



+ 4.25%

**Predicted price inflation
for specialty products as of
January 2021**

Specialty pharmacies provide medication therapy management services for patients with chronic, complex health conditions. Specialty pharmaceuticals continue to dominate both drug approvals and purchasing with drug spend on specialty medications accounting for 52% of drug spend in 2020.¹ The predicted price inflation for specialty products is 4.25% as of Jan. 2021.²

Larger hospitals (600+ beds) are close to saturated for specialty pharmacies. In 2019, nine out of 10 (89%) of hospitals with 600 or more beds operated a specialty pharmacy.³ Midsize hospitals (200-600 beds) are also turning to specialty pharmacy operation with significant growth from 2015-2019 yet there is still room for more growth. Hardly any hospitals with 200-299 beds in 2015 had a specialty pharmacy whereas in 2019 that hit 39%. Forty-three percent of hospitals with 300-399 beds and 49% of those with 400-599 beds had specialty pharmacy operations in 2019.³

FIVE QUESTIONS TO CONSIDER BEFORE STARTING A SPECIALTY PHARMACY

Should my hospital open a specialty pharmacy?

While growth may be part of your overall strategy, there are other factors to keep in mind. Here are 5 questions you should ask yourself.

1. Why would we start a specialty pharmacy?

The obvious – revenue and profitability – is a strong rationale. But also, a big reason is patient outcomes and if there is organizational desire to maintain the continuity of care. Having a specialty pharmacy enables a cohesive patient experience - inpatient to outpatient to ambulatory. The pharmacist and provider both have more visibility into the patient and outcomes and can more easily collaborate on patient care. They have ability to monitor side effects and adverse events as well as see notes from each other. Furthermore, the time to therapy for a patient is significantly shortened when the pharmacy is part of the overall system of care.

2. Do we have the right data?

Data is currency. Look at your dispensing data to determine what is prescribed and where those scripts are going. It is critical that there is enough volume to sustain your specialty pharmacy. Second, but just as important, is clinical patient management. Being able to drive information back to payers and drug manufacturers is key – you need to be able to collect and report the right data points to meet the requirements of the payer as well as the manufacturer. The payers and manufacturers will need to know about patient compliance and any issues including how quickly the patient starts therapy, is on therapy, reasons for discontinuation, and any alternatives to therapy started.

3. What type of business model would we deploy?

There are many opportunities to consider – a combination of retail and specialty or a standalone specialty pharmacy; own and manage or own and hire third party to manage. If considering a combination retail and specialty pharmacy, it is important to have access to the drugs that are being prescribed by your system as well as the appropriate accreditation. If you do a standalone specialty pharmacy, you need to have the protected volume to sustain that business and dialog with payers becomes an early step in the process.

When contemplating managing a specialty pharmacy, think through what is involved. It is important to be able to deliver high personal touch with your patients. The infrastructure includes many delivery components that are often overlooked as well as dispensing distribution concerns such as cold chain requirements. Plus, one of the major keys is benefit investigation/confirmation early on which entails contacting the payer and the pharmacy and/or medical benefit to determine what is covered,



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As the nation's largest member-driven health care performance improvement company, Vizient provides solutions and services that empower health care providers to deliver high-value care by aligning cost, quality and market performance. With analytics, advisory services and a robust sourcing portfolio, we help members improve patient outcomes and lower costs.



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formulary limits, alternatives, restrictions and co-pay assistance programs. A benefits investigation counselor can help with types of patients, disease states, payers that you are likely to encounter and restrictions around those products.

Outsourcing the management while maintaining ownership of your specialty pharmacy may be more beneficial depending on your situation. The timeline to implement is shortened in that you can potentially open in six to eight months versus nine to 18 months if you own and manage yourself. Third parties often support multiple pharmacies so there are some economies of scale. They provide management staffing, technology solutions, payer contracts, and sometimes call center support. Also, contracted pharmacy management can streamline the accreditation process as their staff is trained and their policies and procedures will apply.

4. What is the investment and are we willing to commit long-term?

One of the biggest overlooked areas for starting a specialty pharmacy is the accreditation and payer contracting which require deeper dives and being able to overcome barriers to being successful in the market.

Another big 'aha' moment for the c-suite is the amount of staffing needed. For example, pharmacy staff are initiating calls to the patient to schedule medication delivery as well as clinical follow ups and outreach between the physician and the pharmacy. This tends to be a shock as there are many touchpoints with patients that are not typical in acute care.

5. Who can help us figure this all out?

Vizient offers specialty pharmacy advisory solutions that provide customized business plan development, implementation, and accreditation support for a fully integrated, patient-focused specialty pharmacy solution. Our consulting team of highly skilled experts will:

- **Conduct onsite leadership interviews** to determine your organization's specialty, infusion and ambulatory pharmacy goals
- **Analyze and report sources and volumes** of new prescriptions, as well as potential revenues and profits
- **Identify and describe the pharmacy service components** required to capture new specialty business opportunities and overcome obstacles and barriers, including access to Limited Distribution Drugs and payers
- **Provide a five-year financial pro forma**, including projected start-up costs, revenues and net margin
- **Provide implementation support** to move from concept to inception of specialty pharmacy operations quickly and effectively

- 1 Paige Minemyer. CVS: Specialty drugs accounted for 52% of pharmacy spend in 2020. Fierce Healthcare. <https://www.fiercehealthcare.com/payer/cvs-specialty-drugs-accounted-for-52-pharmacy-spend-2020>. Published May 5, 2021. Accessed June 1, 2021.
- 2 Vizient Pharmacy Market Outlook. https://www.vizientinc.com/-/media/documents/sitecorepublishingdocuments/secured/pmo/PMO121_PharmacyMarketOutlook.pdf. Published Jan. 27, 2021. Accessed June 1, 2021.
- 3 Hospitals Continue Their Startling Expansion into Specialty Pharmacy. <https://www.drugchannels.net/2020/08/hospitals-continue-their-startling.html>. Published August 18, 2020. Accessed June 9, 2021.