Maximizing pharmacy performance

Unleashing the power of optimal medication management to transform care
Executive summary

Pharmaceuticals play a central role in our national approach to health care delivery. Prescription drugs are part of the care regimens for nearly half of all patients, are used across the entire continuum of care and have a major impact on patient outcomes and total cost of care.

Today’s hospital pharmacies are tasked with greater responsibilities, even though additional staffing and technology resources are scarce. The forces transforming health care highlight the critical need for medication management that maximizes health care value.

- **Continued rise in pharmaceutical costs.** An October 2016 study commissioned by the American Hospital Association and the Federation of American Hospitals found that drug costs for hospital inpatients rose by 38 percent per admission in just three years. Over 90 percent of surveyed hospitals reported that inpatient drug price increases had a moderate to severe effect on their ability to manage costs.

- **Accelerating shift of care from inpatient to ambulatory settings.** To maintain and maximize market share, control costs and improve continuity of care, health systems are shifting care delivery from inpatient to ambulatory settings. Because pharmacy services move in tandem, it can be challenging to maintain pharmacy quality away from the inpatient setting. Traditional approaches to staffing, operations, clinical collaboration and medication management may not be as effective in the ambulatory environment.

- **Identification of specialty opportunities.** Health systems striving to improve continuity of care and safeguard revenues by adding specialty pharmacy programs face ongoing challenges. Manufacturers place specialty drugs in limited distribution, which reduces availability, while health plans and pharmacy benefit managers restrict reimbursement to their own specialty pharmacies or narrow preferred networks.

Pharmacy leaders and their health systems are at a crossroads. They can continue traditional approaches to pharmacy operations or adopt emerging perspectives that improve performance. By stabilizing pharmacy spend, improving clinical pharmacy care, driving incremental revenue and leveraging pharmacy leader expertise, health system pharmacists can lead the way to optimal medication management.

Stabilizing pharmacy spend

According to the Centers for Medicare & Medicaid Services, the U.S. spent $325 billion on drugs in 2015, or 10 percent of the $3.2-trillion total for health care services. We spent nearly as much—$300 billion—to pay for care needed to remedy the improper or unnecessary use of medicine. In the face of widespread price increases and reimbursement cuts, health systems continue to shift their thinking and expand their approaches to stabilizing expenditures.

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<tr>
<th>Traditional perspective</th>
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<td>An almost solitary focus on better contract pricing to lower unit costs:</td>
<td>End-to-end cost management through the entire drug distribution supply chain:</td>
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<tr>
<td>• Purchasing decisions made on cost</td>
<td>• Purchasing decisions made on value</td>
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<tr>
<td>• National contract maximization</td>
<td>• Commitment to drive enhanced value</td>
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<tr>
<td>• Focus on lower unit drug cost</td>
<td>• Managing costs across the supply chain</td>
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In response to price increases, pharmacy leaders are guiding collaborative efforts to buy, manage and use medications as cost-effectively as possible. Medication costs are a largely uncharted area vital to the sustainability of all value-based payment models, according to the Network for Excellence in Health Innovation. At the heart of value-based reimbursement is the movement away from payments for volume—known as fee for service—toward payments based on value, which encompasses individual patient outcomes and overall population health. A wide variety of federal, state and private payer models is taking shape around the country.

In pharmacy, the shift from price per dose could take many forms, including outcomes-based pricing, indication-based pricing, drug licensing agreements and money-back guarantees. In any of these models, health system pharmacies will play a key role in delivering, improving and validating the results of care.

To improve quality of care, health system pharmacies should transition to value-based purchasing. Strategies include reviewing and maximizing opportunities through national group purchasing organizations (GPOs); broadening savings opportunities through aggregated contracting; and using data analytics to manage costs and realize value.
Leveraging GPO relationships

GPOs help health systems realize significant savings on pharmaceuticals. In a 2017 report, the Healthcare Supply Chain Association projected that its members will save participating hospitals and health systems more than $390 billion between 2013 and 2022—including savings of up to 25 percent in certain prescription drug categories.8

Additionally, GPOs use innovation to meet new pharmacy challenges and identify needs in areas such as retail, ambulatory and specialty pharmacy; biosimilar medication pricing and availability; and management of critical drug shortages.

The most innovative and effective GPOs:
• Identify potential new suppliers and help them come to market.
• Communicate provider needs in advance so that manufacturers can plan production capacity and avoid shortage situations.
• Help providers source and safely migrate to alternative products and manufacturers when shortages occur.
• Offer sophisticated analytics and services that help systems optimize drug spend, encourage clinical collaboration, expand the scope of pharmacy practice and integrate pharmacy across the care continuum.

Committing to enhancing value and outcomes

Aggregated contracting is another strategy that uses custom agreements to address members’ specific needs. By aggregating volume and guaranteeing commitment, manufacturers are willing to work with pharmacies to provide enhanced value. Suppliers highly value commitment and avoid groups they perceive as only focusing on the same product categories in which pricing concessions have repeatedly been made. A 2013 Journal of Healthcare Contracting survey found that suppliers had a more favorable view of aggregation groups that demonstrated high contract compliance and looked beyond price when selecting products.9

Effective aggregation requires that pharmacies meet regularly to share data. They should also adopt a formal, multidisciplinary value analysis process to ensure that savings and positive patient outcomes are achieved, sustained and improved over time. Estimates indicate that fully implemented value analysis programs can reduce pharmacy costs by at least 10 percent.10

Aggregation may not be right for every pharmacy program. A health system may be able to negotiate better line-item pricing; however, savings opportunities must be evaluated from a holistic standpoint. Before deciding to join an aggregation group, pharmacy leaders need to assess their willingness to put the interests of the aggregation group ahead of their own.

Leveraging pharmacy analytics to manage costs and realize value

Pharmacy leaders at every level in the health system need comprehensive data to monitor drug spend, track utilization, improve the patient experience and deliver stronger outcomes.

Using analytics to manage drug spend while driving quality patient care requires real-time data on costs and processes of care; this data can be used to drive purchasing decisions, identify variations in care, improve efficiency, benchmark against peers, and design and track performance improvement initiatives. As health systems have selected or upgraded systems, several best practices have proven valuable.11

• Making data real-time, comprehensive and easy to use. Digital solutions that use real-time and historical spend data give pharmacy leaders timely reporting and greater insights into spending trends, medication management and variation reduction to support informed decision-making.
• Automating analyses and maximizing visual results. The most effective systems analyze data automatically and provide a wide range of standard and customized reporting. Interactive, intuitive dashboards make it easy to find data quickly and drill down for more detail.
• Collaborating when selecting a data platform. Organizations need to select an analytics platform that meets cross-functional goals for patient care, cost control and operational efficiency while providing immediate and long-term perspectives on trends and variations.

Pharmacy leaders need to evaluate all options when identifying opportunities to stabilize their pharmacy spend. Using real-time data analytics to make decisions will ensure that opportunities are optimized across the care continuum.
Improving clinical pharmacy care

Pharmacy and physician leaders are partnering to help organizations adopt integrated thinking and approaches to medication purchasing and optimization. Effective, sustained improvement in medication management and overall delivery of care requires an organizational commitment at the highest levels.

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<th>Traditional perspective</th>
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<td>Spend management largely in isolation of outcomes management:</td>
<td>Pharmacy-managed, clinically driven strategies:</td>
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<tr>
<td>• Focus on national contract use</td>
<td>• Drug therapy management focus across key service lines</td>
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<tr>
<td>• Emphasis on driving item-price savings</td>
<td>• Utilization-based savings paired with outcome management</td>
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<tr>
<td>• Centralize buying and contracting to pharmacy supply chain</td>
<td>• Physician and clinician collaboration on critical purchasing decisions</td>
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To strengthen medication management and improve overall clinical pharmacy care, health systems are maximizing the effectiveness of pharmacy and therapeutics (P&T) committees in drug therapy management, reducing provider variation to achieve utilization-based savings and integrating pharmacy professionals into clinical care teams.

Managing drug therapy across services lines

Health systems are asking their P&T committees to broaden their scope beyond setting the hospital formulary and protecting the pharmacy budget. Multidisciplinary P&T committees are revising their missions to support pharmacy’s role in managing total, cross-continuum episodes of care and the impact of medications on value-based reimbursement strategies.12

To control costs and improve medication use, pharmacy directors are working with their P&T committees on a range of formulary strategies.13

- More than 75 percent of hospitals compare product effectiveness, use clinical practice guidelines and therapeutic exchange, have protocols for transferring product selection and dosing from prescribers to pharmacists, and perform medication use evaluations.
- A total of 63 percent have a limited formulary with tight restrictions on nonformulary medication use.
- Around 37 percent have an open formulary, with few restrictions on prescribers.

• Approximately 66 percent of hospitals restrict prescribing of certain categories of medications to specialists, or permit prescribing only for specific indications or after consultation.

• A total of 50 percent of hospitals base formulary decisions on rigorous pharmacoeconomic analyses, including the savings effectiveness, cost benefit and cost utility.

Reducing provider variation to achieve utilization-based savings

Unnecessary clinical variation reduces quality and increases costs, especially in the area of medication management. Medication protocols are a critical component of clinical practice guidelines for all complex care, especially for critically ill or injured patients with comorbidities. Health systems are using multiple strategies to address variations in care and enhance medication prescribing, administration and management. The goal is always to encourage prescribers to choose the drug that provides the best patient outcomes and meets a patient’s needs at the most reasonable cost.

Health system pharmacies play a central role in preventing readmissions by reducing medication-related issues, including patient nonadherence, adverse drug events, unintentional overdoses and missing information. The results can be significant. One study found that patients with medication discrepancies had a 30-day hospital readmission rate of 14.3 percent, compared with 6.1 percent for patients without a discrepancy.14

Integrating pharmacists and pharmacy technicians into clinical care teams

As a part of coordinated patient care, optimal medication management takes true teamwork. Pharmacists are working as active members of care teams in inpatient, ambulatory and specialty clinics; reconciling prescriptions at admission; monitoring medication use; managing transitions of care; and counseling patients at time of discharge.

To smooth transitions, 75 percent of pharmacists and pharmacy technicians use medication histories at admission, and 45 percent use discharge medication counseling. Thirty-six percent of health systems reported that pharmacists participate in discharge planning.13
Driving incremental revenue

As health systems begin to accept risk for total episodes of care and population health, pharmacy leaders are being asked to create new care pathways and revenue opportunities that go far beyond traditional inpatient pharmaceutical services.

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<tr>
<td>Pharmacy is a cost center:</td>
<td>Pharmacy is a strategic asset and profit center:</td>
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<tr>
<td>• Focus on acute care pharmacy costs</td>
<td>• Focus on acute and nonacute pharmacy margins</td>
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<tr>
<td>• Pharmacy role is limited to managing pharmacy budget within hospital</td>
<td>• Pharmacy expertise leveraged to lead and grow opportunities throughout the health system</td>
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<tr>
<td>• Focus on driving purchasing power and utilization for drug contracts</td>
<td>• Focus on driving outcomes, strategic partnerships and data sharing</td>
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Expanding pharmacy margins

In every area of potential pharmacy expansion—retail, ambulatory care and specialty—health systems need to understand and build on their clinical strengths, leverage existing capacity and expertise, and identify the need for partners that can provide resources and expertise.

Retail pharmacy

In 2016, 47 percent of hospitals of all sizes said they operated a retail pharmacy. Successful retail operations often serve as the foundation for health systems seeking to expand into ambulatory and specialty pharmacy services. As health systems consider adding or expanding retail services, operations, pharmacy and financial leaders are exploring four key factors that influence their ability to enhance revenues, control costs, improve continuity of care, avoid readmissions and boost patient satisfaction.

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<thead>
<tr>
<th>Targeted customers</th>
<th>Potential location</th>
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<tr>
<td>• Employee health plan members and dependents</td>
<td>• Inside hospital—maximum convenience for discharged patients and employees</td>
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<tr>
<td>• High-risk, post-acute patients</td>
<td>• Inside one or more clinics—creates one-stop experience for ambulatory patients</td>
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<td>• Emergency department discharges</td>
<td>• Community-based—expands brand, captures new prescriptions</td>
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<td>• Medicare Hospital Readmission Reduction Program patients</td>
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<td>• Chronic disease patients</td>
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<td>• Medical group patients</td>
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<th>Complementary service offerings</th>
<th>Ownership models</th>
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<td>• Concierege bedside delivery</td>
<td>• Owned—complete control of care continuum and revenues</td>
</tr>
<tr>
<td>• Medication therapy management</td>
<td>• Partnership—access to retail chain expertise and scale</td>
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<tr>
<td>• Vaccinations</td>
<td>• Potential conflicting goals in service—high touch versus high efficiency</td>
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<td>• Anticoagulation clinics</td>
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<td>• Medication adherence programs</td>
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<td>• Medication synchronization</td>
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<td>• Chronic disease management clinics</td>
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Adapted from reference 15.

Ambulatory care pharmacy

Health systems are increasingly embedding pharmacists in their outpatient clinics to avoid the revenue loss of prescriptions that escape the system, improve continuity of care and provide a more convenient, high-touch experience for patients.

Among health systems with primary or specialty ambulatory care clinics, 40 percent include practicing pharmacists as part of the care team. The percentage of hospitals with pharmacists in outpatient clinic settings has nearly doubled since 2010.

The most commonly reported drivers for placing pharmacists in ambulatory care clinics were quality improvement (69 percent), reducing readmissions and emergency department visits (57 percent), and chronic diseases associated with significant morbidity and mortality (56 percent).

Drug spending continues to shift from traditional to specialty medicines, which now account for $384 of the $895 spent on medicines per person every year.
Specialty pharmacy

Specialty pharmacy is an area of unique opportunity that also poses challenges, and health systems are exploring it in a variety of ways—through contracting, creating in-house capabilities and collaboration.

In 2016, much of the growth in specialty pharmacy was due to health systems adding programs to their overall network of care. According to the American Society of Health-System Pharmacists, 30 percent of hospital systems with 400 to 599 beds and 47 percent of systems with 600 or more beds now have specialty pharmacies.17

Leveraging pharmacy leader expertise

As pharmacy transitions from cost center to strategic asset and revenue source, progressive health systems are taking steps to incorporate pharmacy leaders into the broadest strategic thinking of their operations. Because of the complex patient care, purchasing and operational decisions they make every day, pharmacists are well positioned to balance the clinical and financial demands of high-quality health care.

Integrating pharmacy leadership into the C-suite

Although 25 percent of organizations report having a dedicated system-level pharmacy leader,18 elevating pharmacy leadership to the chief executive team positions hospitals and health systems to take full advantage of systemwide medication optimization strategies.

When appropriately empowered, supported and integrated into the executive team, the chief pharmacy executive is in an ideal position to:

• Implement approaches to reduce system drug expense across the care continuum.
• Champion effective collaboration among pharmacy, medical and clinical staff to minimize unwanted clinical variation.
• Ensure that pharmacy expertise is integrated, available and reimbursable at all points of care.
• Develop new business opportunities across all ambulatory touch points to diversify revenue streams.18,19

Focusing on driving outcomes, strategic partnerships and data sharing

Health system pharmacies must evaluate acute and nonacute opportunities for revenue enhancement and implement strategies that ensure long-term sustainability and positively impact the communities they serve. Pharmacy leaders should either grow their business themselves or partner with a third party that has the expertise and infrastructure to support their long-term goals.

As health systems broaden the role of pharmacists in integrated patient care, adequate reimbursement poses a significant challenge. Pharmacists have been granted some form of provider status in 38 states,20 enabling them to participate in payer networks and receive payment for services in their scope of practice. The Pharmacy and Medically Underserved Areas Enhancement Act (H.R. 592/S. 109), which was reintroduced to Congress in January 2017, is an attempt to authorize and reimburse pharmacist-provided care at the national level.20

Among hospitals with pharmacists working in clinics, 46.5 percent receive payment for pharmacist-provided drug therapy management services for ambulatory patients. To facilitate reimbursement, more than 64 percent of pharmacists practicing in clinics have entered into collaborative drug therapy management or scope of practice agreements with providers where state regulations permit.13

By positioning pharmacy leadership at the highest executive level, investing in real-time data analytics and ensuring appropriate reimbursement, systems can unleash the power of pharmacy to transform the quality, efficiency and cost-effectiveness of their care.
Conclusion

Investing in a high-performance internal pharmacy enterprise is no longer just an option—it’s an essential strategy for success. In progressive health systems, pharmacy services now span the continuum of care, generate a significant portion of system revenues and make contributions critical to achieving goals in a risk-based payment environment. These services, however, can succeed only if pharmacy and physician leaders work together to determine appropriate treatments and decrease variation in the delivery of medications.

Health systems can begin implementing the following to fully realize the value of their pharmacy services and ensure optimal medication management:

• Maximize savings opportunities through GPO participation and aggregation networking.
• Use data information systems that provide real-time and historical information to drive value-based purchasing decisions, identify variations in care, improve efficiency, benchmark against peers, and design and track performance improvement initiatives.
• Develop and adopt clinical practice guidelines and medication management protocols for all complex care to reduce provider variation and achieve utilization-based savings in both inpatient and ambulatory environments.
• Integrate pharmacy professionals as active members of care teams, enabling them to collaborate with physicians and clinicians in inpatient, ambulatory and specialty clinics to reconcile prescriptions at admission, monitor medication use, manage transitions of care and counsel patients at discharge.
• Integrate pharmacy leaders into the highest levels of strategic decision-making, including creating a chief pharmacy officer or other appropriate executive-level position.

Ultimately, effective medication management positively impacts not only patient care and outcomes but also health systems’ drug costs. Pharmacy leaders are optimizing medication management across the continuum using innovative, effective approaches that stabilize pharmacy spend, improve clinical pharmacy care, drive incremental revenue and leverage pharmacy leader expertise.
References


