



OFFICE OF THE UNDER SECRETARY OF DEFENSE

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PERSONNEL AND
READINESS

The Honorable Roger F. Wicker
Chairman
Committee on Armed Services
United States Senate
Washington, DC 20510

SEP 11 2025

Dear Mr. Chairman:

The Department's response to Senate Report 118-188, page 178, accompanying S. 4638, the National Defense Authorization Act for Fiscal Year 2025, "Report on TRICARE Payments for Drugs on the Federal Supply Schedule," is enclosed.

This report describes the process by which the Department of Defense (DoD) purchases pharmaceutical agents on the Federal Supply Schedule for TRICARE beneficiaries and the role of the TRICARE pharmacy benefit manager (PBM) in this process. The TRICARE Pharmacy 5th Generation contract is structured to ensure DoD has full transparency of how much the PBM is paid to fill TRICARE Mail Order Pharmacy (TMOP) prescriptions, process retail pharmacy claims, and to adjudicate military medical treatment facility (MTF) prescriptions in support of the TRICARE pharmacy benefit program. DoD does not purchase pharmaceutical agents from the PBM, nor does the PBM purchase pharmaceutical agents on behalf of DoD. DoD purchases the most cost-effective pharmaceutical agents available for the TMOP and MTFs through the use of the National Prime Vender contract which is managed by the Defense Logistics Agency. DoD's oversight ensures effective management of costs which supports sustainment of the robust TRICARE pharmacy benefit to approximately 9.5 million TRICARE beneficiaries worldwide.

Thank you for your continued strong support for the health and well-being of our Service members, veterans, and their families.

Sincerely,

Marilynn Carson, MD

Performing the Duties of the Deputy Under
Secretary of Defense for Personnel and
Readiness

Enclosure:
As stated

cc:
The Honorable Jack Reed
Ranking Member

Report to the Committee on Armed Services of the Senate



TRICARE Payments for Drugs on the Federal Supply Schedule

September 2025

The estimated cost of this report or study for the Department of Defense is approximately \$3,900.00. This includes \$0 in expenses and \$3,900.00 in DoD labor.

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INTRODUCTION

This report is in response to Senate Report 118–188, page 178, accompanying S. 4638, the National Defense Authorization Act for Fiscal Year 2025, which requests that the Secretary provide a report to the Senate Armed Services Committee, not later than February 1, 2025 on:

- (1) the pricing data in the Federal Supply Schedule on a drug-by-drug basis and the price that TRICARE paid for the drugs; and
- (2) annual profitability data from the past 5 years on a contract-by-contract basis.

BACKGROUND

The TRICARE Pharmacy 5th Generation (TPharm5) contract between the Department of Defense (DoD) and the TRICARE pharmacy benefit manager (PBM) is structured to ensure DoD has full transparency of cost and oversight of the TRICARE pharmacy benefit program. The PBM's role is purely as the administrator of contractual requirements determined solely by DoD. Unlike other large health plan pharmacy programs, DoD does not utilize its PBM in formulary management. The management of the TRICARE Uniform Formulary (UF) is the responsibility of the DoD Pharmacy and Therapeutics Committee, comprised of Government physicians, specialists, pharmacists, and other providers who evaluate pharmaceutical agents for inclusion to the TRICARE UF.

The PBM does not negotiate pharmaceutical agent prices or purchase pharmaceutical agents for DoD. DoD manages procurement of pharmaceutical agents for use at the TRICARE mail order pharmacy (TMOP) and military medical treatment facilities (MTF). Specifically, the Defense Health Agency (DHA) purchases pharmaceutical agents for the TMOP and MTFs from the National Prime Vendor (NPV) contract, which is managed by the Defense Logistics Agency. Pharmaceutical agents from the NPV are purchased from the Federal Supply Schedule (FSS) contracts or other Government managed contract vehicles.

MTF personnel purchase pharmaceutical agents directly from the NPV. A replenishment model is used to maintain the pharmaceutical agent inventory for the TMOP. The Government replenishes pharmaceutical agents dispensed to TRICARE eligible beneficiaries in kind (e.g., tablet for tablet, generic for generic, brand for brand, etc.) with pharmaceutical agents purchased by DHA through the NPV contract. The PBM coordinates with both the NPV contractor and DHA to source the least costly pharmaceutical agent available on the market that complies with the Trade Agreements Act of 1979 if multiple products are available for a specific pharmaceutical agent/strength/dosage form. DoD does not purchase pharmaceutical agents from the PBM, nor does the PBM purchase pharmaceutical agents on behalf of DoD. The PBM is paid a mail order administrative fee, per prescription dispensed, to cover the services provided during the filling and dispensing (e.g., postage, packaging, prescription processing) of each prescription per the TPharm5 contract.

There are no spread pricing, price concessions, rebates, or other remunerations to the PBM for pharmaceutical agents dispensed to beneficiaries under the TRICARE retail pharmacy network

point of service. The PBM is solely paid an administrative fee for processing retail prescription claims. The PBM acts as a fiscal intermediary for DoD per the TPharm5 contract, and all negotiated savings (i.e., lower reimbursement rates) are passed directly to DoD.

1) Pricing data in the FSS on a drug-by-drug basis and the price TRICARE paid [to the PBM] for the drugs.

DoD does not purchase pharmaceutical agents from the PBM, nor does the PBM purchase pharmaceutical agents on behalf of DoD. DoD purchases all pharmaceutical agents for the TMOP and MTFs directly from the NPV contract at or below FSS pricing.

FSS pricing data from November 2009 to present, as maintained by the Department of Veterans Affairs, is available at: https://department.va.gov/administrations-and-offices/acquisition-logistics-and-construction/freedom-of-information-act-requests/#toc_Historical_VA_Pharmaceutical_Prices. The Department of Veterans Affairs updates FSS pricing data on the 1st and 15th of each month.

2) Annual profitability data [earned by the PBM] from the past 5 years on a [drug] contract-by-contract basis.

DoD does not purchase pharmaceutical agents from the PBM, nor does the PBM purchase pharmaceutical agents on behalf of DoD. DoD purchases all pharmaceutical agents for the TMOP and MTFs directly from the NPV contract, at the NPV contract price, which is at or below FSS pricing and represents the best price available to the Government at the time. There is no profit associated with DoD purchases of pharmaceutical agents directly from the NPV.

CONCLUSION

The TPharm5 contract is structured to ensure DoD has full transparency of how much the PBM is paid to fill TMOP prescriptions, process retail pharmacy claims, and to adjudicate MTF prescriptions in support of the TRICARE pharmacy benefit program. DoD does not purchase pharmaceutical agents from the PBM, nor does the PBM purchase pharmaceutical agents on behalf of DoD. DoD purchases the most cost-effective pharmaceutical agents available for the TMOP and MTFs through the use of the NPV contract. DoD's oversight ensures effective management of costs which supports sustainment of the robust TRICARE pharmacy benefit to approximately 9.5 million TRICARE beneficiaries worldwide.