



Highlights of [GAO-05-555](#), a report to the Chairman, Subcommittee on Oversight and Investigations, Committee on Veterans' Affairs, House of Representatives

Why GAO Did This Study

There has been long-standing congressional interest in whether the Department of Defense (DOD) could use the Department of Veterans Affairs (VA) Consolidated Mail Outpatient Pharmacy (CMOP) system as a cost-effective alternative to beneficiaries picking up outpatient refill prescriptions at DOD military treatment facilities (MTF). To evaluate this possibility, DOD and VA conducted a pilot program in fiscal year 2003 in which a VA CMOP provided outpatient pharmaceutical refill services to DOD beneficiaries served through three MTFs. GAO was asked to estimate cost savings that could be achieved if DOD used VA's CMOP instead of MTF pharmacies for outpatient refill prescriptions, and what other benefits were achieved at the three pilot sites.

To estimate potential cost savings and determine what other benefits were achieved, GAO reviewed pilot and pharmacy program documentation and interviewed DOD and VA officials responsible for purchasing and dispensing drugs. GAO also compared drug and administrative costs of dispensing outpatient refills through the fiscal year 2003 pilot program with the costs of dispensing the refills at the three DOD MTFs that participated in the pilot.

www.gao.gov/cgi-bin/getrpt?GAO-05-555.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Cynthia A. Bascetta at (202) 512-7101.

MAIL ORDER PHARMACIES

DOD's Use of VA's Mail Pharmacy Could Produce Savings and Other Benefits

What GAO Found

DOD could achieve savings if it used VA's CMOP to dispense its outpatient refill prescriptions by taking advantage of VA's generally lower drug prices. Based on the drugs dispensed through the pilot, GAO estimated that the three MTFs that participated in the CMOP pilot program in fiscal year 2003 could have saved about \$1.39 per prescription in drug costs, or a total of about \$1.5 million, if the MTFs moved all their refill prescriptions to the CMOP. However, while DOD saved money on drug costs at the pilot MTFs, these savings were offset because DOD paid administrative costs for refill operations twice—first to pay VA for the administrative costs charged by the CMOP and second to maintain outpatient pharmacy refill operations at the MTFs. Consequently, achieving savings would require closing MTF outpatient pharmacy refill operations to offset CMOP administrative expenses.

In addition to demonstrating that financial savings are possible, the pilot produced nonmonetary benefits. MTF officials reported benefits such as reduced automobile traffic congestion and shorter pharmacy waiting times because many civilian beneficiaries at the pilot sites no longer came to MTFs to pick up refill prescriptions. Further, DOD beneficiaries who participated in the pilot program reported satisfaction with the CMOP's accurate and timely distribution of pharmaceuticals.

There are other potential cost implications for DOD if it decides to close MTF outpatient refill pharmacies and move the workload to the VA CMOP. Because DOD beneficiaries are allowed to choose among various options for obtaining drugs, they would be able to obtain their drugs from retail pharmacies and DOD's mail order pharmacy instead of the CMOP. These options, however, are more costly for DOD than having beneficiaries obtain their drugs from the CMOP. Consequently, if DOD closes the outpatient refill pharmacies at the pilot sites with the expectation that beneficiaries would use the CMOP and they did not, DOD's costs could increase. Any cost increases will challenge DOD to find more efficient ways to manage its pharmacy benefits program, such as by encouraging beneficiaries to choose the most cost-effective options for where they obtain their drugs.

We provided a draft of this report to VA and DOD for comment. VA said that it concurred with the draft report and DOD said that it was technically accurate but neither explicitly concurred nor nonconcurred.