THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D. C. 20301-1200

HEALTH AFFAIRS

DEC 19 2005

MEMORANDUM FOR SURGEON GENERAL OF THE ~~ARMY~~ Kevin
SURGEON GENERAL OF THE ~~NAVY~~ Don
SURGEON GENERAL OF THE AIR ~~FORCE~~ Peach

SUBJECT: Guidance for HA Policy 04-032, TRICARE Pharmacy Benefit Program Formulary Management, December 22, 2004

References: (a) 10 U.S.C. § 1074g, Pharmacy Benefits Program
(b) 32 C.F.R. Section 199.21

As part of our long-term strategy to establish an effective, efficient, integrated pharmacy benefits program, as directed by Congress (reference (a)) and implemented by regulation (reference (b)), the Department of Defense (DoD) has established a formulary management process to build the uniform formulary (UF). While some of these changes will be subtle, others will directly impact traditional military treatment facility business practices. We incorporated some comments recommended by the Services. However, if MTF-level and regional pricing agreements are allowed, pharmaceutical companies may refrain from participating in national contracting initiatives. In order to support long-term goals for the entire Military Health System, a single national procurement strategy is our best alternative. The attached clarifying guidance under reference (b) is designed to assist local Pharmacy & Therapeutics (P&T) Committees to make formulary decisions during the period of transition to a fully implemented TRICARE Uniform Formulary.

My point of contact regarding this matter is Major Travis Watson, Office of Pharmacy Operations, TRICARE Management Activity. He can be reached at (703) 681-0064.

Bill

William Winkenwerder, Jr., MD

Attachment:
As stated

Guidance for HA Policy 04-032, TRICARE Pharmacy Benefit Program Formulary Management, December 22, 2004

Local Formulary Management Changes

1. The provisions listed below apply only to drugs dispensed through outpatient pharmacies. The military treatment facility (MTF) Commander, based on recommendations of the MTF P&T Committee, retains decision authority pertaining to MTF formulary management of pharmaceuticals used solely for clinic and inpatient services.

2. To minimize system-wide disruptions, the UF will be implemented one therapeutic class at a time during a transition period from our previous methodology of formulary management. Until the DoD P&T Committee reviews a therapeutic class in accordance with reference (b) the MTF formulary pertaining to that therapeutic class may continue to be managed locally. The DoD Pharmacoeconomic Center will post all therapeutic classes scheduled for DoD P&T Committee review (and the drugs within those classes) on their website, www.pec.ha.osd.mil, generally 12 months in advance of their review.

3. The following restrictions apply to MTFs entering into any agreements (including Blanket Purchase Agreements (BPA)) with pharmaceutical manufacturers or suppliers.

a. MTFs shall not execute any agreement for products within a reviewed therapeutic class after the DoD P&T Committee completes its review and the TMA Director approves the recommendation for the UF.
b. MTFs shall not execute any new agreement for drugs within any therapeutic class posted for upcoming review on the Pharmacoeconomic Center web site, unless the BPA has adequate provision to allow termination of the agreement no later than the effective date of any applicable final decision for that therapeutic class.
c. MTFs may continue to keep existing agreements on drugs within therapeutic classes posted for review until the effective date of any applicable final decision for that therapeutic class.
d. Agreements for products within therapeutic classes reviewed by the DoD P&T Committee that were not selected for basic core formulary/extended core formulary status shall be terminated within the legally acceptable minimum amount of time prior to the effective date of any applicable final decision for that therapeutic class.

UF BPA Management Changes

4. During the UF drug class review process, pharmaceutical manufacturers are encouraged to submit their best pricing, in the form of a UF BPA price quote, for consideration by the DoD P&T Committee as part of its cost effectiveness evaluation.

5. To support DoD's UF therapeutic class review and UF BPA process, only pharmaceutical manufacturers whose drugs have been selected for UF status will be permitted to offer price decreases for consideration by DoD prior to rescheduling the therapeutic class for full review under the UF management process. Any appropriate price decrease offer shall only be considered by DoD for application to the drug in its previously-designated status (i.e., formulary, basic core formulary, and/or extended core formulary) on the UF, and not for purposes of adding the drug to the basic core or extended core formulary. Acceptance of an appropriate price decrease offer shall be within the sole discretion of the DoD based on the best interests of the Government in management of the TRICARE Uniform Formulary.