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THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, DC 20301-1200

August 8, 1997

MEMORANDUM FOR: SURGEON GENERAL OF THE ARMY
SURGEON GENERAL OF THE NAVY
SURGEON GENERAL OF THE AIR FORCE

SUBJECT: Policy on Conducting Pharmacy Price Analysis

This memorandum establishes the Assistant Secretary of Defense (Health Affairs) policy for conducting Pharmacy Price Analysis by medical treatment facilities (MTFs) in the Department. Effective immediately, all MTFs will accomplish Pharmacy Price Analysis on generically equivalent drugs at least annually. The goal of this policy is for the Military Health Services System to reduce the cost of drugs dispensed from Department of Defense (DoD) pharmacies by \$10 - \$15 million per year.

An automated analysis tool, Best Prices for Locally Stocked Pharmaceutical Items (Best Pharm), first demonstrated at the 16 January 1997 TRICARE Conference, is now available in the Forward Customer Support (FCS) module of the Defense Medical Logistics Standard Support (DMLSS) system. Recognizing that not all MTF commanders and pharmacists attended the conference, I am attaching appropriate information and points of contact. At present, this product is only available to MTFs where FCS has been deployed. In August 1997, the Defense Personnel Support Center (DPSC) will provide a world wide web based automated Best Pharm report available for MTFs without FCS who use the DPSC Prime Vendor Program.

I am aware that some Services have "legacy based" price analysis tools that, when combined with Best Pharm, produce superb results. Air Force use of the Product and Price Comparison Tool has produced superb results and that analysis is well underway at all Air Force MTFs. I also understand, some MTFs that utilize the Department of Veterans Affairs prime vendor program do not have access to either of these automated tools and must accomplish manual price analysis. The point being, we must accomplish the analysis and not lose the opportunity to reduce the cost of drugs within DoD.

I am convinced that pharmaceutical price analysis is worth the effort. **I need you to have all your MTF commanders ensure that their pharmacists and medical logisticians take the time to conduct price analysis.** As we move our MTFs to a capitated environment in FY 1998, price analysis will help them live within their capitated budget.

My point of contact for this policy is Colonel John Clarke, Director, Defense Medical Logistics Standard Support Program Management Office, who may be reached at (703) 681-6850.

Edward D. Martin

Edward D. Martin, M.D.

Acting Assistant Secretary of Defense

Attachment:
As stated

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