THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D C 20301-1200

HEALTH AFFAIRS

FEB 0 9 2005

The Honorable John W. Warner
Chairman, Committee on Armed Services
United States Senate
Washington, DC 20510-6050

Dear Mr. Chairman:

Senate Report 108-284, which accompanies the National Defense Authorization Act for Fiscal Year 2005, requests the Assistant Secretary of Defense for Health Affairs, to submit a report detailing progress of an on-going pilot project to integrate pharmacy information services between the Tripler Army Medical Center (TAMC) and the Department of Veterans Affairs Spark M Matsunaga Medical Center Additionally, the request asks for a description of efforts to integrate pharmacies beyond data systems at TAMC and Matsunaga MC.

The enclosed report discusses completion of the bi-directional interface and enhancements due to be completed by the end of FY05 In addition, the report outlines two additional Department of Defense/Department of Veterans Affairs (DoD/VA) joint integration efforts in the area of a Bi-directional Health Information Exchange and a Clinical/Health Data Repository Brief descriptions of other DoD/VA joint pharmacy efforts include joint procurement of pharmaceuticals, joint federal pricing initiatives, retaining VA pharmacies as TRICARE retail network pharmacies, and the Consolidated Mail Outpatient Pharmacy pilot program

Thank you for your continued support of the Military Health System.

Sincerely,

William Winkenwerder, Jr , MD

Enclosure
As stated

cc
Senator Carl Levin

Report to Congress

Integrated Pharmacy Programs

INTEGRATED PHARMACY PROGRAMS

This responds to a request in Senate Report 108-284 for a report from the Assistant Secretary of Defense (Health Affairs) regarding the progress of an on-going pilot program between Tripler Army Medical Center and the Spark M. Matsunaga VA Medical Center to integrate their pharmacy information services. This report includes, as requested, the status of the pharmacy data systems bi-directional interface at Tripler Army Medical Center, plans to complete the project, and efforts to integrate pharmacies beyond data systems integration at TAMC/Matsunaga VA.

Pharmacy Data Systems Bi-directional Interface at Tripler Army Medical Center and Plans for Completion

An interface has been established to allow pharmacy prescription orders from the Tripler Army Medical Center's Composite Health Care System (CHCS) to be electronically transmitted to the Veterans Administration Pacific Islands Health Care System's Veterans Information System Technology Architecture (VistA) for filling at the Department of Veterans Affairs (VA) pharmacy. The Departments are currently collaborating on enhancements that would enable VA clinicians to enter prescription orders into the VA system that are transmitted, and dispensed at the DoD pharmacy. The enhancements are estimated to be completed by the end of fiscal year 2005.

Integration Efforts Beyond TAMC/Matsunaga VA.

Bi-directional Health Information Exchange (BHIE)

BHIE provides secure, near real-time, bi-directional access to electronic health information on Department of Defense (DoD) and VA shared patients. This project is an incremental step in accomplishing the goal of creating a bi-directional interface between DoD's and VA's health information systems. The focus of this interface is to exchange data on shared DoD/VA patients, such as joint venture sites, and to support other local sharing agreements. BHIE permits a Military Treatment Facility (MTF) to share clinical data with VA medical facilities where a shared patient presents for care and for VA to likewise share data with MTFs. With BHIE, clinicians will have the ability to view Allergy, Pharmacy, Radiology, Demographic and Laboratory data. The initial data shared, in the first quarter of fiscal year 2005, will be patient demographic data, DoD and VA outpatient pharmacy data, and allergy information. Additional data elements that will be added in fiscal year 2005 are DoD mail order pharmacy and retail pharmacy

network data, laboratory results, and radiology results. This product is currently in development and testing as part of the National Defense Authorization Act Demonstration Site projects.

Clinical/Health Data Repository (CHDR) Pharmacy Prototype

To provide a more robust bi-directional real-time exchange of clinical health care data, DoD and VA are working on interoperability between the DoD Clinical Data Repository and the VA Health Data Repository. This effort, CHDR, utilizes the Departments' next generation of systems, DoD CHCS II and VA HealthVet VistA. CHDR Phase I of this effort is a pharmacy prototype in a laboratory environment. The Departments' technical and functional teams successfully completed a demonstration of the bi-directional pharmacy prototype on October 1, 2004. The data exchanged through the pharmacy prototype includes patient demographic data, provider demographic data, allergy lists, and medication lists. In addition, the prototype provides the capability for agency drug to drug interaction and drug to drug allergy interaction screenings using the combined drug and allergy information from both Departments. CHDR Phase II will include the exchange of patient demographics, outpatient pharmacy (Military Treatment Facility, DoD mail order, and retail pharmacy network data), laboratory results, and allergy information. This is projected to be completed by October 2005. The Departments will examine and define requirements for any subsequent capabilities beyond 2005 to support the continued exchange of health data.

Other Joint Pharmacy Initiatives

Although data integration remains a cornerstone of future potential for DoD/VA pharmacy integration, on-going efforts continue in other areas. The Federal Pharmacy Executive Steering Committee (FPESC) jointly chartered by the DoD and VA and comprised of senior pharmacy leaders in both Departments, remains the established infrastructure to support and oversee DoD and VA collaborative efforts on pharmacy benefit management initiatives. Collaborative efforts include joint procurement of pharmaceuticals, joint information sharing, increasing drug therapy uniformity, and improving the clinical and economic outcomes of drug therapy in both the DoD and VA health systems.

Joint Procurements

One purpose of the FPESC is to facilitate VA and DoD's ability to clinically, economically and logistically evaluate high dollar, high volume joint pharmaceutical contracting opportunities to eliminate redundancies that exist in areas of drug class reviews, prescribing guidelines, drug use criteria documents, and pharmaceutical contracting actions. On-going DoD/VA joint pharmaceutical contracting initiatives drive common formulary selections for both organizations. There are currently 81 joint contracts, 13 joint blanket purchasing agreements, 12 pending joint contracts, and 17 proposed joint contracts. In FY02, cost avoidance through joint pharmaceutical

procurement contracts totaled over $139M; in FY03 cost avoidance resulting from joint procurements was $148M; and in FY04 cost avoidance was $185M.

Federal Prices Initiatives

The VA has agreed to extend access to Federal Ceiling Prices for pharmaceutical purchases through TRICARE's retail network pharmacies in accordance with the Veteran's Healthcare Act. Prior to the TRICARE Retail Pharmacy contract implementation, Federal Ceiling Prices were available to DoD only for pharmaceuticals dispensed through Military Treatment Facilities and the TRICARE Mail Order Pharmacy program. To assist pharmaceutical manufacturers in understanding the processes and procedures for price calculation and reimbursement, the DoD and VA jointly hosted an industry forum in Chicago in May 2004. Over 100 pharmaceutical manufacturers were represented. Since that time, there has been much correspondence with industry and the process continues to be refined.

Retaining VA Pharmacies as TRICARE Retail Network Pharmacies

In conjunction with implementation of DoD's new TRICARE Retail Pharmacy program June 2004, a VA/DoD Memorandum Of Understanding (MOU) was accomplished to retain designated VA pharmacies as TRICARE retail network pharmacies. The VA will receive reimbursement through DoD's TRICARE retail pharmacy contractor, Express Scripts, Inc. (ESI). The MOU establishes reimbursement and billing policies consistent with TMA's contract with ESI.

DoD/VA Consolidated Mail Outpatient Pharmacy (CMOP) Initiative – The DoD/VA CMOP pilot continues at San Diego Naval Hospital and Kirtland AFB with full funding by the Military Treatment Facilities (MTFs). The Army has again initiated dialogue about reactivation of the pilot at Fort Hood or an alternate MTF (Brook) but has provided no definitive timeline on possible implementation.