



PERSONNEL AND
READINESS

UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, DC 20301-4000

JUL 20 2015

The Honorable John McCain
Chairman
Committee on Armed Services
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

As requested by the Joint Explanatory Statement, accompanying the Department of Defense Appropriations Act, 2015, Division C of Public Law 113-235, enclosed is the fiscal year 2015 second quarter budget activities execution data report for the Defense Health Program. A similar letter is being provided to 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,

A handwritten signature in black ink, appearing to read "Brad Carson".

Brad Carson
Acting

Enclosure:
As stated

cc:
The Honorable Jack Reed
Ranking Member



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The Honorable William M. "Mac" Thornberry
Chairman
Committee on Armed Services
U.S. House of Representatives
Washington, DC 20515

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Brad Carson
Acting

Enclosure:
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cc:
The Honorable Adam Smith
Ranking Member



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The Honorable Thad Cochran
Chairman
Subcommittee on Defense
Committee on Appropriations
United States Senate
Washington, DC 20510

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Brad Carson
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cc:
The Honorable Richard J. Durbin
Vice Chairman



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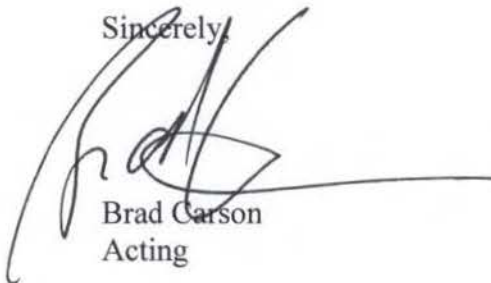
The Honorable Rodney P. Frelinghuysen
Chairman
Subcommittee on Defense
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

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Sincerely,



Brad Carson
Acting

Enclosure:
As stated

cc:
The Honorable Peter J. Visclosky
Ranking Member



Defense Health Program Quarterly Budget Execution Second Quarter, Fiscal Year 2015

Issue: As requested by the Joint Explanatory Statement, page 101, Senate Report 113-211, page 249, and House Report 113-473, page 283, each accompanying separate versions of the Department of Defense Appropriations Act, 2015, this report provides the second quarter fiscal year 2015 budget execution data for all Defense Health Program Activities.

Summary: The cumulative second quarter Operation and Maintenance budget execution rate is 61%.

Note: The escalating cost of compound pharmaceuticals distributed by retail pharmacies in the private sector spiked from a rate of approximately \$70 million more per month than the amount budgeted for the requirement during the first quarter to approximately \$180 million more per month than the amount budgeted for the requirement during the second quarter.

On May 1, 2015, the Department of Defense implemented an automated screening and Prior Authorization Process through Express Scripts, Inc. (ESI), the TRICARE pharmacy contractor, to address safety and cost concerns associated with prescriptions for compound pharmaceuticals. Subsequently on May 11, 2015, an additional screening mechanism using ESI's "commercial review list" was implemented to bring the Military Health System into closer alignment with industry standards. This process, coupled with the prior authorization process, protects access to legitimate compound pharmaceuticals that have strong clinical evidence of safety and effectiveness while further restricting those attempting to exploit susceptible beneficiaries and our screening system.

The Department has submitted multiple prior approval (PA) reprogramming actions to cover these increased private sector care costs. The PA actions include: FY15-15 PA (April) totaling \$243.914 million, FY15-21 PA (June) totaling \$278.349 million, and FY15-23 PA (OMNIBUS) totaling \$885.451 million. It is critical that these actions receive expedited approval to ensure funding is available to cover these increased costs.

Appropriation*	Budget (\$M)	Obligations (\$M)
Operation and Maintenance	29,879.923	18,124.101
Research, Development, Test and Evaluation	1,730.536	51.417
Procurement	308.413	9.049

*The attached chart includes additional information for each appropriation.

The preparation of this report cost the Department of Defense approximately \$300 dollars in FY 2015.