
The Business of Pharmacy: How to Amp Up Your Growth Journey

OBJECTIVES



Highlight the importance of operational 'fitness' in growing your business



Understand the role 'organizing' has in accelerating growth



Examine the impact Pharmacy has on care models, and enhancing health care delivery



Explore the challenges in access to health care, and how Pharmacy help organizations overcome this current challenge

STATUS OF US HEALTH

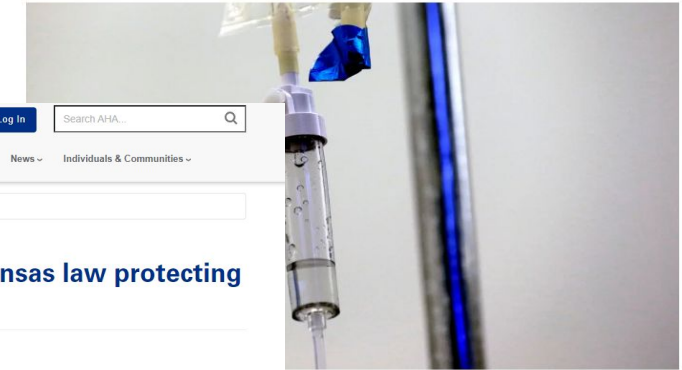
Concern grows around US health-care workforce shortage: 'We don't have enough doctors'

By Jacqueline Howard, CNN
5 minute read · Published 11:00 AM EDT, Tue May 16, 2023



Nearly all hospital pharmacists say drug shortages are negatively impacting care; a third say impacts are 'critical'

By Deirdre McPhillips, CNN
3 minute read · Published 10:02 AM EDT, Thu August 10, 2023



More than 300 drugs in the US, according to data from the University of Chicago, are among the most affected. Gerry

As urged by the AHA, 8th Circuit upholds Arkansas law protecting 340B contract pharmacy arrangements

Mar 12, 2024 - 03:20 PM




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Drug Benefit Firms Devise New Fees That Go to Them, Not Clients

Pharmacy benefit managers negotiate cheaper prices for employers and health plans. They also pocket drugmakers' cash.



A flagpole at Cigna Corp.'s headquarters in Bloomfield, Connecticut. Photographer: Michael Nagle/Bloomberg

Could contentious payer-provider negotiations become the post-COVID norm?

By Paige Minemyer · Sep 13, 2023 4:00pm

Bon Secours Health System | Elevance Health (Anthem) | Anthem Blue Cross | Reimbursement

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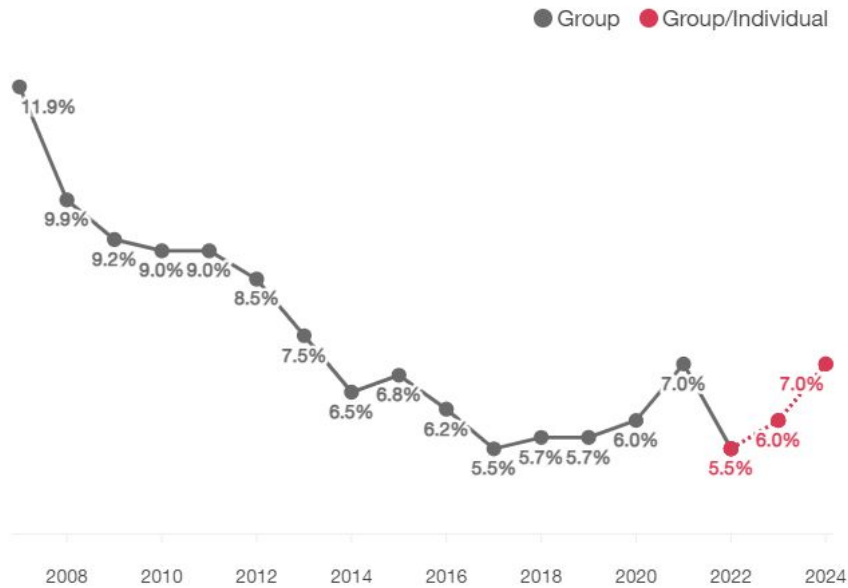
Fitch and S&P maintain gloomy outlook for not-for-profit hospital sector in 2024

Image: <https://www.bloomberg.com/news/articles/2023-08-22/drug-price-negotiations-enrich-pharmacy-benefit-managers>;
<https://www.aha.org/news/headline/2024-01-05-fitch-and-sp-maintain-gloomy-outlook-not-profit-hospital-sector-2024>;
<https://www.fiercehealthcare.com/payers/could-contentious-payer-provider-negotiations-become-norm>;
<https://www.cnn.com/2023/05/16/health/health-care-worker-shortage/index.html>;
<https://www.aha.org/news/headline/2024-03-12-urged-aha-8th-circuit-upholds-arkansas-law-protecting-340b-contract-pharmacy-arrangements>;
<https://www.cnn.com/2023/08/10/health/drug-shortage-pharmacist-survey/index.html>

SIGNIFICANT GROWTH (CONTINUES) ON THE NEAR

HORIZON

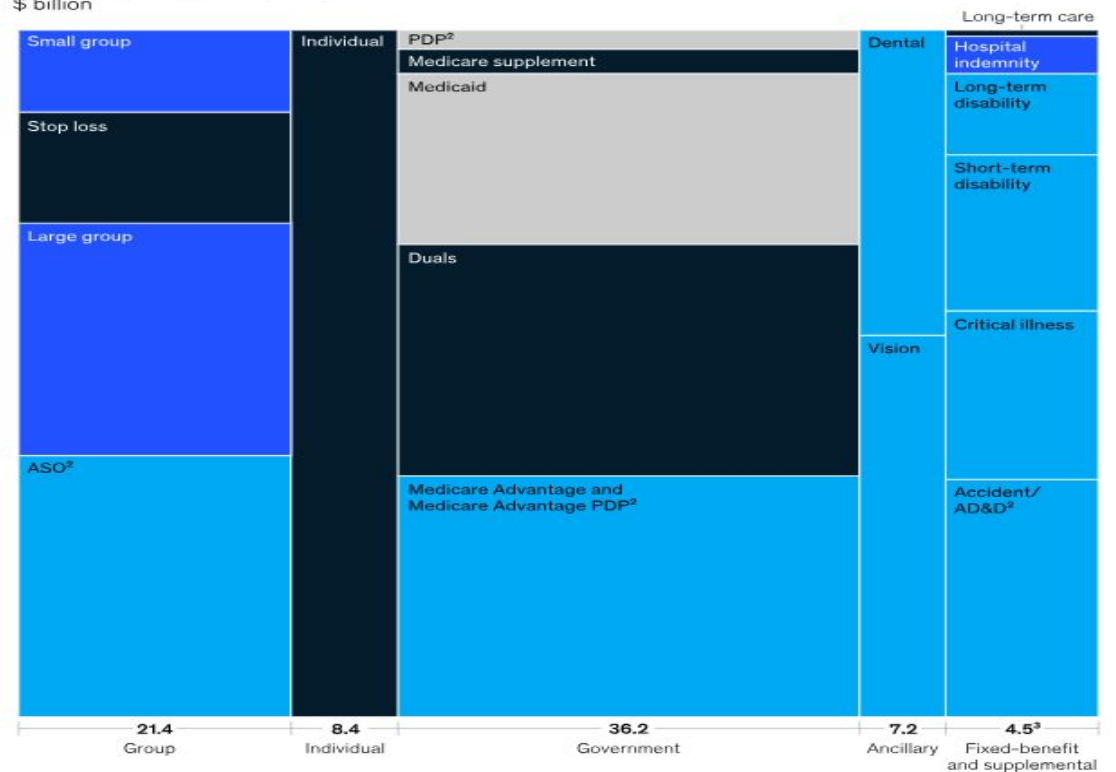
HRI projects medical cost trend to be 7.0% in 2024, up from 6.0% in 2023



By 2027, estimated profit pools for government segments will be about 65 percent larger than commercial segments driven by accelerated Medicare Advantage penetration.

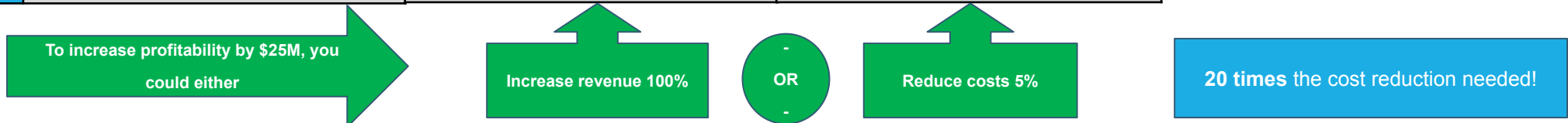
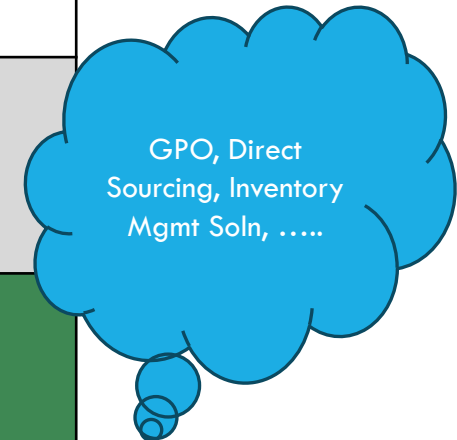
Distribution of projected healthcare EBITDA across payer segments, 2027,¹ \$ billion

2022–2027 growth rate, %
 ■ <0 ■ 0–5 ■ 5–10 ■ >10



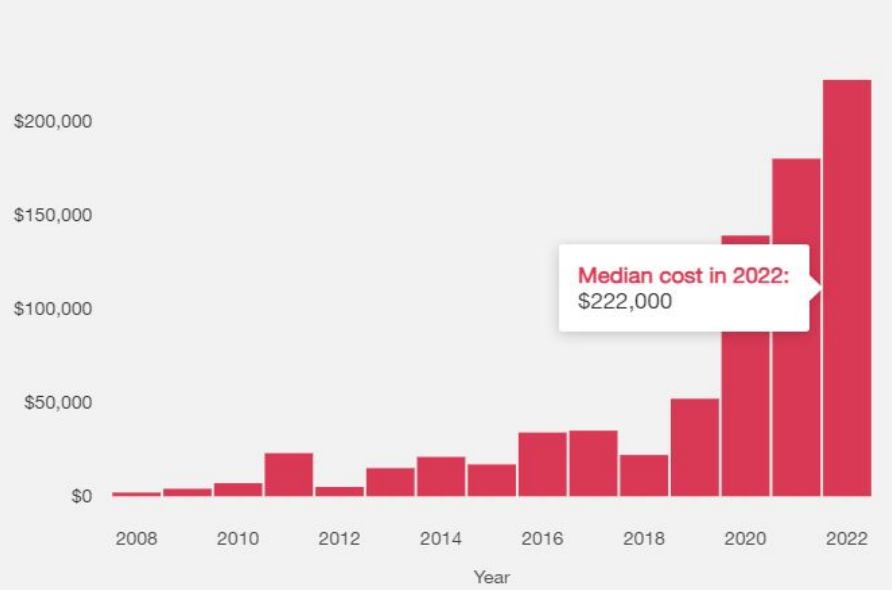
COST MANAGEMENT: NOT GLAMOROUS, YET IMPACTFUL

	Healthcare Provider Current Situation	Reimbursement or Revenue Initiative	Cost Management Initiative
Revenue	\$500,000	\$1,000,000	\$500,000
Cost	\$475,000 95%	\$950,000 95%	\$450,000 90%
Profit	\$25,000 5%	\$50,000 5%	\$50,000 10%



NOTEWORTHY WHERE THE GROWTH IS OCCURRING

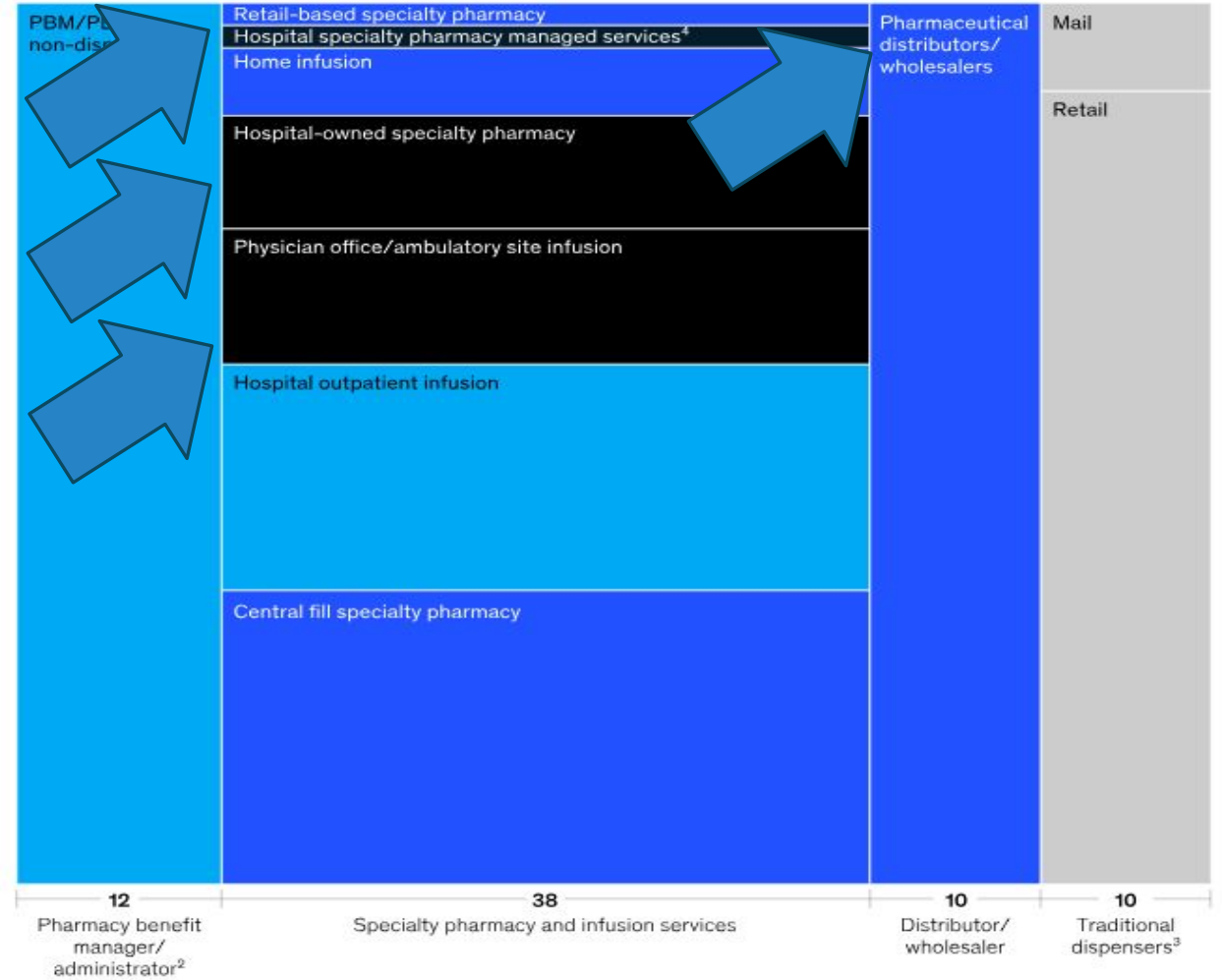
Median price of newly marketed drugs 2008-2022



Source: Trends in Prescription Drug Launch Prices, 2008-2021

Distribution of projected healthcare EBITDA across the pharma value chain (illustrative),¹ 2027, \$ billion

2022-2027 growth rate, %
■ <0 ■ 0-5 ■ 5-10 ■ >10



¹Sub-segment numbers may not sum to segment totals due to rounding.

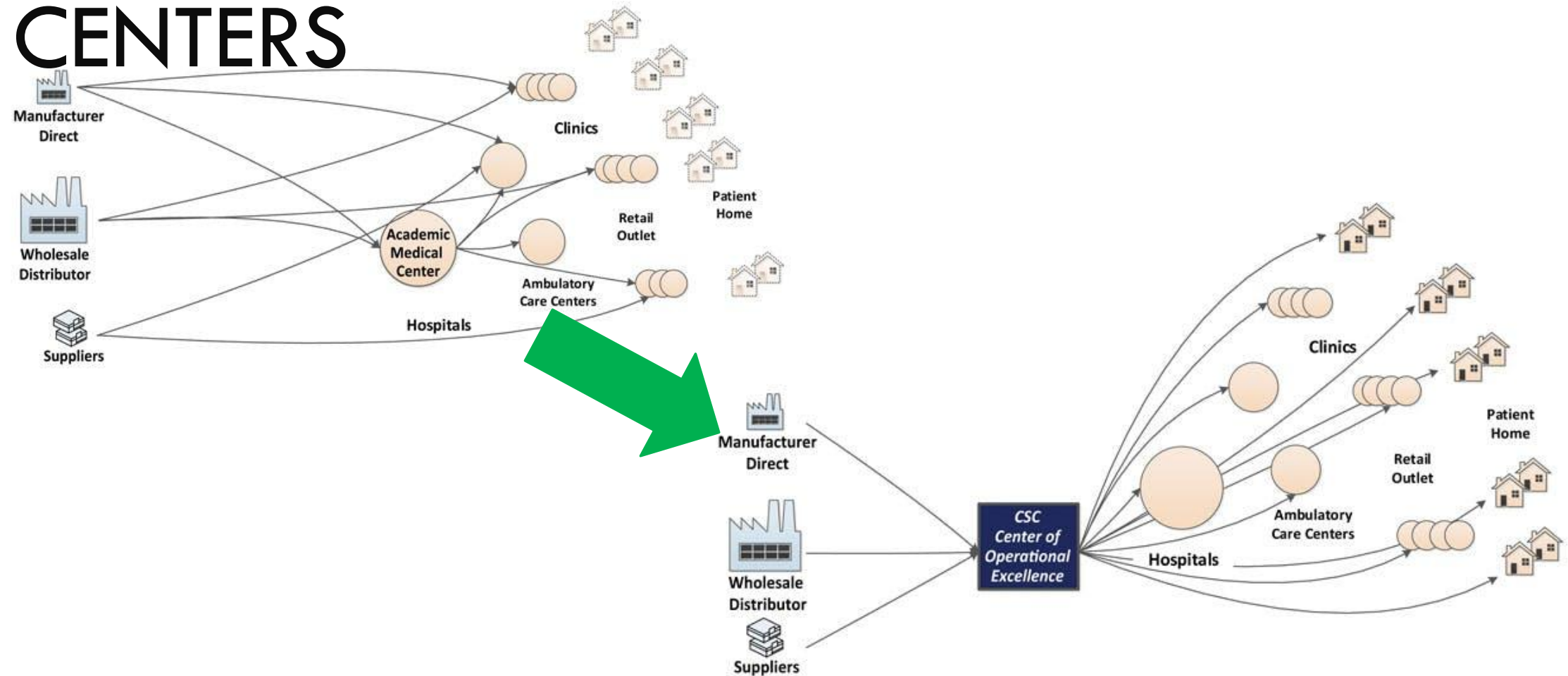
²Excludes profit earned by PBM-owned specialty pharmacies and mail pharmacies, which is captured under central fill specialty pharmacy and mail respectively.

³Excludes specialty pharmacy (specialty dispensed through retail channels is captured under retail-based specialty pharmacy).

⁴Specialty pharmacy services outsourced to vendors such as Shields/Trellis.

Source: McKinsey Profit Pools Model

VALUE OF CONSOLIDATED SERVICE CENTERS



POTENTIAL VALUE IN CENTRALIZED SERVICE FACILITY

RELATED TO COST OF GOODS

RELATED TO OVERHEAD

Inventory Shrinkage

(Consolidated) Sourcing savings

Overhead i.e., moving from limited, more expensive on-campus footprint

Replace manual processes through automation and increase usage of technology

Optimize drug shortage management (to preserve clinic/OR encounters)

In-source / Organize from third-party providers (i.e., repackaging, 503B)

Streamline delivery from a centralized location

Contract labor

UNC HEALTH CONSOLIDATED SERVICE FACILITY 'FIRST GENERATION'

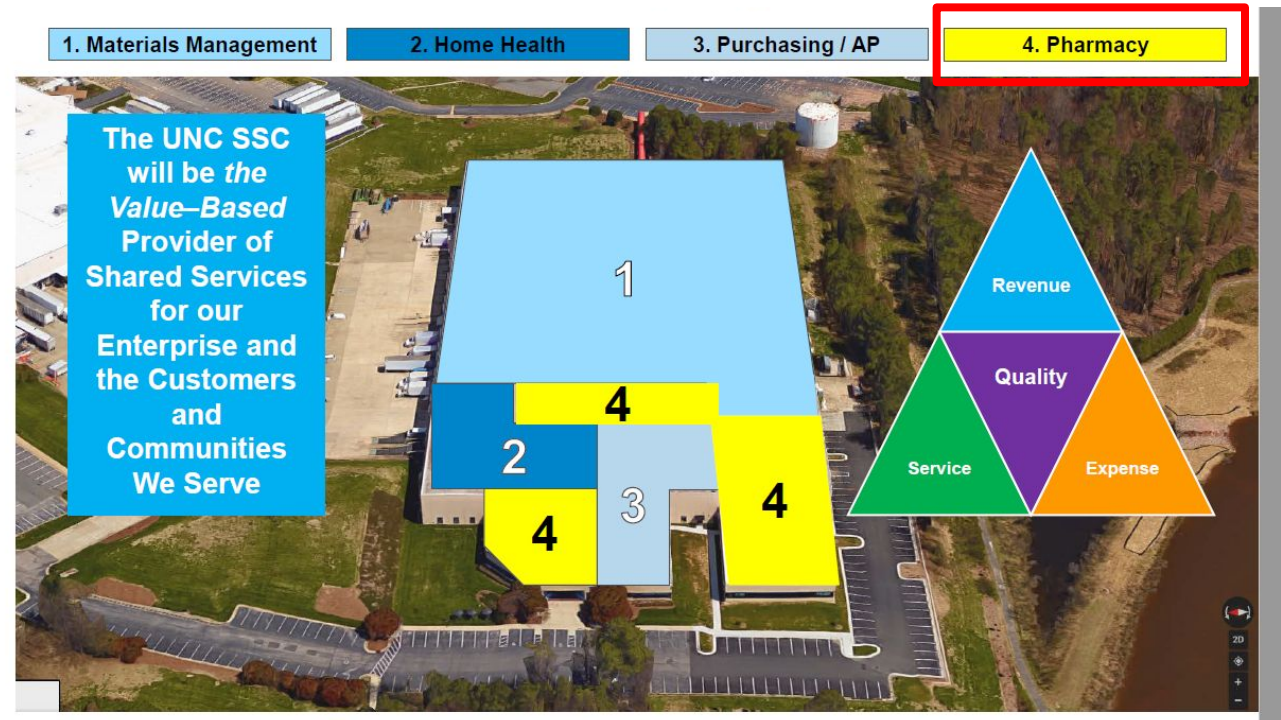
Located 'off-site'

Multi-Department Facility

Developed over 10+ years old

Completely occupied through expansion of Departments and services in that time

Pharmacy = 15k sq ft



POTENTIAL SERVICES AT A CENTRALIZED SERVICE FACILITY

Distribution Services

- **Central ADM Replenishment**
- **Tray Replenishment**
- **Clinic Replenishment**
- **Unit dose Packaging (repackaging)**
- **Low Unit of Measure Distribution**
- **Bulk / strategic buys**

Compounding Services

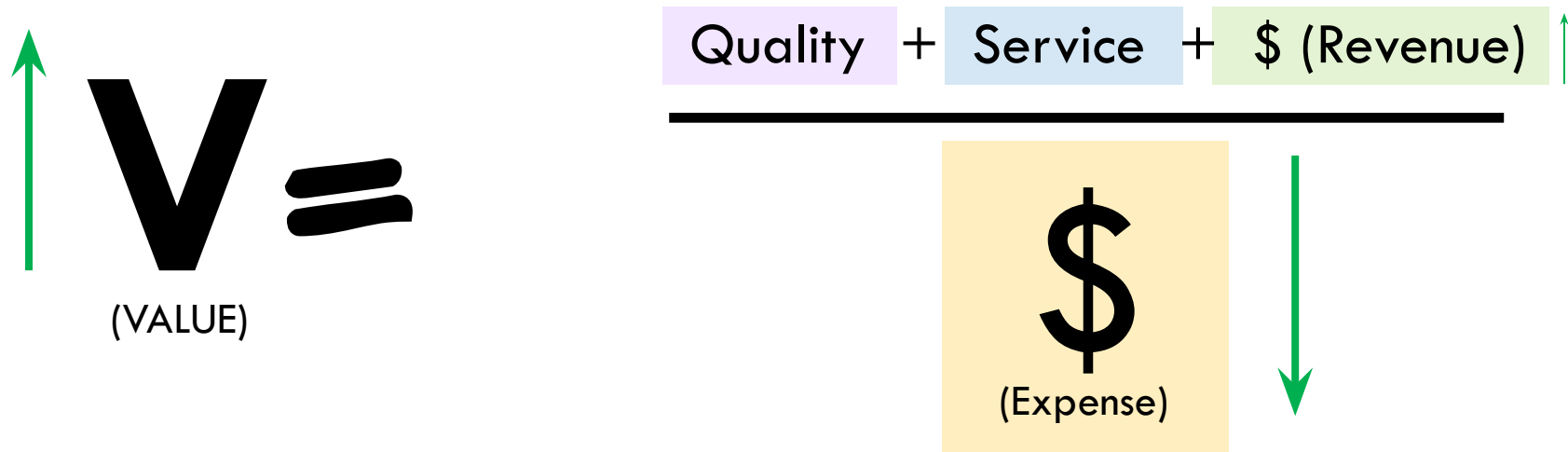
- **IV admixture (503A)**
- IV compounding (503B)
- **Sterilization (USP) services**

Bolded / Highlighted = UNC CSC Services

Outpatient Services

PHARMACY SCM: CREATE A COMPELLING VALUE PROPOSITION

Focus on cost management > revenue increase



OTHER OUTCOMES FROM CONSOLIDATED SERVICE CENTER

Business Continuity

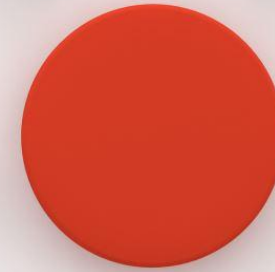
- Strategic Redundance
- Higher oversight on distributive business

Quality/Safety

- Standardize workflows
- Technology directed picking

Customer Experience

- Consolidate vendor mgmt



KEY LEARNINGS 'FIRST GENERATION'

FACILITY

Anticipate expansion and how this will occur at the site (same building, addition, adjoining, etc.)

Challenges with multi-department building management

Building type i.e., warehouse vs. flex vs. office space

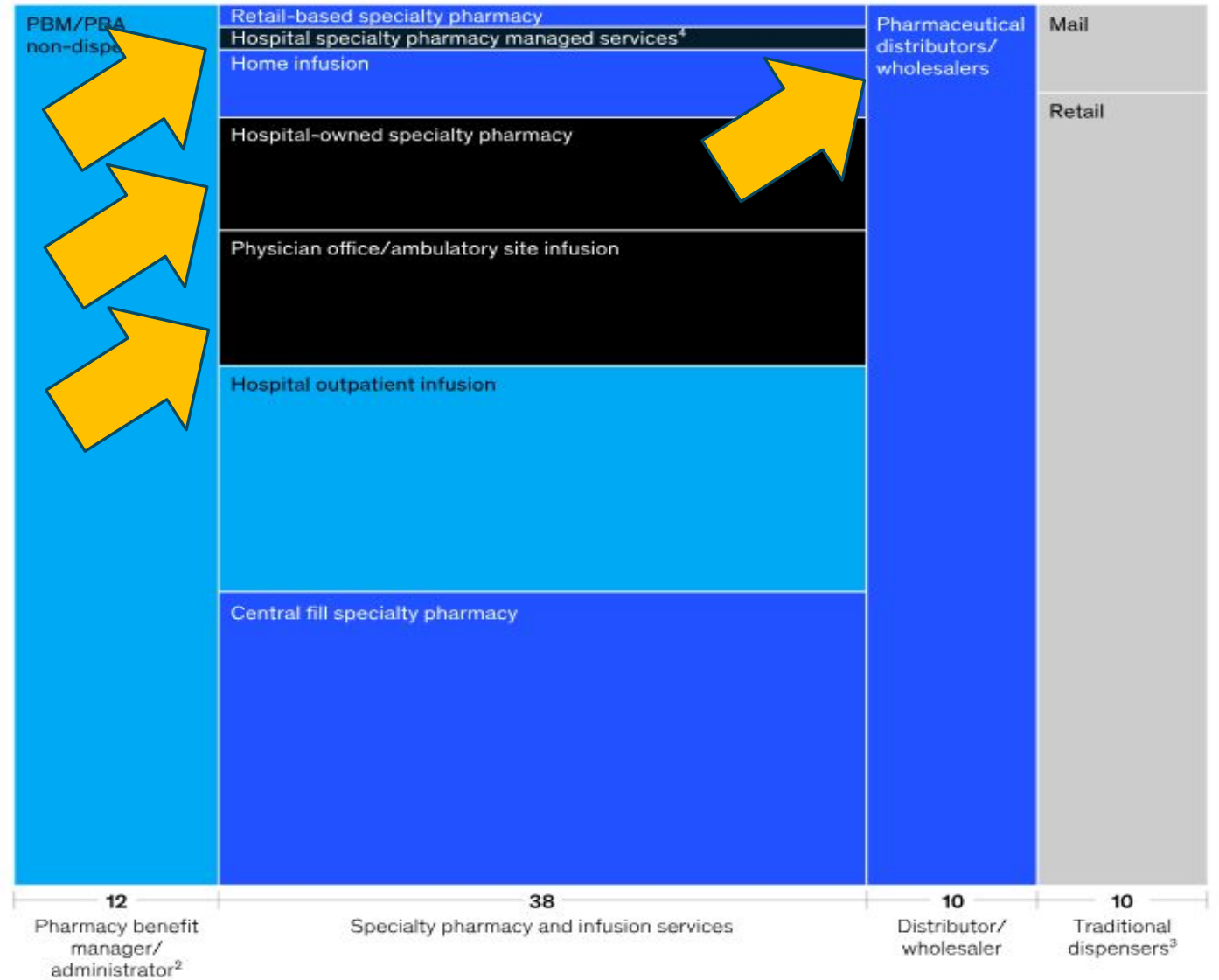
Office space?

Fixed capital items v. allocated space, and its impact on workflows

CHALLENGES OF EXPONENTIAL OUTPATIENT GROWTH

Distribution of projected healthcare EBITDA across the pharma value chain (illustrative),¹ 2027, \$ billion

2022–2027 growth rate, %
 ■ <0 ■ 0–5 ■ 5–10 ■ >10



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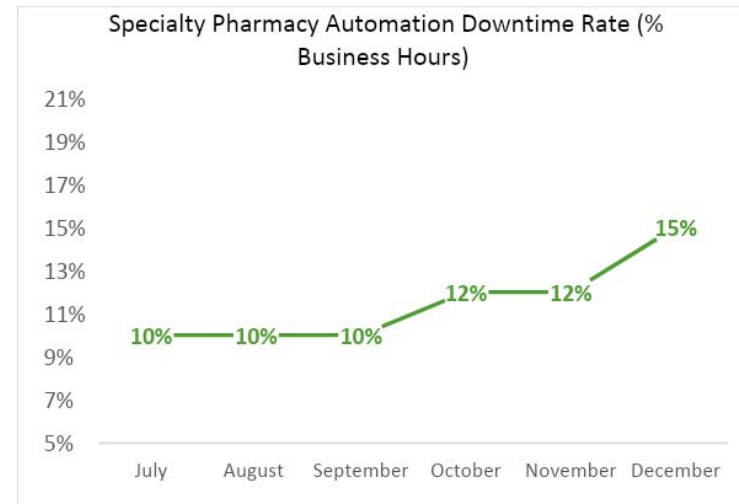
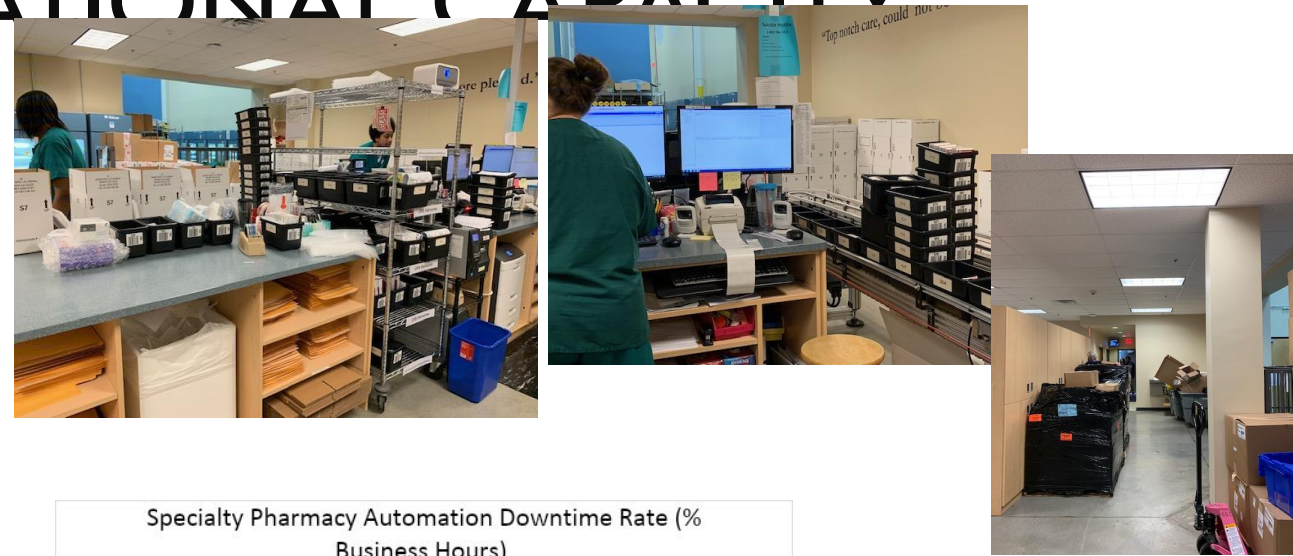
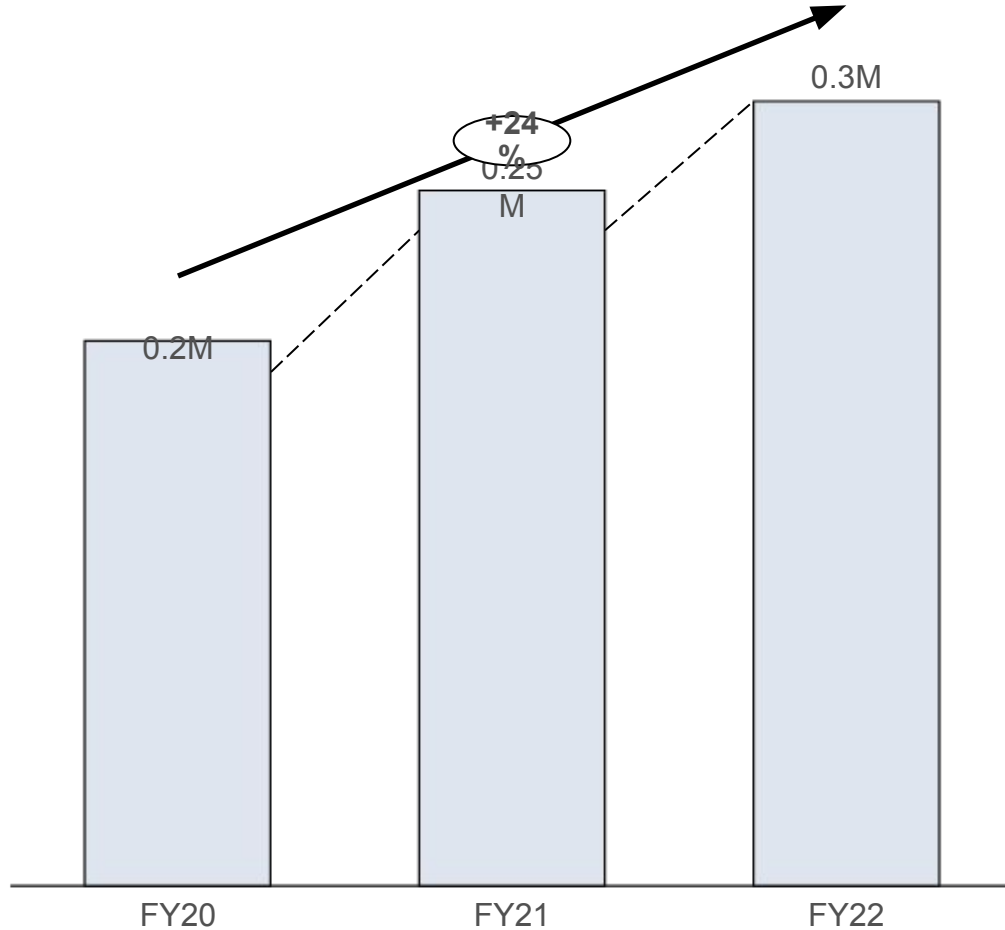
³Excludes specialty pharmacy (specialty dispensed through retail channels is captured under retail-based specialty pharmacy).

⁴Specialty pharmacy services outsourced to vendors such as Shields/Trellis.

Source: McKinsey Profit Pools Model

EXPONENTIAL GROWTH IN HIGH-VOLUME PHARMACY HAS CHALLENGED OPERATIONAL CAPACITY

High-Volume Pharmacy Script Count: FY20 to FY22



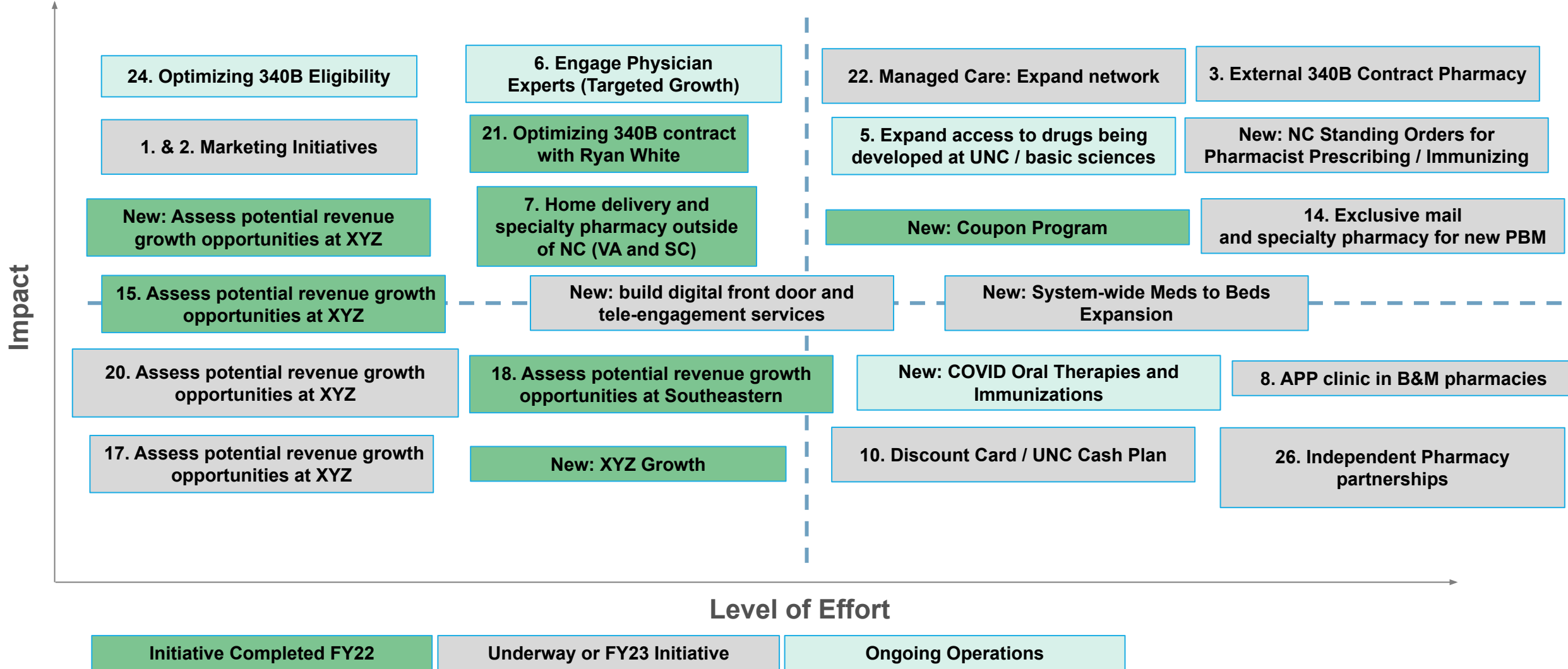
Headwinds

- Operational bottlenecks
- Labor challenges
- Technology challenges
- Manual workarounds

Tailwinds

- Internal volume growth
- Executive / physician engagement (although not organized)
- COVID / Post-COVID drive for mail
- Market growth
- Growth (internal) PBM business

CHALLENGED TO MANAGE EXTERNAL STAKEHOLDER 'WANTS' IN STRATEGIC PLANNING PROCESS



KEY BUSINESS ACTIONS ('GET ORGANIZED')

1. Coordinated RFP for automation solution
2. Completing 'needs assessment' for operational space, equipment, etc
3. Using 'needs assessment' to identify real estate and complete design phase
4. Organizing internal / external 'asks' through the vehicle of an executive steering committee + work group

ORGANIZING FOR SUCCESS

Launch RFP in Fall 2021 for High-Volume Automation Solution (COMPLETE Fall 2022)

Launched real estate assessment in Spring 2022 (COMPLETE Fall 2022)

Launch Steering Committee to organize growth Fall 2022

+ Work group to move project along

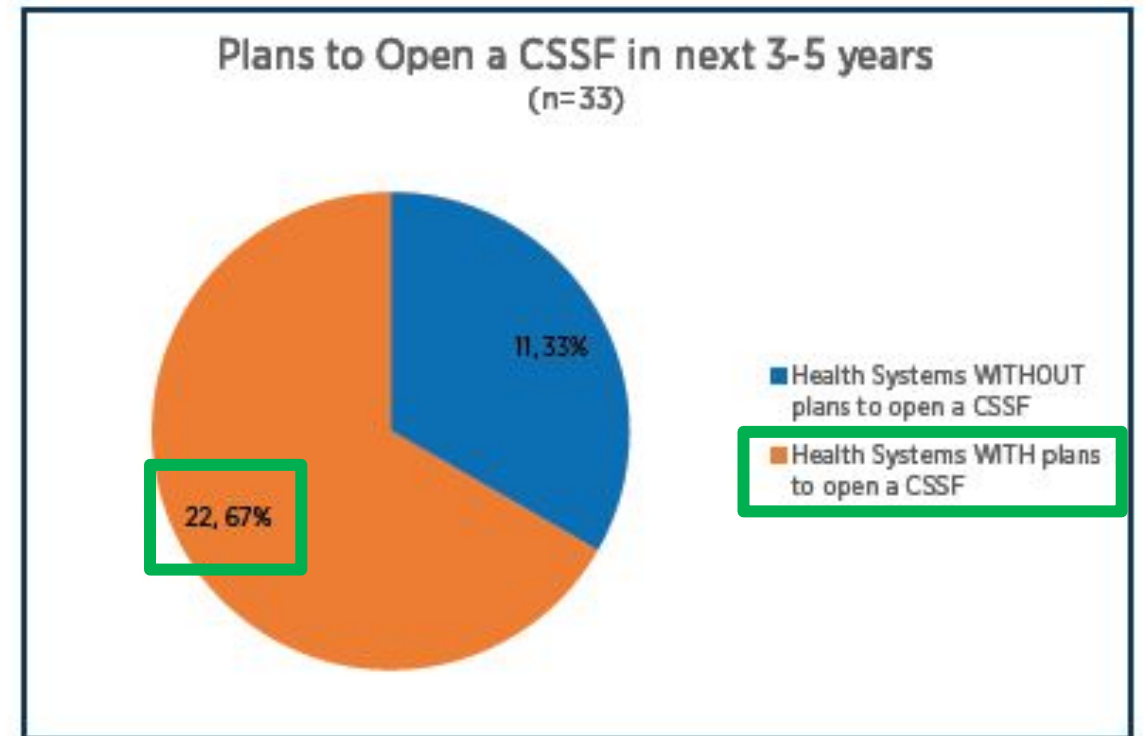
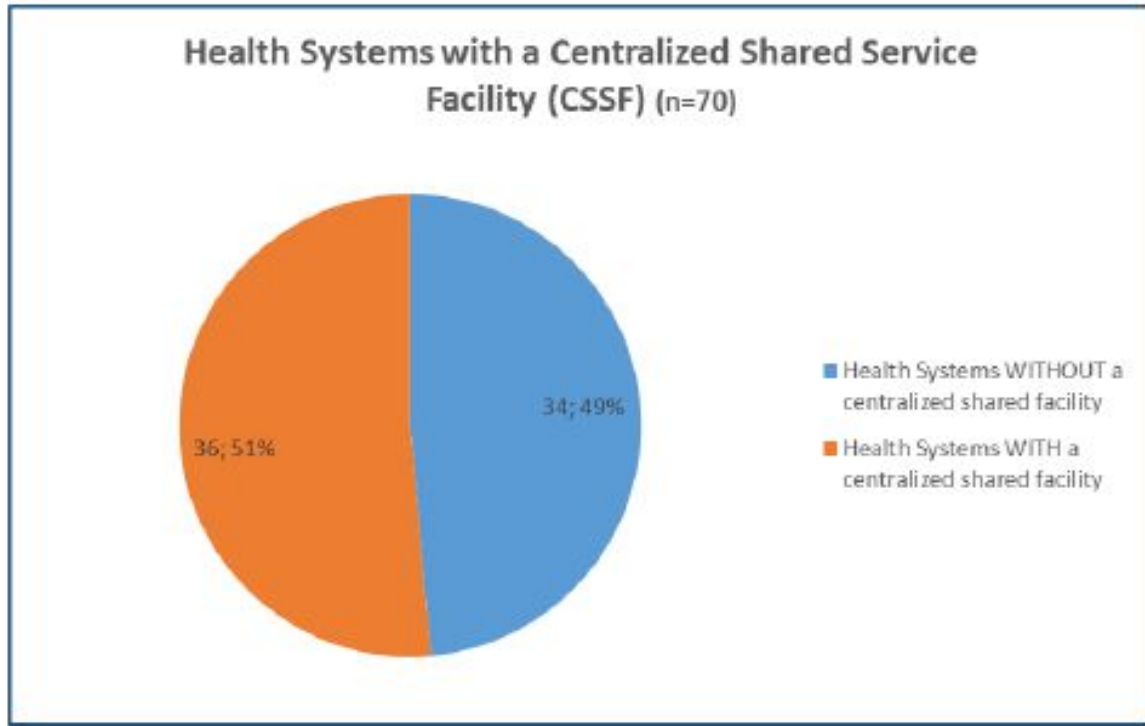
Built Pro-Forma (RFP + Real Estate + Initiatives from WG) (COMPLETE Spring 2023)

Capital Ask made Spring 2023 (FUNDED Summer 2023)

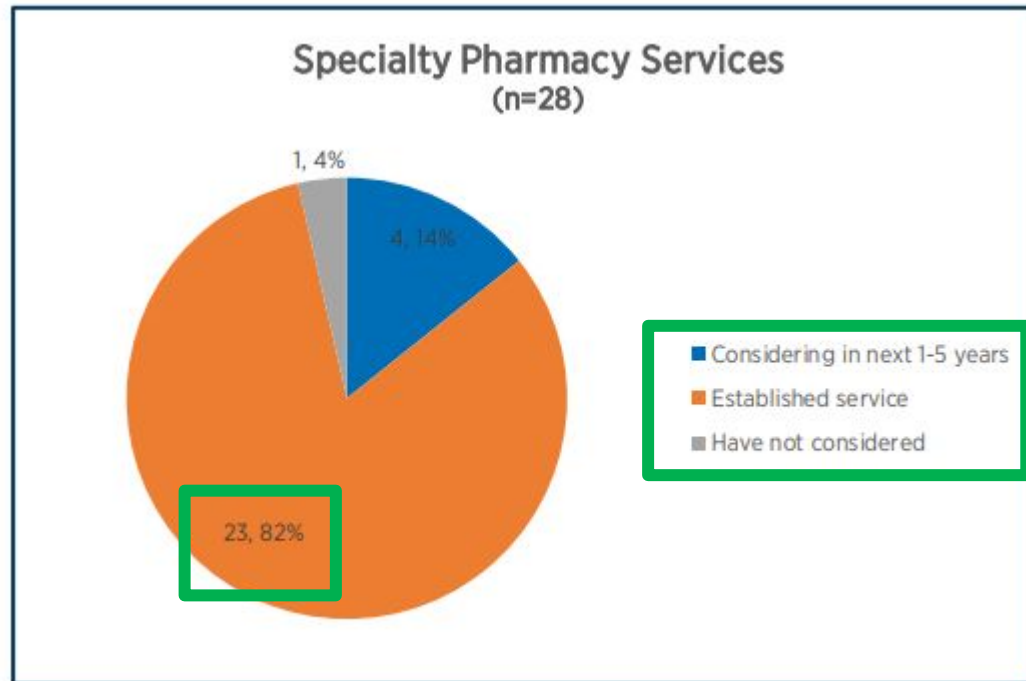
Site Ready (Planned for Spring 2024)

Go-Live (Planned for Fall 2024)

ASHP CENTRALIZED SHARED SERVICES SURVEY - 2021



ASHP CENTRALIZED SHARED SERVICES SURVEY - 2021



CONCEPT IS GAINING STEAM!

SUPPLY CHAIN February 29, 2024

New facility leverages unique partnership, technology to enhance AdventHealth's supply and resiliency strategy

Construction of \$40 million central pharmacy to begin under Baptist Health, Parata partnership

February 13, 2023 968 Views

IU Health's new pharmacy hub aims to cut costs

Friday, July 28, 2023 03:03 PM EDT
By [John Russell](#), Indianapolis Business Journal

Henry Ford Health expects to save \$30M with new pharmacy warehouse

By Dustin Walsh

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DECISIONS FOR 'SECOND GENERATION' FACILITY

What are current constraints on Organization's strategic advancement, and how could new CSF solve

Scale current services v. new diverse revenue streams

ROI on capital ask / diversification of revenues

Lease v. own AND new v. remodel site

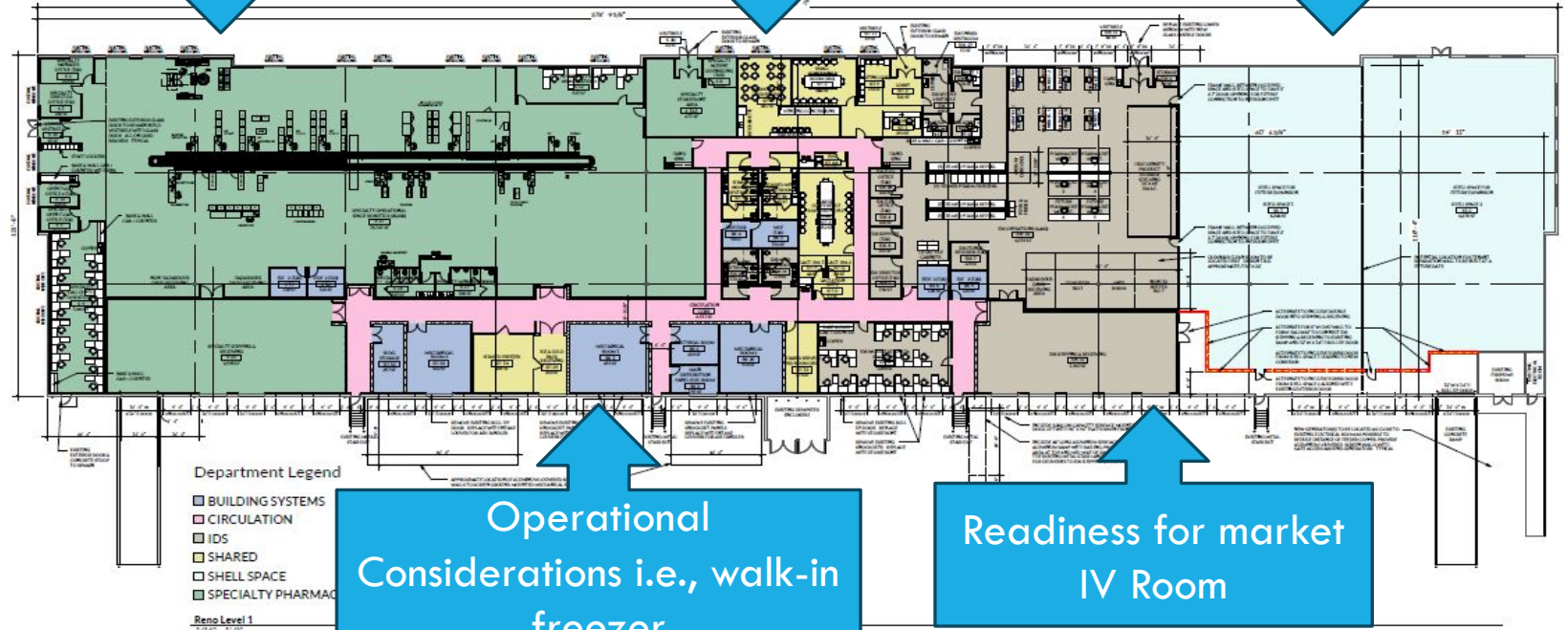
Size?

UNC HEALTH CONSOLIDATED PHARMACY CENTER SECOND GENERATION

High Volume
Automation Solution

Ample Space
45K sq ft

Shell Future Space



Operational
Considerations i.e., walk-in
freezer

Readiness for market
IV Room

LESSONS LEARNED

- Utilize talent and expertise for informing the decision
- Build workflows to inform technology and space needs
- Be the expert in all aspects of the 'ask'
- Ensure your story resonates with stakeholders
- Understand the environment and opportunity/lack of
- Assign talented, detailed leader as PM for project from start to finish

CLOSED LOOP STRATEGY

ACUTE CARE

Discharge Medication Reconciliation and Patient Education

Pharmacy Assistance Program

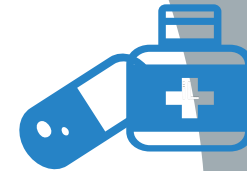
Acute Clinical Pharmacy Services

Admission Med History & Reconciliation

Meds-to-Beds Discharge Services



Patient



Retail, Home Delivery, Central Fill, Specialty Services



Clinic-Based Clinical Pharmacist Practitioner (CPP)



Post Acute Pharmacist Visit

POST ACUTE CARE

Pharmacy Assistance Program



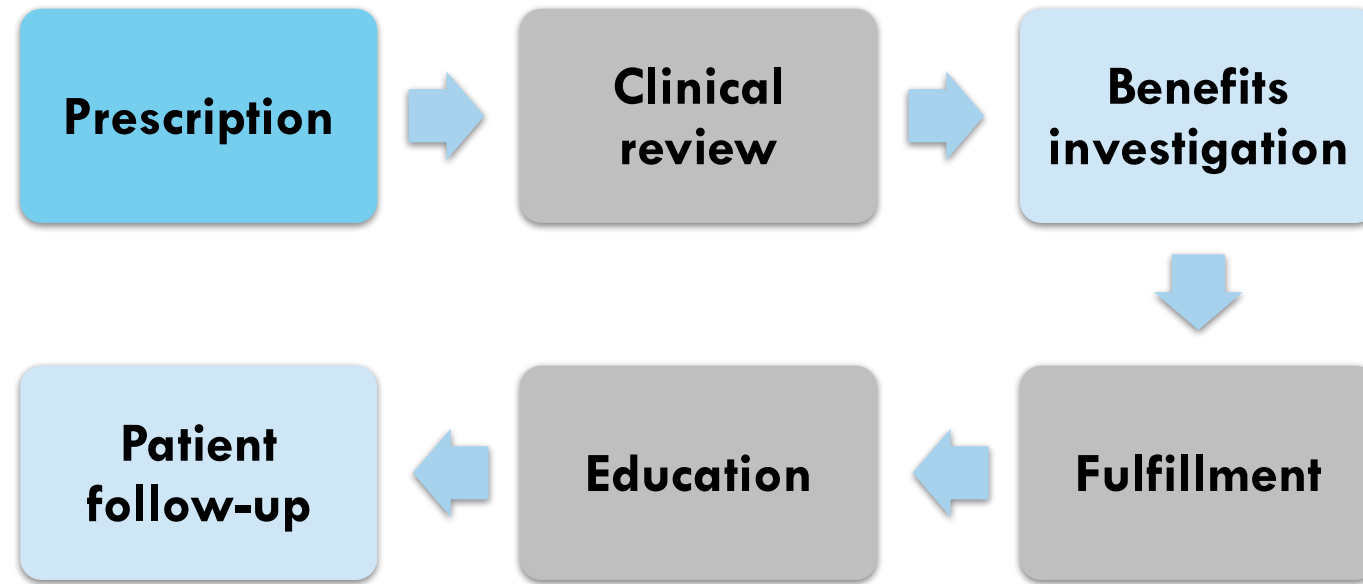
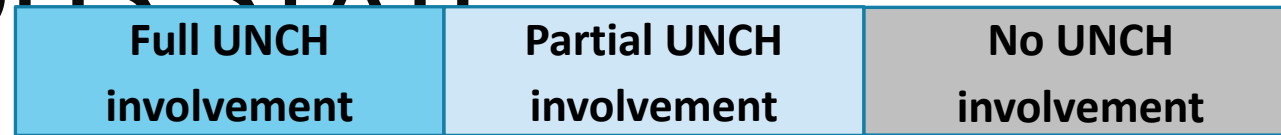
Population Health



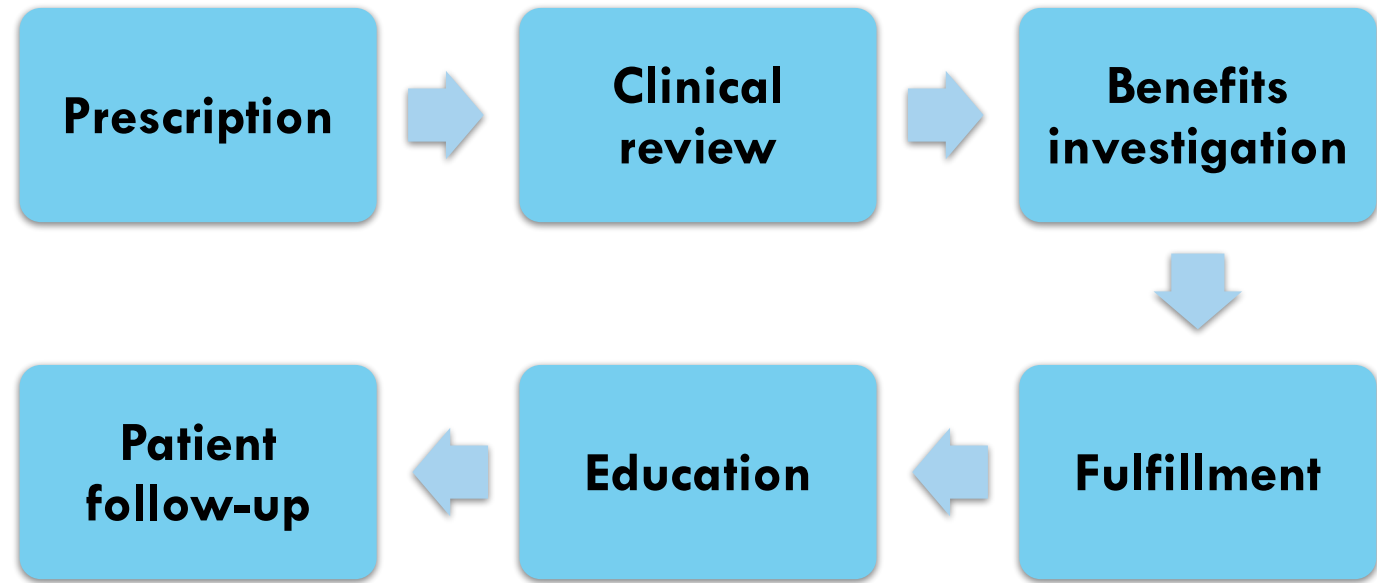
COMMUNITY-BASED CARE



EXAMPLE SPECIALTY PHARMACY WORKFLOW – PREVIOUS STATE



EXAMPLE SPECIALTY PHARMACY WORKFLOW – IDEAL STATE



STORY

New model for patients receiving new drug, Venetoclax

However, there were clinical risks with this drug historically requiring inpatient stay + coordination of care (insurance verification/financial assistance)

A pharmacist practitioner led program, initiated in the outpatient setting, included:

- In-house medication assistance program (MAP)
- In-house specialty pharmacy (SP)
- Other interdisciplinary team members

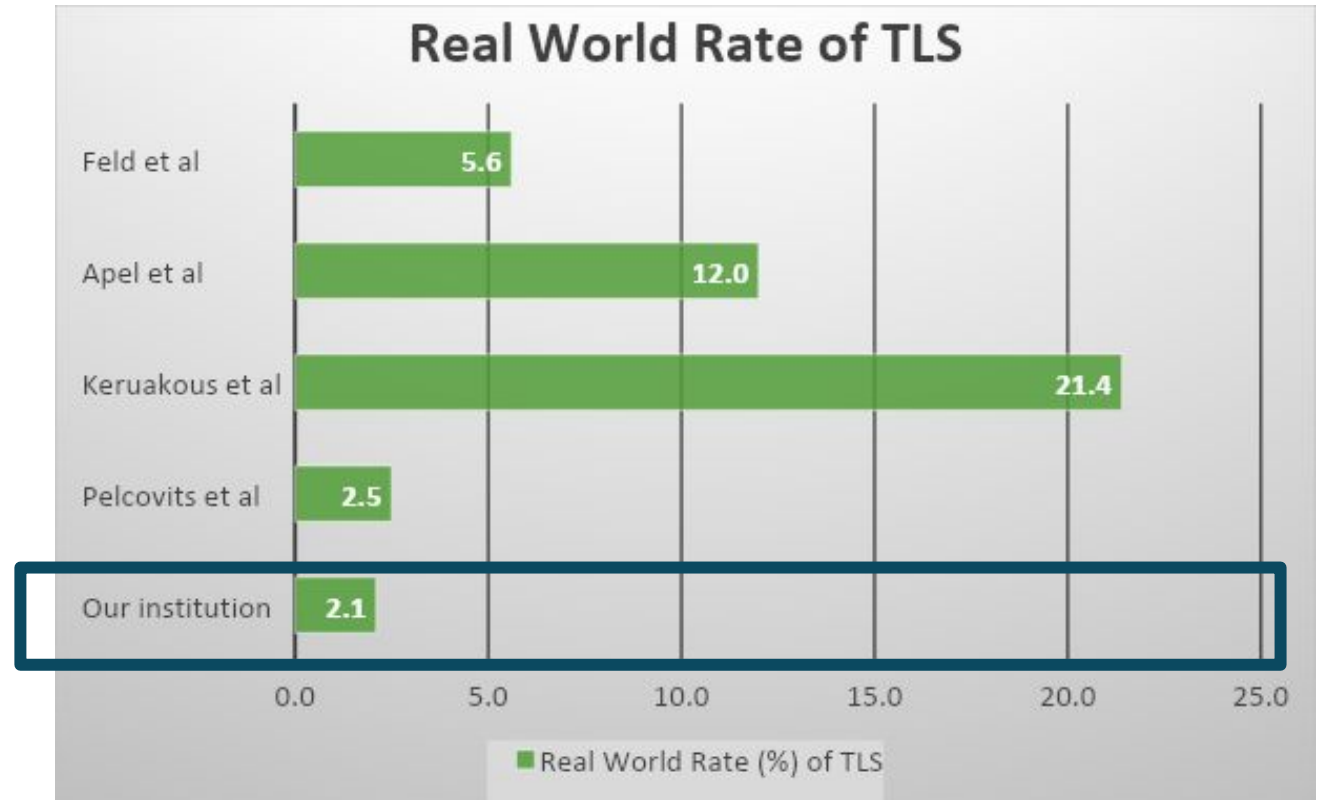


SAFETY

Total 82 patients included in the study, with 47 (**57%**) started outpatient

□ 39 of the 47 outpatients (**83%**) were able to remain outpatient for entirety of first 7 days

Rate of tumor lysis syndrome within 7 days of outpatient initiation was low



Pelcovits, A., Moore, J., Bakow, B. et al Support Care Cancer (2021). <https://doi.org/10.1007/s00520-021-06119-7>

Keruakous A, Saleem R, Asch A. Journal of Clinical Oncology 2020 38:15_suppl, e19542-e19542

Apel A, Moshe Y, Ofran Y, et al. Am J Hematol. 2021;96(7):790-795

Feld J, Tremblay D, Dougherty M, et al. HemaSphere. 2021;5(4):e549

EFFICIENCY AND PATIENT COST SAVINGS

The median time to venetoclax access (*including prior authorization and copay assistance*) was **3 days** (range: 0 – 37 days)

72% of included outpatients were eligible and required copay assistance

Estimated **\$2,130,645*** secured in drug financial assistance for outpatient AML-venetoclax during this time frame

*For those receiving manufacturer assistance, cost savings estimated based on AWP venetoclax pricing for 1 year
Mitchell A, Muluneh B, Patel R, Basch E. *J Oncol Pharm Pract.* 2018;24(6):424-432.

HEALTHCARE SYSTEM COST SAVINGS

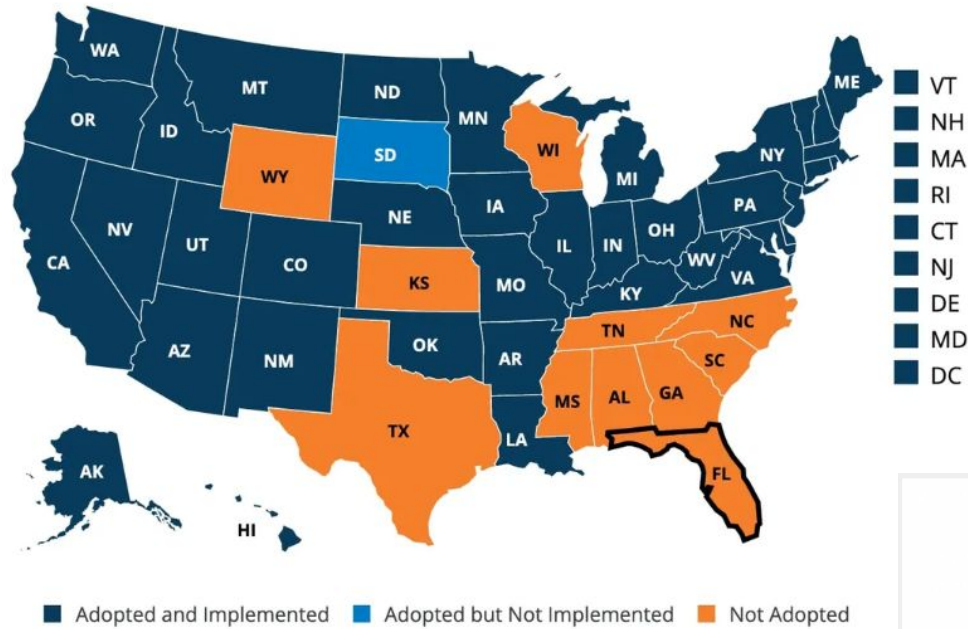
Estimated daily AML inpatient cost	\$3,300/day
Estimated hospital days saved (no hospitalizations in first week, n = 39)	273 days
Estimated hospitalization cost avoidance over study period	\$900,900
Estimated cost of week 1 of venetoclax (AWP)	\$2,969
Estimated drug cost avoidance (n=39) over study period	\$115,791
Total estimated cost avoidance over study period	<u>\$1,016,691</u>

LESSONS LEARNED

- Healthcare is changing, and we must adapt to the external forces
- An integrated health system (and its electronic health record) can offer a best practice in health care delivery
- Electronic health care record is a key collaborator within health care providers
- When launching new services, you should evaluate the impact on the triple aim
- Utilize success to further growth of your service offerings

RECENT CHALLENGES IN PATIENT ACCESS

Status of State Action on the Medicaid Expansion Decision



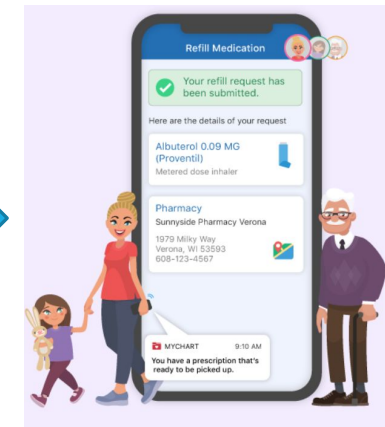
Introducing a new Specialty Pharmacy program, Free Market Health

August 01, 2023

[Pharmacy](#)

Blue Cross and Blue Shield of North Carolina (Blue Cross NC) is introducing a new market-based program with Free Market Health (FMH) to help our members get certain covered specialty prescriptions at a lower cost. In an effort to keep health care as affordable as possible, the program will provide an automated system to compare and choose the best fit Blue Cross NC-contracted specialty pharmacy to provide our members' specialty drugs at the lowest cost possible.

The program launches on October 1, 2023, for fully-insured commercial members and will include a subset of specialty medications that Blue Cross NC covers today, including medications used to treat multiple sclerosis, rheumatoid arthritis, cancer and more.

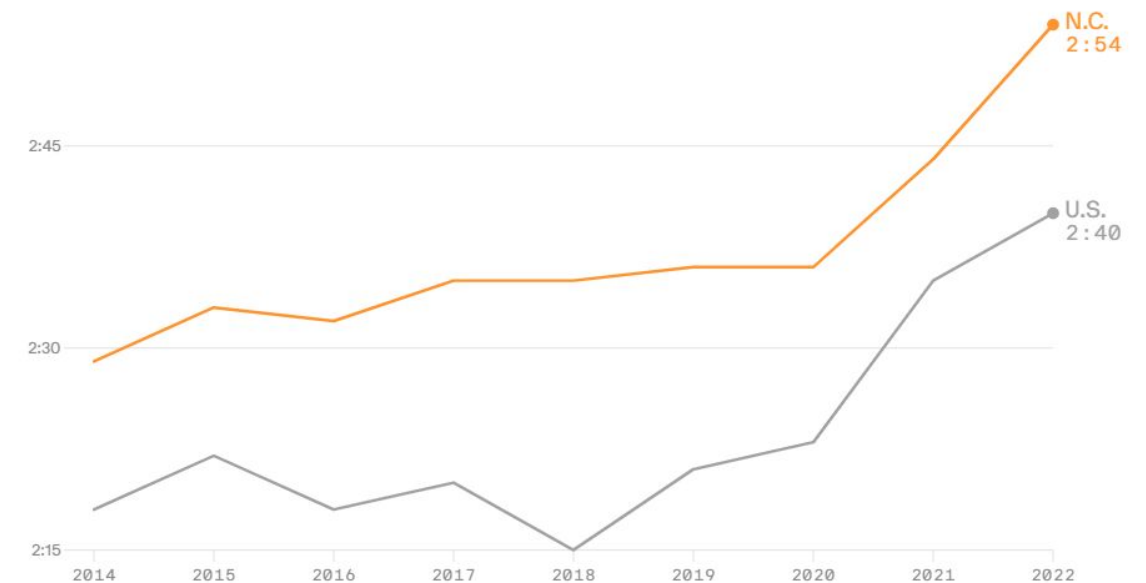


THROUGHPUT CHALLENGE AND ED WAIT TIMES

- Higher volumes of patients seeking care
- Backlog in primary care providers
- Surging volumes in ED and into overflow
- Acuity seems to be climbing
- Delays in discharge (increasing length of stay – impacting critical metrics)
- Opportunity for pharmacy to support discharges as a key cog in throughput

Median time, in hours, patients spent in hospital emergency rooms in North Carolina

12-month average as of Q3 of each year; 2014–2022



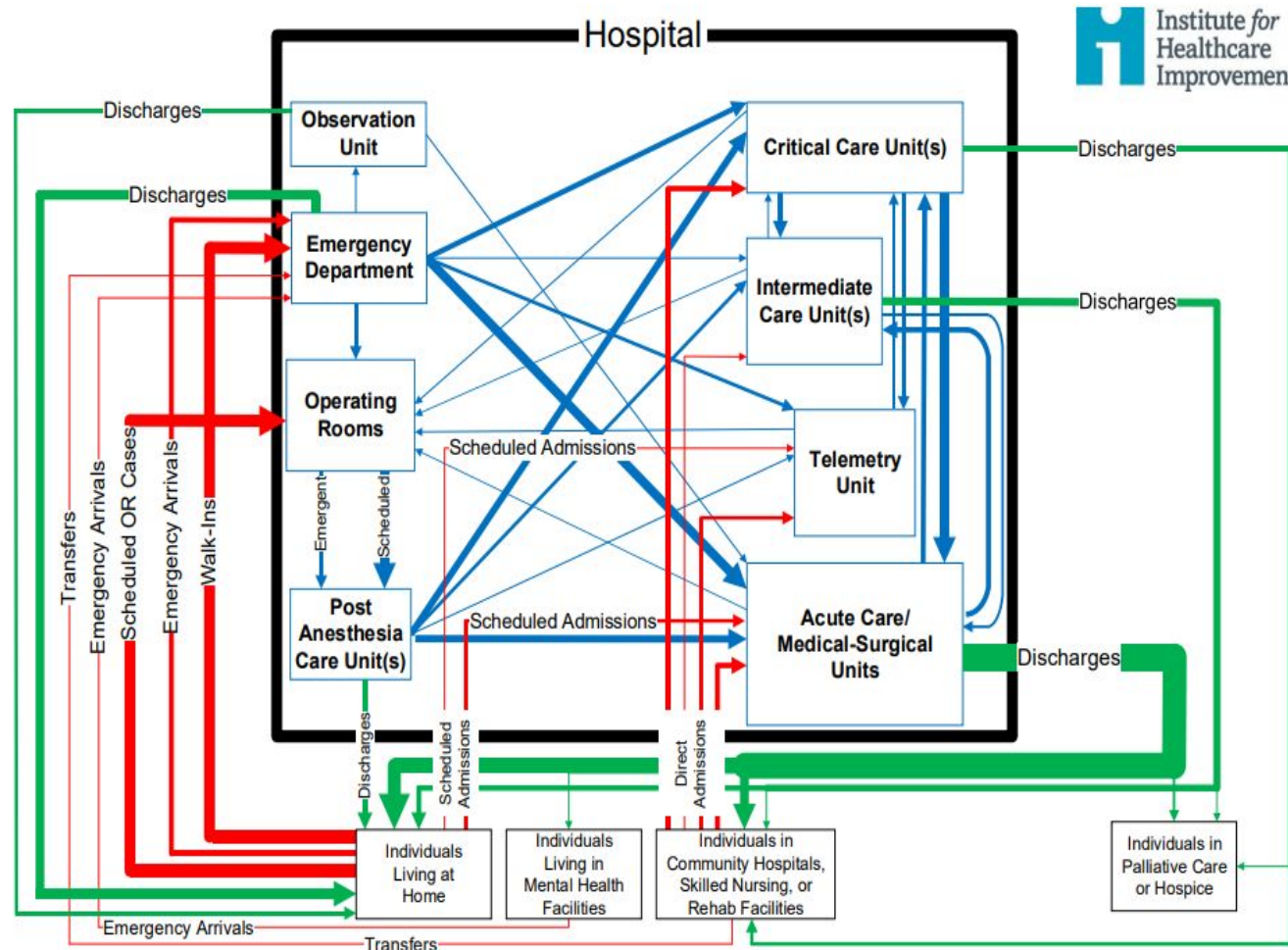
Data: Centers for Medicare and Medicaid Services; Note: Medians include Veterans Health Administration and Department of Defense hospital data; Chart: Jacque Schrag and Alice Feng/Axios

THE CHALLENGE

Focus on throughput (discharges):

- Creating capacity
- Providing optimal patient experience
- Supporting providers and staff

Goal Statement: Increase the efficiency and timeliness of patient flow processes to allow more patients to be safely discharged, which creates space for more patients who need hospital-level care.



Key: Blue arrows: Flow within hospital | Red arrows: Flow into hospital | Green arrows: Flow out of hospital | Width of arrows: Typical flow volumes

Lag Measure: Decrease TAT from discharge order to bed ready, from 267 minutes to 245 minutes (8.5%) by 03/31/2023.

Lead Measure (Weekly)											
Patient Transport response to D/C requests				Use of Staff Without Assigned Territory (SWAT) RNs		EVS staff assignments to improve room readiness		Discharge prescriptions with TAT < 1 hour (goal: ≥ 80%)		Increase use of DHC by noon (daily)	
Date (week ending)	Actual (average/median, in)	Target (mins)	Total Trips	Actual	Target	Actual	Target	Actual	Target	Actual	Target
7/3/2022	30	20	287		50	66	60	75%	80%	4	11
7/10/2022	35	20	239		50	66	60	75%	80%	3	11
7/17/2022	35	20	259		50	65	60	75%	80%	3	11
7/24/2022	28	20	249		50	69	60	75%	80%	2	11
7/31/2022	31	20	286		50	62	60	74%	80%	4	11
8/7/2022	32	20	284	31	50	60	60	76%	80%	16	11
8/14/2022	32	20	281	53	50	60	60	62%	80%	7	11
8/21/2022	31/28	20	276	63	50	64	60	61%	80%	13	11
8/28/2022	29/24	20	267	59	50	59	60	74%	80%	10	11
9/4/2022	23/20	20	271	60	50	58	60	78%	80%	8	11
9/11/2022	25/21	20	268	42	50	63	60	76%	80%	6	11
9/18/2022	34/31	20	299	73	50	57	60	80%	80%	15	11
9/25/2022	28/25	20	273	62	50	62	60	75%	80%	12	11
10/2/2022	25/21	20	275	51	50	63	60	84%	80%	7	11
10/9/2022	27/24	20	299	73	50	62	60	89%	80%	5	11
10/16/2022	26/22	20	269	59	50	60	60	87%	80%	12	11
10/23/2022	34/31	20	274	63	50	59	60	87%	80%	10	11
10/30/2022	35/29	20	270	55	50	59	60	84%	80%	9	11

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
Actual	264	255	257	264	256	256	256	264	262	271	258	
Target	245	245	245	245	245	245	245	245	245	245	245	245

Wins & Accomplishments

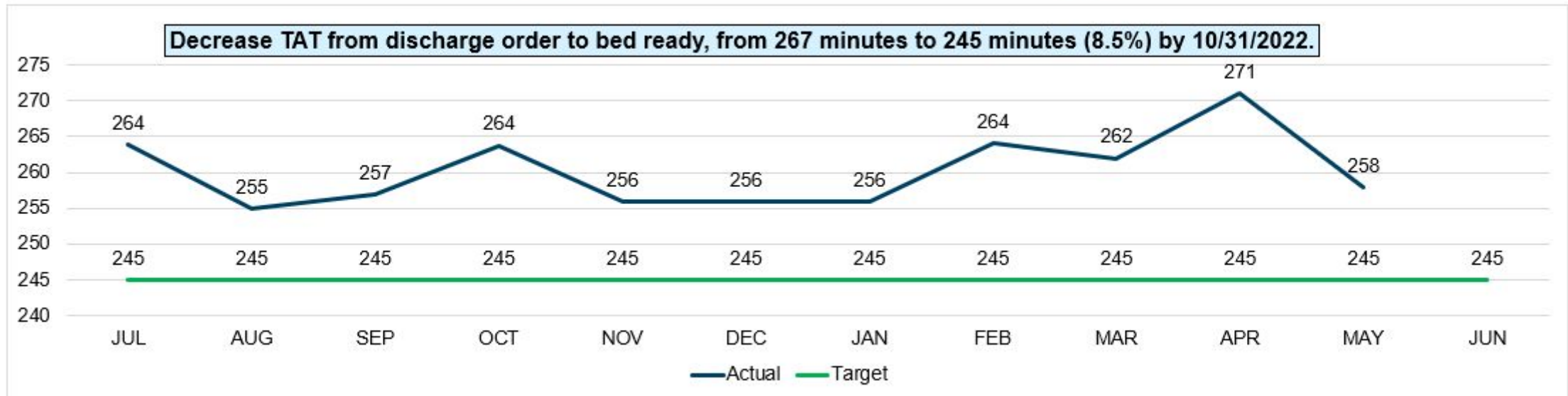
- TAT Goal MET week ending 5/14/2023 (245 minutes)
- EVS- Almost back to goal (61) with # of internal movements lower compared to # of D/Cs
- EVS - Loosing 4 Employees due to promotions or lateral movement within UNC and 1 due to PDC
- Pharmacy working with Pt. Relations and Mktg. on DHC/Pharmacy table card to be placed by EVS in clean and ready rooms (only question is who will be paying for the printing costs)
- PLC - SWAT active as of 5/15/23 (37 D/Cs completed as of 5/17/23)

Risks/Barriers

- PLC Data Analyst moved to different dept. Sourcing replacement
- LRC continues to be challenging as it relates to recruiting
-

Items for Escalation & Proposed Solutions

None at this time

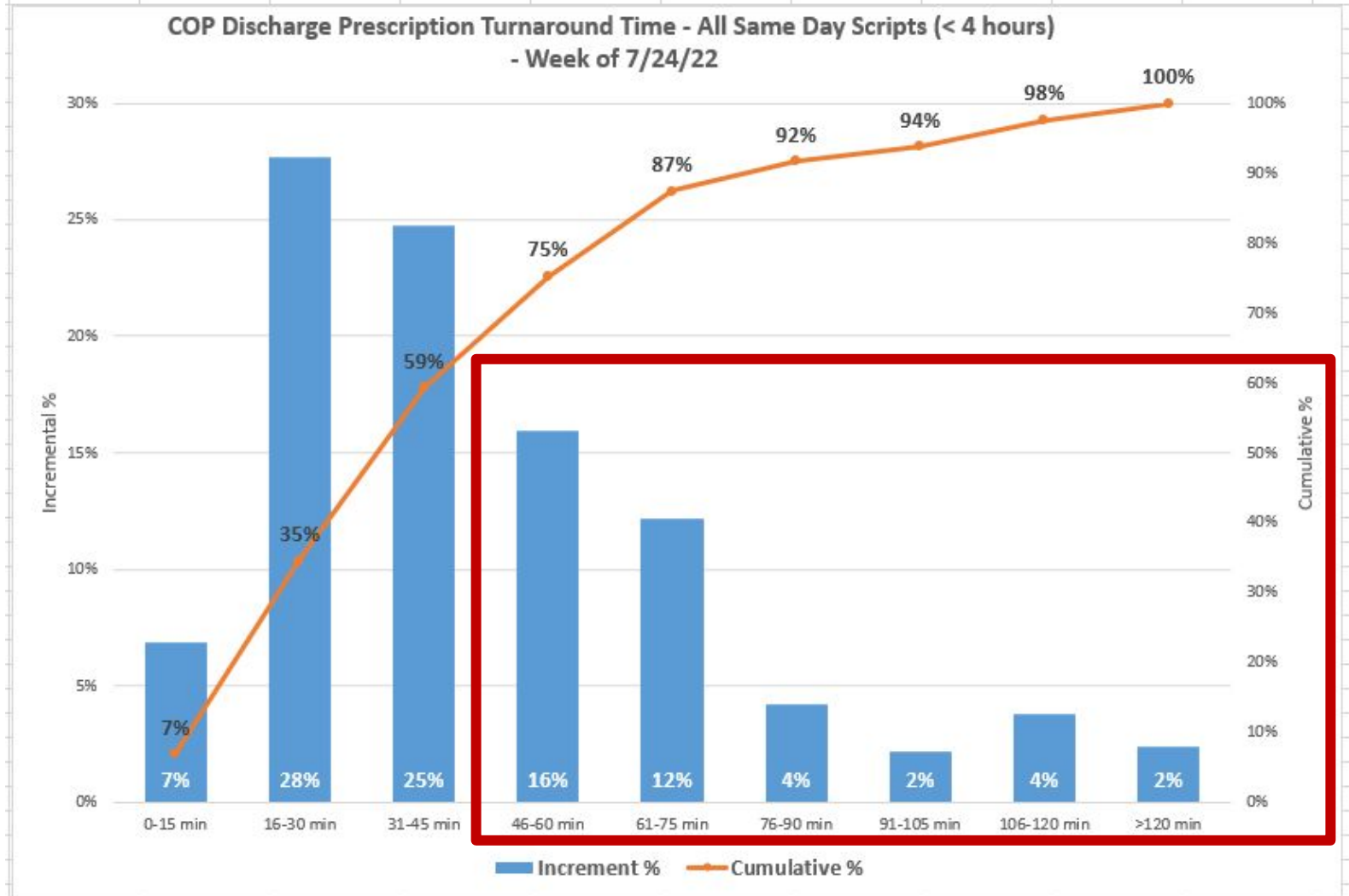


GOAL: 80% OF DISCHARGE PRESCRIPTIONS ARE READY TO DISPENSE WITHIN 1 HOUR

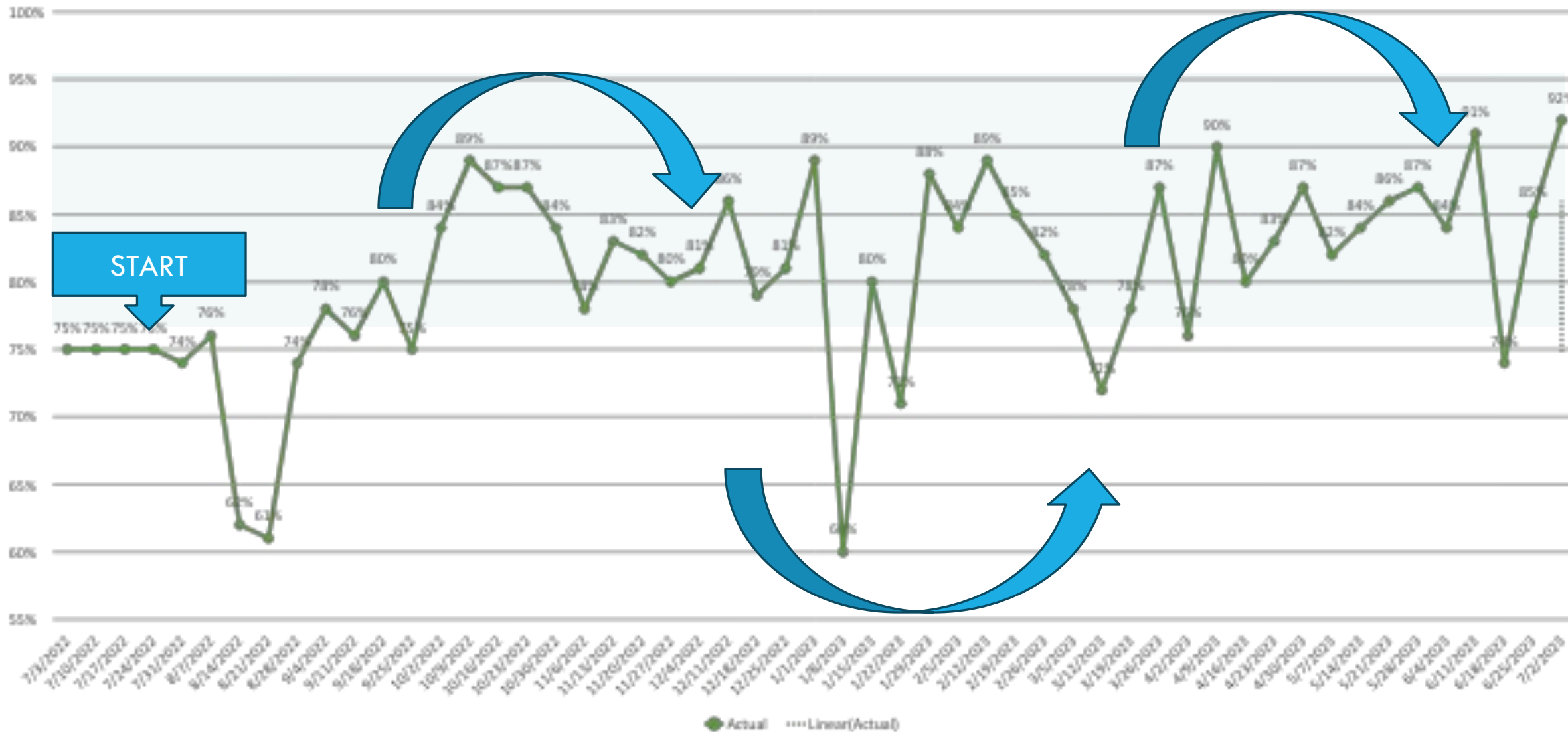
WEEKLY HUDDLE REPORT OUT AND AUDIT OF OUTLIERS

MONTHLY REPORT OUT ON TRENDS AND FOLLOW UP

Total Dispense Turnaround Time (Mins)	0-15 min	16-30 min	31-45 min	46-60 min	61-75 min	76-90 min	91-105 min	106-120 min	>120 min
Total	75	302	270	174	133	46	24	41	26
Increment %	7%	28%	25%	16%	12%	4%	2%	4%	2%
Cumulative %	7%	35%	59%	75%	87%	92%	94%	98%	100%



Discharge Prescriptions with Turnaround Time ≤ 1 hour (goal: $\geq 80\%$)



KEY LEARNING WAS UPSTREAM IMPACT ON PROVIDERS FOR PRIOR AUTHORIZATION REQUIREMENTS

Table 1: Measures of Success

Metric	Value
Approval rate	81%
Estimated potential margin on all approved medications if dispensed from a UNC Health Outpatient Pharmacy (including SSC)	\$47,000
Estimated margin on all prescriptions <i>dispensed</i> from UNC Health Outpatient Pharmacy (including SSC)	\$17,600
Average patient copay	\$54
Median copay	\$4

Table 2: Time Valuation: Investment and ROI per Prior Authorization Attempt (38 min)

Role	Labor Investment (salary + benefits)	ROI* (est. margin \$1,175/approved rx)
Pharmacy Access & Solutions Technician	\$18.70	44.0
Physician, Resident	\$25.67	32.0
Clinical Nurse-II	\$30.68	26.8
Pharmacist	\$49.22	16.7
Physician, Attending	\$47.50	13.9

* ROI accounts for 70% approval rate prior to discharge

LESSONS LEARNED

- Recognize health care workflows are often dependent on multiple teams working in unison
- Pharmacy may be a bottleneck in a care workflow
- Appreciate how pharmacy support the 'challenge' and understand your limitations on meeting the challenge
- Utilize an opportunity to advance pharmacy services

CONCLUSION

- Pharmacy is best informed to understand the medication use process, and to ensure operational excellence in those workflows
- Organizing through prioritization and collaboration can optimize the end outcome
- There are key opportunities for Pharmacy to engage in care redesign and offer solutions to national challenges
- Access to health care is a problem throughout the United States, and Pharmacy offers an available discipline who can support care access

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