fee related to the transfer of prescriptions through ESI's call center, the net cost savings for the pilot through mail order was \$123 million.

Appendix II: Comments from the Department of Defense



THE ASSISTANT SECRETARY OF DEFENSE

1200 DEFENSE PENTAGON
WASHINGTON, DC 20301-1200

HEALTH AFFAIRS

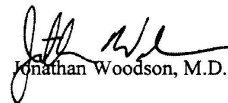
SEP 03 2015

Ms. Deborah Draper
Director, Health Care
U.S. Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Dear Ms. Draper:

The Office of the Assistant Secretary of Defense (Health Affairs) (OASD(HA)) is in receipt of the Government Accountability Office (GAO) draft report titled, "TRICARE Pharmacy Pilot: Improved Monitoring Needed with Expansion of Pilot Requirements (GAO-15-768)," dated August 12, 2015. Thank you for the opportunity to review and comment on the draft report.

OASD(HA) concurs with the audit's findings and conclusions. A response to the GAO's recommendation is attached. My points of contact on this matter are Dr. George E. Jones, Jr. (Functional) and Mr. Gunther Zimmerman (Audit Liaison). Dr. Jones may be reached at (703) 681-2890, or George.e.jones48.civ@mail.mil. Mr. Zimmerman may be reached at (703) 681-4360, or Gunther.j.zimmerman.civ@mail.mil.


Jonathan Woodson, M.D.

Attachment:
As stated

Government Accountability Office (GAO) Draft Report dated August 12, 2015
GAO-15-768

The Draft Report is titled, “TRICARE Pharmacy Pilot: Improved Monitoring Needed with
Expansion of Pilot Requirements”

DEPARTMENT OF DEFENSE (DoD) COMMENTS
TO THE GAO RECOMMENDATION

The GAO recommends that the Secretary of Defense direct the Defense Health Agency to take the
following action:

RECOMMENDATION 1: Ensure planning documents for mail order expansion include
requirements to continuously monitor affected beneficiaries, including whether:

- Covered medications are available and filled timely and accurately through mail order and
across Military Treatment Facility (MTF) pharmacies; and,
- Beneficiaries are satisfied with the transition to mail order and MTF pharmacies.

DoD RESPONSE: The DoD concurs and offers the following comments.

The 5-year TRICARE For Life pilot was in place for only 10 months when the Carl Levin
and Howard “P” McKeon, National Defense Authorization Act for Fiscal Year 2015 directed the
Department to terminate the pilot program and to require all TRICARE beneficiaries to refill
select prescription maintenance medications through MTF pharmacies or the mail order program
starting October 1, 2015. DoD supported this action. Experience and lessons learned from the
TRICARE pilot were included in developing the contract requirements to expand the program.
Those requirements include monitoring the availability of covered medications, as well as
timeliness and accuracy metrics. Beneficiary satisfaction will continue to be measured as it was
done under the previous pharmacy contract. The majority of beneficiaries using mandatory mail
are candidates to receive this survey. The contract modification was executed and the expansion is
on schedule to begin as legislated.

The number of beneficiaries who moved from retail to MTFs was very small based on
workload reported. There is no indication to expect beneficiaries will choose to use MTFs for the
expanded program. However, MTF pharmacies will continue to monitor waiting times, error
rates, back-order rates, and beneficiary satisfaction as part of their individual accreditation metrics.

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

Debra A. Draper, (202) 512-7114 or draperd@gao.gov.

Staff Acknowledgments

In addition to the contact name above, Rashmi Agarwal, Assistant Director; Jennie F. Apter; Jacquelyn Hamilton; Deitra H. Lee; Eric Wedum; and Joanna Wu made key contributions to this report.

Appendix IV: Accessible Data

Agency Comment Letter

Text of Appendix II: Comments from the Department of Defense

Page 1

Ms. Deborah Draper Director, Health Care

U.S. Government Accountability Office 441 G Street, N.W.

Washington, DC 20548

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Jonathan Woodson, M.D.

Attachment: As stated

Page 2

Government Accountability Office (GAO) Draft Report dated August 12, 2015 GAO-15-768

The Draft Report is titled, "TRICARE Pharmacy Pilot: Improved Monitoring Needed with Expansion of Pilot Requirements"

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The number of beneficiaries who moved from retail to MTFs was very small based on workload reported. There is no indication to expect beneficiaries will choose to use MTFs for the expanded program. However, MTF pharmacies will continue to monitor waiting times, error rates, back-order rates, and beneficiary satisfaction as part of their individual accreditation metrics.

Related GAO Products

Compounded Drugs: TRICARE's Payment Practices Should Be More Consistent with Regulations. [GAO-15-64](#). Washington, D.C.: October 2, 2014.

Prescription Drugs: Comparison of DOD, Medicaid, and Medicare Part D Retail Reimbursement Prices. [GAO-14-578](#). Washington, D.C.: June 30, 2014.

Defense Health Care: Evaluation of TRICARE Pharmacy Services Contract Structure Is Warranted. [GAO-13-808](#). Washington, D.C.: September 30, 2013.

Prescription Drugs: Overview of Approaches to Control Prescription Drug Spending in Federal Programs. [GAO-09-819T](#). Washington, D.C.: June 24, 2009.

DOD Pharmacy Program: Continued Efforts Needed to Reduce Growth in Spending at Retail Pharmacies. [GAO-08-327](#). Washington, D.C.: April 4, 2008.

DOD Pharmacy Benefits Program: Reduced Pharmacy Costs Resulting from the Uniform Formulary and Manufacturer Rebates. [GAO-08-172R](#). Washington, D.C.: October 31, 2007.

TRICARE: Enrollment of the Department of Defense's TRICARE Beneficiaries in Medicare Part B. [GAO-06-489R](#). Washington, D.C.: June 30, 2006.

Mail Order Pharmacies: DOD's Use of VA's Mail Pharmacy Could Produce Savings and Other Benefits. [GAO-05-555](#). Washington, D.C.: June 22, 2005.

Defense Health Care: Need for Top-to-Bottom Redesign of Pharmacy Programs. [GAO/T-HEHS-99-75](#). Washington, D.C.: March 10, 1999.

Defense Health Care: Fully Integrated Pharmacy System Would Improve Service and Cost-Effectiveness. [GAO/HEHS-98-176](#). Washington, D.C.: June 12, 1998.

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