

Explosion in specialty drug market

Significant Revenue Opportunities ahead for Hospitals

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The average specialty medication costs 50 times more than the average traditional drug[4]

The specialty pharmaceutical industry is on the cusp of one of the largest growth periods in history. In 2009, specialty drugs represented 20% of all drug costs.[1] However, by 2018, specialty drugs are expected to make up 50% of overall drug costs for commercially insured individuals.[2] Further, in 2008, 25% of all drugs approved by the FDA were considered specialty drugs. Now, more than 50% of all drugs being approved are specialty drugs, and 900 biologics are in various stages of development.[3]

This growth trajectory for medications treating diseases such as cancer, rheumatoid arthritis, multiple sclerosis and HIV means one of most significant revenue opportunities that hospitals have seen in many years. This explosion of the specialty pharmaceutical market offers hospitals that are already in or are moving into the specialty pharmacy market the potential for very significant margin growth. Leading health systems that are adding specialty pharmacy capabilities are forecasting revenue potential in the tens of millions of dollars.

As specialty pharmaceuticals grow, clearly there will be competition among various channels to be the providers of these profitable drugs. This includes hospitals and health systems, mail order pharmacies, retail pharmacies, and even physician practices. Therefore, those health systems that fail to pursue this opportunity may be left behind.

Advantages for Health System Pharmacies

In this changing competitive landscape, health system pharmacies have important and valuable advantages in adding specialty pharmacy that include:

Clinical expertise. Health systems have the disease-state specialists on staff — both physicians and pharmacists — that are needed for specialty pharmacies. Also, health systems already have extensive experience and expertise caring for complex, chronically ill patients who use specialty pharmacies.

Monitoring. Some specialty drugs require clinician monitoring and may require tests, such as blood tests. Health system hospitals have this monitoring capability easily accessible, while some other channels do not.

Care coordination. A specialty drug is typically part of an overall treatment plan. If a drug is shipped via mail order or provided by an outside retail pharmacy, the provider may not be part of the overall care process and may not have the best exposure to the patient's history, treatment plan or the patient's medical staff. A health system pharmacy has ongoing relationships with the patient's medical staff and has easy access to a patient's medical records. This provides greater continuity of care and can help achieve improved medication adherence.

Patient education and support. Patients using specialty drugs are often on these drugs for life. Manufacturers may provide starter kits, but patient education must go further. Health system pharmacies are well situated to provide initial and ongoing education and counseling and are available as needed for ongoing patient assistance and support.[5]

Elimination of white bagging and brown bagging. White bagging is when a drug is shipped to a physician's office or health system pharmacy for preparation and administration and brown bagging is when it is shipped directly to a patient, who is expected to bring it to a clinician or pharmacy for treatment. In both instances, there can be issues with quality, product safety and waste. A specialty pharmacy operated by a health system eliminates the issues associated with white bagging and brown bagging.

Contracting and billing. A specialty pharmacy should have expertise in both contracting and billing, which is an existing capability of health system pharmacies.

Compliance. Any specialty pharmacy must have a legal department that ensures compliance with all regulations, something that a health system's ambulatory pharmacy already understands.[6]

Formulary management. A specialty pharmacy must work with physicians and payers to promote cost-effective and appropriate treatment to optimize patient outcomes.[7] This is another area where health system pharmacies already have extensive experience.

Next Step Options

For health systems that see the opportunity in specialty pharmacy, several important steps include:

Become educated. While the opportunity surrounding specialty pharmacy is significant, it is a complicated, expensive undertaking. A health system needs to understand all of the competencies that are needed. This includes considerable infrastructure and back-office capabilities. Examples include the ability to deal with pre-authorization, patient education and 24/7 patient assistance. This white paper from Avella provides a good primer.

Decide on a strategy. Among the options available to health systems are:

Do nothing. Health systems can take a "wait and see approach," but this creates a risk of falling behind.

Do it yourself. A health system can develop in-house all of the capabilities needed for specialty pharmacy.

Partner. Several entities have been formed that work with health systems to help operate specialty pharmacies. These entities, with different business models, include Premier's Specialty Pharmacy and Care Management Program, UHC and Excelera. These programs bring various tools and capabilities to help health systems create and operate a specialty pharmacy.

Get accredited. Some payers require accreditation and some manufacturers will only provide access to their drugs to specialty pharmacies that are accredited. For more information about the specialty pharmacy accreditation process, see URAC, one of healthcare's largest, most experienced and prestigious accrediting bodies for specialty pharmacy.

Start small. Creating and operating a specialty pharmacy can be complex, and at times manufacturers limit access to drugs. One way to begin is to start small, with a limited number of specialty drugs, perhaps focused on just one disease state. This will provide experience, create credibility and build a platform for growth into other disease areas.

Several health systems have already embarked on this journey, including Mayo Clinic Specialty Pharmacy, Fairview Specialty Pharmacy and Vanderbilt Specialty Pharmacy.

Conclusion

The trends are clear: the specialty pharmaceutical market is growing quickly. As the landscape evolves, health system pharmacies are well positioned to capitalize on this trend, already having the clinical expertise, care-coordination capabilities and back-office capabilities that are required. Embarking on this journey requires choosing a strategy and adding any lacking capabilities. Health systems that seize this opportunity have important strategic decisions to consider, but the long-term revenue potential could be enormous.

[1] Specialty drugs will account for 50% of all drug costs by 2018, Formulary, June 1, 2013

[2] Ibid.

[3] Specialty Today + Tomorrow, Prime Therapeutics

[4] Ibid.

[5] Guide to Selecting the Appropriate Specialty Pharmacy: 10 Elements a Payer Should Consider in the Decision Process, Avella Specialty Pharmacy

[6] Ibid.

[7] Ibid.

A change in perception

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The role of the clinical pharmacist is rapidly expanding to stay ahead of the changing dynamics brought by health reform. At the heart of this is a change in perception.

Hospital leaders are recognizing the critical need for pharmacy to play a prominent role in their overall strategies to expand care and improve outcomes in today's challenging reimbursement environment.

In the past, pharmacy cost and charges were focused primarily on drug spend and not total costs, which includes drugs plus vital distribution and clinical services. However, as the clinical aspect of pharmacy continues to expand, there is far more accountability for medication therapy and improved outcomes. Pharmacists are positioned now more than ever to impact revenue by improving quality rather than constantly seeking to simply decrease cost.

Forward-thinking hospital leaders are recognizing the critical role of pharmacy in three core financial areas:

Readmissions

Indigent care and recurring emergency room (ER) visits

Hospital Performance Scores

Beginning in fiscal year 2014, hospital performance scores will be based on three domains, two of which have significant pharmaceutical implications.[1]

Clinical process of care. This domain score accounts for 45% of a hospital's total performance score and is based on 13 measures, 9 of which have pharmaceutical implications.

Patient experience of care. This domain score accounts for 30% of a hospital's total performance score and is based on eight Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) measures. Of these, four measures have pharmaceutical implications.

Outcomes. This domain score accounts for 25% of a hospital's total performance score and is based on three mortality measures.

Readmissions

Medication issues are a major factor in preventable readmissions.

Unfilled prescriptions. Discharged patients often do not get their prescriptions filled. One study found that discharge medications are often absent from discharge reports.[2]

Patient understanding. In citing five reasons for unnecessary readmissions, a Dartmouth Atlas publication stated that "patients may be confused about what medicines they should take and when they should take them, and they may not take the right medication at the right time." [3]

Lack of medication reconciliation. Data from the Health Research and Educational Trust regarding readmission showed that poor patient understanding and non-disclosure of current drug therapy, and/or inadequate medication reconciliation, can yield drug therapy duplication or interaction.[4]

Adverse events. Research shows that 19% of Medicare discharges are followed by an adverse event within 30 days; two-thirds of these are drug events, which are often preventable.[5]

Regardless of the sweeping changes brought by reform, managing an uninsured population is still an issue for hospital consideration. Pharmaceutical manufacturers offer patient assistance programs for those unable to afford their medications. These enable organizations to stretch scarce resources as far as possible when providing charity care, reaching more eligible patients and providing more comprehensive services.

The addition of indigent medication management in clinic settings also helps to stem the tide of potentially avoidable ER visits. Not only does the convenience and availability of clinics offer uninsured patients an alternative to the ER; they can also afford the opportunity for better adherence to medications.

As hospital and pharmacy leaders work together on healthcare transformation for their organization, careful planning is advisable. A recommended course of action is for pharmacists to be an integral part of a care team.

- [1] <http://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/hospital-value-based-purchasing/index.html>
- [2] Medicare Hospital Readmissions: Issues, Policy Options and PPACA, Congressional Research Service Report for Congress, September 21, 2010, http://assets.opencrs.com/rpts/R40972_20100921.pdf
- [3] Care About Your Care: Tips for Patients When They Leave the Hospital, The Dartmouth Atlas Project, 2011, http://www.dartmouthatlas.org/downloads/reports/Atlas_CAYC_092811.pdf
- [4] "Reducing Avoidable Hospital Readmissions," Health Research and Educational Trust presentation at the June 4, 2010 Florida Hospital Association Meeting; presentation posted on AHRQ website at
- [5] Ibid.

Working Smarter

Six Ways to Create Pharmacy Efficiencies to Redeploy Staff for Value-Based Patient-Care Initiatives

By Dave Ehlert, Pharm.D., MBA, FASHP, Vice President, McKesson Health Systems

Patient-centered care delivery. It's top of mind for clinicians and healthcare leaders alike all across the nation. Making the switch from reimbursement predicated on a fee-for-service model to value-based care is changing everything — including streamlining clinician workflow to help ensure they are positioned to focus on improving outcomes.

This focus on efficiency is progressively applying itself to pharmacy, as pharmacists continue to look for ways to maximize the time spent on patient-care initiatives. From medication therapy management (MTM) to discharge planning, the role of pharmacy has never been more critical. However, this poses a challenge to management of day-to-day pharmacy operations when, in many cases, adding staff is not possible due to cost-containment initiatives as a result of overly stretched budgets.

Evolving Management to Focus on Care

To deliver high-quality patient-centered care, hospital and pharmacy leaders need to ensure they are considering a long-term, sustainable strategy for pharmacy operations to support overall hospital initiatives and goals. Pharmacy staff needs to be involved in supporting critical strategic mandates such as reducing unnecessary readmissions and extending the continuum of care. Specific areas of focus for pharmacy include becoming part of the discharge-planning process, improving post-discharge medication adherence through MTM, and supporting expansion of ambulatory pharmacy.

Pharmacists and technicians need to practice to the top of their license and/or certifications so they can provide the greatest possible value. Efficiency won't be optimized if pharmacists perform tasks that could be done by technicians and if technicians do work that could be automated.

Pharmacies need to adopt appropriate levels of automation so pharmacy staff can focus their limited time on the highest-priority clinical initiatives.

Best Practices to Improve Pharmacy Efficiency

Many hospital leaders have already engaged with outside partners to leverage proven tools and practices to help streamline pharmacy operations and redeploy staff. Here are six practices that can be implemented with minimal time, effort and expense.

1. Leveraging technologies to simplify drug spend management. Today, creating reports to analyze drug spend or track various pharmacy initiatives is often a manual, time-consuming process. One study found that the process of creating a report that would yield meaningful information to analyze drug spend took 3.9 hours on average.[1] Since hospital pharmacies produce 11 reports per quarter on average, pharmacy staff may spend more than 40 hours per quarter compiling and rearranging the data to create reports that have meaningful information.

Automated drug spend management technology can produce these reports when needed, requiring minimal staff time or effort. Instead, pharmacy staff can redirect their time to analyzing the results and identifying opportunities for savings, rather than producing reports.

2. Using best practices to avoid reinventing the wheel. Pharmacy staff often spends significant amounts of time producing clinical initiatives, policies and procedures, and on other administrative tasks. For example, a thorough drug class review prepared for a hospital's pharmacy and therapeutic committee may require creation of a complex document, which can take up to 200 hours. There is a better way. By having a robust, regularly updated repository of standardized documents — created and thoroughly reviewed by multiple, experienced pharmacists — pharmacy staff can modify preexisting documents instead of developing

documents from scratch. Examples of standardized documents that can be accessed include drug class reviews and interchanges, medication guidelines, competencies, policies and procedures, and much more.

Analysis among hospital pharmacies that have used such document repositories has found that on average, nine documents per quarter are accessed, saving more than 550 hours per quarter.[2]

3. Using analytics tools to optimize purchasing. As a result of the meaningful use requirements, most hospitals have adopted or are adopting bedside barcode scanning to scan medications at a patient's bedside before they are administered. McKesson experts estimate that currently about 80% of oral solids are packaged in unit doses with barcodes; the other 20% are not and need to be repackaged. As a result of the growing use of barcode scanning technology, an immense amount of data is being produced about the drugs being purchased and used. Analyzing this data to derive valuable insights often does not occur, however, and when it does, it is extremely time consuming, taking months of a technician's time. But sophisticated analytical tools now exist that can make recommendations, based on analysis of the data, to help a pharmacy optimize its oral solid purchasing practices. These automated purchasing recommendations are produced efficiently and can help a health system streamline its drug purchasing.

4. Using a perpetual inventory system in concert with automated systems. Hospitals often keep their pharmaceutical inventory in various physical locations and use different systems to track this inventory. When such systems are not linked, a result is inefficient ordering and receiving processes. Using a perpetual inventory system in conjunction with automation systems means that electronic orders are processed automatically, reducing the pharmacy's time spent creating orders by up to 75%. Such systems can help reduce the time spent receiving and restocking by 50%, can help increase inventory turns by more than 40%, can lead to a 30% reduction in inventory costs, and can help a pharmacy maintain its formulary.[3]

5. Optimizing processes related to 340B. Managing drug purchases related to the 340B program is extremely complex. Historically, aspects of patient eligibility, drug purchasing, and inventory were done manually. In recent years, software tools have helped pharmacies manage 340B patient eligibility, drug eligibility and replenishment, but those tools often have not been integrated with a health system's drug-purchasing system. Recently, a new 340B system has been introduced that integrates patient and drug eligibility for 340B with drug purchasing systems. Users of such systems can have greater visibility into a combination of their 340B accumulation data and availability of a supplier's inventory at their wholesaler's distribution center. One key benefit of this level of integration is that it can help a health system better manage its purchasing for items in short supply in the market. Additionally, integration can significantly streamline the purchase of items requiring special management such as controlled substances and drop-ship items.

6. Automating the NDC update process. Keeping national drug code (NDC) information up to date within pharmacy information systems can be difficult and time consuming. But failing to do so can result in having incorrect NDC data, which can adversely affect decision-making and billing. Also, incorrect NDC information can affect nursing workflow and patient safety. Solutions now exist to automate the NDC update process, so that the NDC data used throughout a health system is accurate and up to date. Use of such a solution to help ensure accurate NDCs can reduce or eliminate NDC-related pricing errors, help ensure that barcode scan rates are maximized, and improve overall workflow and efficiency.

The Ultimate Goal

Simply realizing efficiencies from these technologies and best practices is not the ultimate goal. The goal in creating greater efficiency is to allow pharmacists to spend more time on high-value-added activities, such as direct patient care and drug therapy management across the continuum of care. These efforts support the entire health system in adapting to and succeeding in a value-based environment.

[1] McKesson Pharmacy Optimization Independent Analysis, 2012

[2] Ibid

[3] Shack, J., Tulloch, S. (2008), Integrated pharmacy automation systems lead to increases in patient safety and significant reductions in medication inventory costs [Shore Memorial Hospital] (Case Study). Fairport, NY: Shack & Tulloch, Inc.

Dollars down the drain

Three Ways to Spot a Leak in Your Pharmacy

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Make every dollar stretch. Pinch those pennies. Get the most bang for every buck. These are the rallying cries being heard within hospitals and health systems across the nation. Managing shrinking margins while still delivering the highest-quality care has become top priority for most organizations. As many begin their transition to a value-based model, hospital, supply chain and pharmacy leaders are actively strategizing on the most effective ways to streamline operations.

Looking beyond typical cost-cutting methods, leading hospitals have begun to spot revenue opportunities they may have previously dismissed. Through partner relationships, these health systems are helping to mend leaks and seeing pennies that are adding up to millions of dollars — revenue that can help improve margins and lead to a healthier bottom line.

While there are numerous approaches that can help, we've focused on three common areas where revenue may be enhanced within the pharmacy:

SEEK EXPERTISE ON JW MODIFIERS

A large multi-hospital healthcare system recently partnered with McKesson to help them compare the value of Cost of Goods (COGs) for batching unused product vs. the value of JW modifier reimbursement. Ultimately, the health system uncovered approximately \$8 million of opportunity where the use of the JW modifier proved to deliver a significantly higher return than batching.

1. Leveraging JW Modifier Codes

Historically, healthcare organizations have viewed unused drugs from single-use packages as a financial liability. Many pharmacies have tried to create some value from unused drugs by batching unused portions of medications and then dispensing them to other patients. Yet, this process is hardly a silver bullet from a financial perspective. That's because few drugs can be batched, and batching uses valuable pharmacy resources that could be deployed elsewhere.

An effective alternative that has not yet been widely practiced is the use of JW modifier codes to seek reimbursement for unused drugs. When billing Medicare, pharmacies can use the modifier "JW" to identify unused drugs or biologics from single-use vials or single-use packages that are discarded appropriately.[1] To help maximize reimbursements, hospitals must use a consistent approach when dealing with unused single-dose medications. This includes:

Identifying patients who have used a partial dose of a drug or biological from a single-dose vial

Documenting the amount of wasted medication

Changing billing practices to use JW modifiers for the discarded product

The business of pharmacy is not always as easy to navigate as it sounds. To improve processes, many organizations find it beneficial to work with an expert partner to analyze the nuances of the business and support implementation of workflow and system updates necessary to support JW modifier codes.

GET DATA SUPPORT

An external partner with an in-depth understanding of the pharmacy business can be a valuable ally as healthcare organizations pursue financial streamlining. This partner can help you analyze data and identify coding problems, paying special attention to high-value drugs, since those products typically account for the largest portion of lost pharmacy revenue.

2. Ensuring Correct Coding and Billing

Disparate computer systems in the pharmacy and accounting departments can sometimes result in coding and billing errors. When drugs are coded incorrectly, hospitals may not receive the reimbursement to which they are entitled. Drug billing and process analysis is another way hospitals are identifying revenue opportunities related to outpatient drug dispenses.

Examining pharmacy data can be a key way to spotting missed and undercharged outpatient revenue. However, most pharmacies don't have staff on board with the time or expertise necessary to analyze purchase history information, chargemaster data, revenue and usage reports, and payer information.

CONSIDER PARTNERING TO BOOST PATIENT-ASSISTANCE RECOVERY

Look for a partner that has the expertise and ability to handle the entire PAP process from patient paperwork through reconciling drug packing information with application forms.

3. Get the Most from Patient Assistance Programs

Over 50 pharmaceutical manufacturers offer patient assistance programs (PAPs), which apply to over 2,000 branded drugs and vial strengths. Hospitals dispensing drugs to eligible patients may be able to seek to recover the actual drug, thus recovering significant dollars. If hospitals seek reimbursement of PAPs for all 2,000 of the products where PAPs exist, hospitals can potentially recoup between 2% and 3% of their annual drug spend — a recovery that may measure into the millions of dollars for larger organizations.

A number of hospitals have found it challenging to stay abreast of the shifts in PAP recovery:

Hospitals must proactively monitor when manufacturers add or discontinue a PAP

The thresholds and patient qualifying criteria differ from program to program

Every program has a different application form, and all require a variety of supporting documentation, such as proof of patient income

Hospitals must find, qualify, enroll and track patients

If a manufacturer denies a claim, follow-up may be necessary

Healthcare organizations seeking to recover PAP medications may pursue one of the following options:

Dedicate an in-house resource to manage PAPs. This may require one or more staff members to learn and stay current with the intricacies of the numerous PAP programs. Depending on the program, eligibility forms and related paperwork may need to be filed in order to recover the drugs.

Implement PAP software. Most PAP software packages pre-populate application forms, but these software packages may not maximize cost recovery. Therefore, the onus still lies on hospital staff to help find, qualify and enroll patients.

Partner with a PAP expert. Choose an external partner that has PAP expertise, which can help result in the greatest economic value for hospitals.

These are just a few examples of the ways that pharmacies can help prevent leaks and capture lost revenue. Remember that "money leaks" in the system are often hard to spot. However, finding and addressing them can result in substantial savings. Talk to specialists in revenue enhancement in order to discuss areas you see as potentially problematic or areas you'd like to explore. Consultation with a reputable, trusted partner can help alleviate unnecessary burden on staff and help you to get the most out of every opportunity. Expertise, focus and resources will help you find leaks, prevent them, and in doing so — boost your profits.

[1] Discarded Drugs and Biologicals Update, MLN Matters, Medicare Learning Network.

Avoidable readmissions

Four Ways Ambulatory Pharmacy Keeps a Finger on the Pulse of Patients

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In the past year, more than 2,200 hospitals have been penalized \$280 million for “excessive” readmission rates under CMS’ Readmissions Reduction Program. And, as October 1, 2013 looms, the penalties will become more severe as the maximum penalty rises from 1% of Medicare payments to 2%, and then 3% the following year.[1]

As most healthcare leaders are aware, CMS is focused on readmissions because nearly 20% of hospitalized beneficiaries are readmitted within 30 days of discharge, representing almost 2 million hospitalizations per year. The cost is over \$9,700 per readmission, at a total cost to Medicare of around \$17.5 billion.[2] According to many estimates, perhaps 75% of these readmissions may be preventable.[3]

So why are there so many preventable readmissions? Not surprisingly, medication misadventures can play a major role. These issues include:

Unfilled prescriptions. Discharged patients often fail to get necessary post-discharge prescriptions filled. One reason for this is that important information about a patient’s post-discharge plans and medications is often not accurately entered by physicians and other clinicians into a patient’s discharge reports and is not clearly communicated to patients.[4]

Poor patient knowledge. In citing reasons for unnecessary readmissions, a Dartmouth Atlas publication stated that “patients may be confused about what medicines they should take and when they should take them, and they may not take the right medication at the right time.”[5]

Lack of medication reconciliation. In a presentation including research about preventable readmissions, the Health Research and Educational Trust showed that poor patient knowledge and nondisclosure of current drug therapy, and/or inadequate medication reconciliation, can yield drug therapy duplication or interaction.[6] Adverse events. Research shows that 19% of Medicare discharges are followed by an adverse event within 30 days; two-thirds of these are drug events, which are often preventable.[7]

Ambulatory Pharmacy’s Role in Reducing Readmissions

Preventable readmissions have been reduced through successful programs and interventions at many hospitals. In addition to engaging patients in the hospital prior to discharge, pharmacists can help improve the transition process and coordinate care across multiple caregivers in ambulatory settings.

Extensive evidence shows that ambulatory pharmacy can play a key role in helping to reduce readmissions in four specific ways:

Reconciling medications. Before discharge, a pharmacist verifies a patient’s medication history, clarifies that prescribed medications and doses are appropriate, and reconciles any discrepancies. Medication reconciliation can prevent up to 70% of potential errors and 15% of adverse drug events.[8]

Filling prescriptions. An ambulatory pharmacy can help confirm that a patient’s prescriptions are filled before they leave the hospital. The associate chief of pharmacy at Massachusetts General Hospital (MGH) explained that MGH’s outpatient pharmacy philosophy is to “make sure patients have medications before they leave because we believe it is our job to improve patient health and we don’t want readmission.” This philosophy has helped MGH reduce its ER visits from discharged patients by 20%.[9]

Educating patients about their drugs. Hospitals are having pharmacists spend time with patients before discharge to conduct medication therapy management (MTM) where they proactively teach patients about their medications.

Following up post-discharge. Hospitals are involving pharmacists in post-discharge patient follow-up. Pharmacists engage in phone-based MTM to help make sure patients are taking their medications and to reduce adverse events. Through such efforts targeting high-risk patients, MGH found medication-related problems in more than 50% of the calls completed by the pharmacy. The post-discharge intervention helped decrease readmission rates by 50% among this population.[10] Through these varied interventions, ambulatory pharmacies are making a significant difference in reducing readmissions.

Reducing Readmissions: Case Studies

RARE (Reducing Avoidable Readmissions Effectively). In Minnesota, 82 hospitals and six health systems set goals to reduce 30-day readmissions, improve HCAHPS scores and decrease healthcare costs. Pharmacists use the teach-back method to engage patients prior to discharge regarding their medications, conduct medication reconciliation at transitions of care, and schedule follow-up appointments. Since 2011, 3,603 readmissions have been prevented.[11]

Novant (North Carolina). A pharmacist-led team at Novant Health uses pharmacists to provide post-discharge medication follow-up. Through this program, 30-day readmissions for adverse drug events were decreased by 1.4% and overall readmissions by 6.1%.[12]

Hennepin County Medical Center (Minnesota). During a pilot started in 2010, discharged patients who had received high levels of inpatient service were identified. Within three to five days post-discharge, they were engaged in MTM visits. The pilot reduced admissions by 42%, ER visits by 37%, and the cost of care by approximately \$2,500 per member per year.[13]

Hospitals and health systems are now considering their options when it comes to starting or expanding on an ambulatory pharmacy — to own and operate their own ambulatory pharmacy or to outsource to a third-party retailer. There are certainly pros and cons in both scenarios. By outsourcing to a third-party retailer, the hospital is delivered a prepackaged plan they simply pay a fee for. However, potential benefits of hospital-run programs include reductions in readmissions, prescribing errors, drug-related discrepancies, drug administration errors, and morbidity and mortality for certain conditions. Additionally, studies document how hospital-owned and operated programs have improved patient satisfaction and health outcomes.[14] Hospital-based programs have an advantage of being closely integrated with other hospital processes, patient-care objectives and a hospital's culture.

Additional Hospital and Health System Benefits

In addition to helping reduce preventable readmissions, ambulatory pharmacies can help:

Improve outcomes. Ambulatory pharmacies can identify high-risk patients and target those individuals for specific interventions, often by improving transitions.

Improve patient satisfaction. Ambulatory pharmacies strengthen the hospital's relationship with patients and enhance a hospital's reputation. Patient satisfaction is increasingly important since it affects reimbursements under ACA.

Boost revenues. By filling prescriptions before patients are discharged, as well as for patients in the ER and those receiving outpatient services, ambulatory pharmacies can generate additional revenues for the hospital. Provide a foundation for other services. Ambulatory pharmacies are extending their reach into the community. There are numerous services that hospitals can extend to their patients in the ambulatory setting. Examples of some of the many services include specialty pharmacy, home infusions, ambulatory anticoagulation services and vaccinations.

Conclusion

Ambulatory pharmacies have taken hold and are gaining momentum. A recent survey found that 34% of hospitals already operate an ambulatory pharmacy and 48% of larger urban hospitals do so.[15] Over half of hospitals with an ambulatory pharmacy (58%) plan to expand their ambulatory pharmacy offerings.

Ambulatory pharmacies can have strategic and financial benefits. They can help improve outcomes and patient satisfaction, increase revenue, and decrease readmissions. They extend the hospital's reach into the community and extend the continuum of care. Forward-thinking healthcare suppliers and consultants can be helpful partners to support your ambulatory goals and the better health of your health system.

[1] "Medicare Revises Readmissions Penalties — Again," Kaiser Health News, March 14, 2013

<http://www.kaiserhealthnews.org/Stories/2013/March/14/revised-readmissions-statistics-hospitals-medicare.aspx>

[2] Office of Information Products and Data Analytics, Centers for Medicare and Medicaid Services, "National Medicare Readmission Findings: Recent Data and Trends," <http://www.academyhealth.org/files/2012/sunday/brennan.pdf>

[3] "Reducing Avoidable Hospital Readmissions," Health Research and Educational Trust presentation at the June 4, 2010 Florida Hospital Association Meeting; presentation posted on AHRQ website at

[4] "Medicare Hospital Readmissions: Issues, Policy Options and PPACA," Congressional Research Service Report for Congress, September 21, 2010, http://assets.opencrs.com/rpts/R40972_20100921.pdf

[5] "Care About Your Care: Tips for Patients When They Leave the Hospital," The Dartmouth Atlas Project, 2011,

[6] "Reducing Avoidable Hospital Readmissions." Health Research and Educational Trust presentation at the June 4, 2010 Florida Hospital Association Meeting; presentation posted on AHRQ website at

[7] Ibid.

[8] "How Outpatient Pharmacies Can Help Hospitals Reduce Readmissions," McKesson White Paper, 2012,

[9] Ibid.

[10] Ibid.

[11] RARE (Reducing Avoidable Readmissions Effectively) website, <http://www.rarereadmissions.org/>

[12] "How Outpatient Pharmacies Can Help Hospitals Reduce Readmissions," McKesson White Paper, 2012,

[13] "Operating Aspects to Consider with Ambulatory Pharmacy," Business of Pharmacy Critical Readings, Issue 4, Fall 2012, http://mckessonbop.com/wp-content/uploads/2012/10/critical_readings_4_11-12-12.pdf

[14] "Reduce Readmissions with Pharmacy Programs That Focus on Transitions from the Hospital to the Community," ISMP Medication Safety Alert, November 15, 2012, <http://www.ismp.org/newsletters/acute/acute/showarticle.asp?id=36>

[15] Pharmacy Purchasing and Products 2011 National Survey

Six ways hospitals are combating shrinking margins

How Pharmacy Departments Are Helping Meet the Challenge

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With the most transformative period of U.S. healthcare delivery evolving, revenue and margins are a major concern for health systems everywhere. According to an April 2012 poll by HighRoads, around half of hospitals (55%) expect a decline in revenue because of ACA.[1] The American Hospital Association reports that more than one in four U.S. hospitals (28%) had negative operating margins in 2011. According to the Health Care Advisory Board,[2] the average 2% margins hospitals have now is below the 4% margin needed to sustain operations.

With increasing margin pressure, hospital leaders are actively identifying new ways to generate revenue, preserve or improve margins, cut costs, and improve quality. Many innovative hospitals are partnering with their pharmacy team to fundamentally change care delivery by reducing inpatient demand and succeed with payment systems requiring population health management.

Take a look at six ways that health system pharmacy teams are helping meet the margin challenge:

1. Ambulatory pharmacy. Healthcare leaders are beginning to realize how much ambulatory pharmacy can do for them. Not only can it be an additional source of revenue, but it also can help assist discharged patients with medication adherence,[3] a critical means of reducing avoidable readmissions. As the acuity level of services provided in the outpatient setting increases, the opportunity associated with ambulatory pharmacies is also on the rise.

Revenue growth. A recent survey of healthcare leaders found that over half (54%) plan to boost financial growth over the next five years by expanding outpatient services.[4]

Decrease readmissions. The Agency for Healthcare Research and Quality (AHRQ) suggests that when patients understand their post-discharge medication instructions, they are 30% less likely to be readmitted or visit the ER.[5] This may help translate into savings under value-based payment systems.

By providing services to the community, hospital pharmacies can also help develop new customer relationships. According to the American Society of Health-System Pharmacists (ASHP), 35% of the 5,000 hospitals in the country have at least one pharmacy that serves discharged patients.[6]

2. Streamline operations. Nowhere is the phrase “do more with less” heard more than in the hallways of today’s hospital. With the expansion of pharmacy services, streamlining operations is critical to help ensure that time and resources are well spent. Two examples of streamlining operations are:

Process improvement techniques. Through employing Lean Six Sigma methods, manufacturing giants, such as Motorola and Toyota, created highly efficient operations yielding nearly defect-free products. Today, hospitals such as Virginia Mason are leveraging Lean methodology to transform their organization and eliminate waste.

Drug spend management tools. At Georgia Regents Health System, Administrative Director of Pharmacy, Rehabilitation and Respiratory Care Services, Tad Gomez, employed tools and resources to efficiently analyze drug spend, implement clinical initiatives, and then track and document the savings. Over the course of a year, this led to a savings of more than \$1.3 million. When asked for comment, Tad replied, “As the healthcare landscape evolves, we’re looking at ways to evolve with it. Bottom-line savings such as this help us focus our finances on medication safety and better patient-care outcomes.”

3. Accurate billing. More providers are taking a closer look at reimbursements, and pharmacy is certainly no exception. Improved margins can occur when billing and reimbursement processes are optimized.

Keep the pricing database aligned with changing regulations to ensure revenue integrity

Identify discrepancies between the amounts of medication purchased and dispensed

Find disparities between medications and the charges for particular subsets of drugs
Transition from retrospective underpayment analysis to real-time payment recovery
Normalize the pharmacy system and the chargemaster to improve financial performance
Standardize pricing for similar drugs across hospitals and systems

4. Drug discount programs. Patient assistance programs (PAPs) are programs sponsored by pharmaceutical manufacturers to provide financial assistance for low-income, uninsured and underinsured patients. But the complex nature of these programs means many hospital pharmacies don't always capture all available cost-saving opportunities. E. Thomas Carey, director of pharmacy services at SwedishAmerican Hospital in Rockford, IL, outsourced PAP management and recovered \$450,000 in replaced medications.[7] Outsourcing PAP management can be a promising way to benefit patients and help bolster the bottom line.

Another way for eligible facilities to help improve their margins is through 340B drug pricing programs. Some estimate that participation in 340B programs can generate savings in the vicinity of 20 to 50% of outpatient drug costs.[8]

5. Employee pharmacy coverage. Offering prescription coverage to employees through the hospital pharmacy provides a way to manage operating costs. Many hospitals have outpatient pharmacies, but they are often underutilized by employees. Leveraging the in-house expertise of hospital pharmacies can help reduce the cost of a hospital's employee pharmacy benefit. Additional savings can be derived through GPO discounts on medications required by employees.

6. Drug diversion. Many hospital leaders are increasing their focus on drug diversion, requiring pharmacy leadership to implement procedures to ensure safeguards are in place to identify and prevent it. To prevent drug diversion loss, pharmacies must consider what people, processes and systems are needed. Promising approaches include automated inventory-tracking systems, computerized recordkeeping controls and automated dispensing cabinets. A Lean Six Sigma engagement can also be used to identify areas of potential diversion risk.

Conclusion

Health systems are on a mission to achieve better care at sustainable costs in settings that are shifting more to outpatient services. While there is no one silver bullet to help reduce costs and improve margins, many options are now being found as pharmacy leaders and hospital leaders join forces and strategize on solutions that work. Forward-thinking healthcare suppliers and consultants can be helpful partners to support the quest toward better health of your health system.

The information provided here is for reference only and does not constitute legal advice. We make no representations with regard to the content. You are solely responsible for investigating and complying with all applicable laws that govern the operation of your business. The results of parties discussed above depend on a variety of factors that are unique to their business. There is no guarantee that your results will be similar to their results.

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