



PERSONNEL AND  
READINESS

## UNDER SECRETARY OF DEFENSE

4000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-4000

JAN 23 2013


The Honorable Carl Levin  
Chairman  
Committee on Armed Services  
United States Senate  
Washington, D.C. 20510

Dear Mr. Chairman:

The enclosed report is submitted pursuant to section 705 of the John Warner National Defense Authorization Act for Fiscal Year 2007, which directed the Department of Defense (DoD) to conduct a demonstration project to allow certain over-the-counter (OTC) medications to be included on the uniform formulary under title 10, U.S. Code, section 1074(g). At the conclusion of no more than 2 years after implementation of this project, the Secretary is required to submit a report to the Armed Services Committees of the House and Senate that includes recommendations for improving the provision of OTC drugs under the pharmacy benefits program, and on whether permanent authority should be provided to cover OTC drugs under the pharmacy benefits program. The attached report meets those requirements.

From May 2007, project start, through November 2012, approximately \$63.2 million in cost avoidance to DoD has been realized, and 388,000 beneficiaries have used the program. Had these prescriptions been filled with legend prescription drugs rather than OTC products, DoD would have spent approximately \$95.2 million rather than the actual expenditures of about \$32 million. DoD requires permanent authority for this program. If permanent legislative authority is not provided by November 4, 2014, the demonstration project will be terminated at that juncture. A similar letter has been sent to the Chairmen of the other congressional defense committees. Thank you for your interest in the health and well-being of our Service members, veterans and their families.

Sincerely,

  
Jessica L. Wright  
Acting

Enclosures:  
As stated

cc:  
The Honorable James M. Inhofe  
Ranking Member



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Chairman  
Subcommittee on Personnel  
Committee on Armed Services  
United States Senate  
Washington, D.C. 20510

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Sincerely,

  
Jessica L. Wright  
Acting

Enclosures:  
As stated

cc:  
The Honorable Lindsay Graham  
Ranking Member



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OFFICE OF THE UNDER SECRETARY OF DEFENSE

4000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-4000

JAN 23 2013

The Honorable Howard P. "Buck" McKeon  
Chairman  
Committee on Armed Services  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Mr. Chairman:

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Acting

Enclosures:  
As stated

cc:  
The Honorable Adam Smith  
Ranking Member



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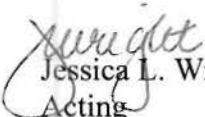
The Honorable Joe Wilson  
Chairman  
Subcommittee on Military Personnel  
Committee on Armed Services  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Mr. Chairman:

The enclosed report is submitted pursuant to section 705 of the John Warner National Defense Authorization Act for Fiscal Year 2007, which directed the Department of Defense (DoD) to conduct a demonstration project to allow certain over-the-counter (OTC) medications to be included on the uniform formulary under title 10, U.S. Code, section 1074(g). At the conclusion of no more than 2 years after implementation of this project, the Secretary is required to submit a report to the Armed Services Committees of the House and Senate that includes recommendations for improving the provision of OTC drugs under the pharmacy benefits program, and on whether permanent authority should be provided to cover OTC drugs under the pharmacy benefits program. The attached report meets those requirements.

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Enclosures:  
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cc:  
The Honorable Susan A. Davis  
Ranking Member



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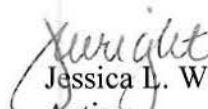
The Honorable Barbara A. Mikulski  
Chairwoman  
Committee on Appropriations  
United States Senate  
Washington, D.C. 20510

Dear Madam Chairwoman:

The enclosed report is submitted pursuant to section 705 of the John Warner National Defense Authorization Act for Fiscal Year 2007, which directed the Department of Defense (DoD) to conduct a demonstration project to allow certain over-the-counter (OTC) medications to be included on the uniform formulary under title 10, U.S. Code, section 1074(g). At the conclusion of no more than 2 years after implementation of this project, the Secretary is required to submit a report to the Armed Services Committees of the House and Senate that includes recommendations for improving the provision of OTC drugs under the pharmacy benefits program, and on whether permanent authority should be provided to cover OTC drugs under the pharmacy benefits program. The attached report meets those requirements.

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Enclosures:  
As stated

cc:  
The Honorable Richard C. Shelby  
Vice Chairman



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Chairman  
Subcommittee on Defense  
Committee on Appropriations  
United States Senate  
Washington, D.C. 20510

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Enclosures:  
As stated

cc:  
The Honorable Thad Cochran  
Vice Chairman





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JAN 23 2013


The Honorable Harold Rogers  
Chairman  
Committee on Appropriations  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Mr. Chairman:

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Acting

Enclosures:  
As stated

cc:  
The Honorable Nita M. Lowey  
Ranking Member



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JAN 23 2013


The Honorable C. W. Bill Young  
Chairman  
Subcommittee on Defense  
Committee on Appropriations  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Mr. Chairman:

The enclosed report is submitted pursuant to section 705 of the John Warner National Defense Authorization Act for Fiscal Year 2007, which directed the Department of Defense (DoD) to conduct a demonstration project to allow certain over-the-counter (OTC) medications to be included on the uniform formulary under title 10, U.S. Code, section 1074(g). At the conclusion of no more than 2 years after implementation of this project, the Secretary is required to submit a report to the Armed Services Committees of the House and Senate that includes recommendations for improving the provision of OTC drugs under the pharmacy benefits program, and on whether permanent authority should be provided to cover OTC drugs under the pharmacy benefits program. The attached report meets those requirements.

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Jessica L. Wright  
Acting

Enclosures:  
As stated

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Ranking Member



Report to the Congressional Defense Committees

on



The Department of Defense Demonstration Project for Over-the-Counter Medication

In

Fiscal Year 2012

**Preparation of this study/report cost the  
Department of Defense a total of  
approximately \$8,800 for the Fiscal Year.**

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# **REPORT TO THE CONGRESSIONAL DEFENSE COMMITTEES**

Department of Defense  
Demonstration Project for Over-The-Counter Medications

**EXECUTIVE SUMMARY:** Medications that can be purchased without a prescription, called Over-The-Counter (OTC) agents, are often the same active ingredients as their prescription counterparts or can be used therapeutically in place of a prescription medication. When under the supervision of the physician and pharmacist, OTC products can be equally effective but are often far less expensive.

The Department of Defense (DoD) Pharmacy Benefits Program generally does not include coverage of OTC products, thereby removing the use of OTCs as a less expensive option when therapeutically appropriate. This demonstration project was designed to evaluate cost savings resulting from the use of select OTC products instead of their prescription counterparts. Selection of products was determined by the DoD Pharmacy and Therapeutics Committee based on clinical and cost effective data.

The project was used by almost 400,000 beneficiaries and saved DoD approximately \$63.2 million over the course of the four and one-half year demonstration project.

## **BACKGROUND:**

Section 705 of the John Warner National Defense Authorization Act for Fiscal Year 2007 (H.R. 5122, 109<sup>th</sup> Cong.), directed the Department of Defense (DoD) to conduct a demonstration project to allow certain over-the-counter (OTC) medications to be included on the uniform formulary under section 1074(g) of title 10, U.S. Code. At the conclusion of not more than 2 years of this project, the Secretary is required to submit a report to the Armed Services Committees of the House and the Senate that includes recommendations for improving the provision of OTC drugs under the pharmacy benefits program, and on whether permanent authority should be provided to cover OTC drugs under the Pharmacy Benefits Program. A preliminary report was previously submitted. This final report meets the report requirements of section 705.

Current law excludes cost sharing of OTC drugs (except insulin) under the Pharmacy Benefits Program. The project guidelines stipulated that OTC drugs provided under this demonstration project would be made available through at least two of the following means: 1) military treatment facilities; 2) TRICARE retail network pharmacies; or, 3) the TRICARE mail order pharmacy. Not all OTC drugs were covered under this demonstration project. Select OTC drugs were made available to a beneficiary through the demonstration project if: (a) the beneficiary had a prescribed drug requiring a prescription; and, (b) the OTC drug was on the uniform formulary and the Pharmacy & Therapeutics Committee had determined that the drug was therapeutically equivalent to the prescription drug.

**DISCUSSION:** On May 17, 2007, the TRICARE OTC demonstration project began in the TRICARE Mail Order Pharmacy. Due to the complexities of dealing with over 55,000 retail pharmacies in the TRICARE retail pharmacy network, the OTC demonstration project began in that venue 6 months later, in November 2007. Eligibility requirements and availability of covered OTC products were the same as in the mail order program. In order to validate the initial results and identify areas for improvements to the program, DoD extended the program until November 4, 2014, through Federal Register notices published on December 16, 2009, and November 2, 2012.

**RESULTS OF THE DEMONSTRATION:** From May 2007, project start, through November 2012, approximately \$63.2 million in cost avoidance to DoD has been realized, and 388,000 beneficiaries have used the program. Had these prescriptions been filled with legend prescription drugs rather than OTC products, DoD would have spent approximately \$95.2 million rather than the actual expenditures of about \$32 million. After taking into account administrative costs of about \$0.6 million, this resulted in an estimated cost avoidance of about \$63.2 million over the course of the demonstration project.

**RECOMMENDATION:** The demonstration project has been well received by the beneficiaries who participated and it saved DoD over \$63 million. DoD requires permanent authority for this program. If permanent legislative authority is not provided by November 4, 2014, the demonstration project will be terminated at that juncture.