

# Recognizing the True Value of Pharmacy within Health Systems

Turn a cost center into a revenue producer through Enterprise Pharmacy Strategy

## Abstract

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Health systems today face many challenges – from Medicare and Medicaid crippling bottom lines, to rapidly plunging endowments, to the politically-charged, changing landscape of healthcare reform. Already thin profit margins of our nation's healthcare providers are in peril, but recognizing the true financial and strategic value of a health system department traditionally considered a cost center – the pharmacy – reveals that there may be an obvious, but new, internal solution to drive new branding opportunities, clinical advances, and revenue growth.

The concept, defined here as Enterprise Pharmacy Strategy, is simple: optimize and leverage what every hospital already has – an inpatient pharmacy – to provide services to some new, but mostly existing (and unrealized) audiences that can save costs, increase patient safety, create new sources of revenue, and build brand awareness. Enterprise Pharmacy Strategy consists of four individual business initiatives that can be implemented in combination, phased, or separately. They are:

### Optimizing Inpatient Pharmacy

When a hospital optimizes its inpatient pharmacy, it has reduced costs, increased efficiency, and improved safety throughout the medication management process – from dockside to patient bedside.

### Employee and Outpatient Pharmacy

A health system can fill prescriptions and provides pharmacy services for its own employees and other “covered lives,” using own-use pricing to significantly decrease benefit costs for the hospital and out-of-pocket spend for their employees. This can also include services such as medication and disease state management programs and prescription benefit. In addition, a hospital can enhance the patient experience, increase medication compliance, and create new revenue by offering pharmacy services to emergency room, discharge, and physician office patients.

### Employer Services

A mutually-beneficial relationship between hospital pharmacy and local employers to provide prescription services, medication management, disease state management programs, and other valuable services that create sustained patient connections and new revenue sources, as well as reduce local employer benefit expenses and increase the stability of their workforce.

### Community Pharmacy

A hospital-branded pharmacy, whether within the hospital or in satellite locations, that is open to the public and creates new revenue opportunities and ongoing hospital-patient relationships.

Enterprise Pharmacy Strategy, along with how to decide if this is a practical solution for your health system, is explained through:

- The current state of the healthcare industry and data around the importance of medication management to clinical and operational success for health systems
- Case studies from the healthcare organizations who have taken a leadership position to implement the strategy
- The challenges, benefits, and key considerations for each component
- Under what circumstances and why hospitals should consider implementing the strategy

### A Case For Change

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While the C-Suite and pharmacy leadership of each individual health system must carefully evaluate their needs and their opportunities, current industry-wide data provides a good case for why a health system should consider making the investment to both optimize their inpatient pharmacies and build on that work through employee, outpatient pharmacy, employer services, and community pharmacy services.

Similar to almost all industries, health systems and their hospitals have faced greater pressure on their margins due to the economic slowdown in 2008 and 2009. "The average total margin for hospitals reporting financial information...fell to negative 7.8 percent in the fourth-quarter of 2008 from positive 4.8 percent in the fourth-quarter of 2007."<sup>1</sup> These small margins make it difficult for a health system to break even, let alone profit, so many health systems have begun investigating ways to reduce costs, increase their margins and, in turn, generate more revenue.

Data around pharmacy industry-wide prescription sales points to an opportunity for that increased revenue generation. Total U.S. sales of prescription drugs in 2007 were more than \$286.5 billion.<sup>2</sup> Of those, total sales by chain retail stores accounted for \$98 billion, mail-order service for \$44.6 billion, and independent pharmacies had more than \$38.7 billion in sales. Notably, non-federal hospitals accounted for a mere \$27.2 billion of total prescription drug sales. Creating an Enterprise Pharmacy Strategy, therefore, may allow hospitals and health systems to begin capturing that pharmaceutical spend, increasing their margins, building a stronger relationship with the community, and creating a continuity of patient care.

Increasingly over the past decade, quality care improvements and the prevention of medical errors have become major focal points for health systems. Indeed, public opinion polling in the last few years has tracked a significant drop in public confidence in health care systems, in general, and hospitals, in particular.<sup>3</sup> In strengthening the continuity of patient care through better medication therapy – which is much more likely to affect the general population than the acute care hospitals are traditionally recognized for – health systems have the opportunity to create relationships with communities beyond their walls and, even more, a personal awareness of the strides a health system is willing to take to ensure quality care – whether you are in the hospital or out.

In this paper, each strategy of Enterprise Pharmacy is explored, from optimizing inpatient pharmacy to creating an employee pharmacy benefit to opening branded, community wellness centers. It is important to note that each of the phases can be implemented independently – through careful evaluation and planning it is up to the individual health system to decide which strategies are most advantageous for their financial and clinical goals.

### Strategy: Optimizing Inpatient Pharmacy

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Operating expenses such as hospital supply and service costs generally account for about 40 percent of a health system's total budget. So it goes without saying that a careful evaluation of a hospital's supply chain can make a huge, positive impact on its bottom line.

When a health system has optimized its inpatient pharmacy, it has reduced costs, increased efficiency, and improved safety throughout the medication management process – from delivery to patient bedside. This includes an assessment of a hospital's supply chain procurement process, formulary, pharmacy workflow and space design, inventory management, third-party contracts, the use of technologies including pharmacy automation and information systems, staffing, and reimbursement potential.

Optimizing the pharmacy supply chain is one way health systems can simultaneously achieve significant cost savings, providing an important economic foundation for additional Enterprise Pharmacy Strategy components.

<sup>1</sup> American Hospital Association. [Report: Hospital margins sink with economy](#). Issue brief. 09.

<sup>2</sup> IMS Health: [IMS National Sales Perspectives. 2007 Channel Distribution by U.S. Sales](#). Raw data. Jan. 07.

<sup>3</sup> Harris Interactive. [Wall Street Journal Health Care Poll](#). Survey. Jan. 04.

### Inpatient Pharmacy Optimization Tactics

To avoid costly experimentation, it is important that any strategic effort to subtract costs, increase efficiency, and improve safety in the supply chain begins with a comprehensive evaluation of how pharmacy inventory is managed from a financial and clinical perspective. This includes the flow of medications through a health system from receiving to patient administration, the development and execution of formulary policy, expense recovery through federal and pharmaceutical manufacturer indigent care reimbursement programs, and other operational functions in the medication process that, once streamlined according to industry standards, can result in a margin improvement in the tens of millions.

Healthcare enterprises with clinically integrated supply chains, meaning that it is strategically aligned with both the operational and clinical goals of the health system, may see supply expenses as low as 12 percent. Conversely, those using traditional supply chain models may see supply expenses consume up to 25 percent of net patient revenue.

And, with four out of every 10 medical errors in U.S. hospitals related to poor medication management,<sup>4</sup> making sure the right medication in the right dose gets to the right patient at the right time – every time – can make a significant impact on quality patient care. Implementing standard practices into the pharmaceutical supply chain, as well as exploring technology and new practices to provide traceability and accountability in the medication management process, are growing trends in health system pharmacy operations, with 33 percent of hospitals using barcode medication administration.<sup>5</sup>

### Strategy: Employee and Outpatient Pharmacy Services

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The next strategy begins with an obvious population and another significant investment – a health system's own employees. It makes sense that an existing inpatient pharmacy department could, with a few strategic changes, provide pharmacy services for its own employees, significantly decreasing pharmacy benefit costs.

While employer healthcare costs have dominated the headlines and political agendas for years, employer surveys indicate the rise in health benefit costs facing employers is worse for hospitals and health systems than any other business category.<sup>6</sup>

In 2004, health insurance premiums for all employers increased by 11.2 percent, but for hospitals the increase was 14 percent – an 8.2 percent increase in overall operating expenses. Even more, prescription drug costs are affecting health systems more than all other employers. In 2004, the percentage increase in prescription drug costs for all employers was 14.8 percent while the increase for hospitals was 16.3 percent.<sup>7</sup> Additionally, hospital staff is typically more resistant to cost sharing than employees in other industries. According to a study by The Advisory Board Company, nearly 85 percent of recently surveyed hospital staff agreed they deserved generous coverage as a benefit of their chosen field.<sup>8</sup> The vast majority were opposed to any coverage reductions, with a third not willing to absorb a share of rising costs. Health system employees also tend to use healthcare services more often. For instance, the average number of scripts per year for a health system employee is 11, versus seven for non-health care employees.<sup>9</sup>

Another factor putting pressure on health systems to provide superior benefits to their employees is the desperate need to recruit and retain quality employees. Currently, hospitals have an estimated 116,000 registered nurse vacancies. By 2020, the U.S. will face a projected shortage of 1 million registered nurses.<sup>10</sup> With thin operating margins, ever-increasing prescription drug benefit costs are difficult to absorb, but vital to providing a comprehensive benefits package in the competitive marketplace for highly-skilled, and much-needed, employees.

<sup>4</sup> Aspden, Philip, Julie A. Wolcott, J. Lyle Bootman, and Linda R. Cronenwett, eds. *Preventing Medical Errors: Committee on Identifying and Preventing Medication Errors*. Rep. Washington, DC: The National Academies, 2007. Print.

<sup>5</sup> *Pharmacy Purchasing & Products. The State of Pharmacy Automation Summary*. Aug. 09. Raw data. Ridgewood Medical Media, LLC, Ridgewood, NJ.

<sup>6</sup> *HR Investment Center. Stretching the Health Benefits Dollar*. Washington, D.C.: The Advisory Board Company, 05.

<sup>7</sup> *HR Investment Center. Stretching the Health Benefits Dollar*. Washington, D.C.: The Advisory Board Company, 05.

<sup>8</sup> *HR Investment Center. Stretching the Health Benefits Dollar*. Washington, D.C.: The Advisory Board Company, 05.

<sup>9</sup> *HR Investment Center. Stretching the Health Benefits Dollar*. Washington, D.C.: The Advisory Board Company, 05.

<sup>10</sup> *American Hospital Association Hospital Facts to Know*. Brochure. 08.

According to the same Advisory Board study, reducing health benefit cost growth by six to seven percentage points could translate into a near three percent upswing in operating margins – for many it's the difference between making and missing capital reinvestment goals.

### Employee Services Tactics

There are several tactics available to health systems considering an employee pharmacy program. The first is a closed-door policy that allows employees and their dependents to access the health system's inpatient pharmacy to secure some or all of their prescription drugs. Under own-use rules, health systems are able to purchase pharmaceuticals for their employees and other covered lives at their own contract price, which could significantly lower the cost of the employee prescription drug benefit.

Before launching a closed-door employee pharmacy, health systems must consider a few key factors, including what additional space and staff will be needed to handle the incremental demand. The health system will also need to put a strong internal communications plan in place to first introduce employees to the new service, and then encourage their continued use of it. Health systems need to be aware that some employees can be hesitant to use their employer's pharmacy due to the lack of perceived privacy from a "co-worker" filling their prescriptions. Incentivizing is a common tactic used to encourage employees to fill all or most of their prescriptions through the health system. As a first step, many health systems work with their existing Prescription Benefit Manager (PBM) to change their benefit design to support utilization of the employee pharmacy. Additional work can then be done to evaluate the formulary and achieve even greater cost savings.

This tactic can be taken one step further by making an employee pharmacy an open-door operation additionally accessible to the hospital's outpatients. The benefits and key considerations of utilizing this tactic in the Enterprise Pharmacy Strategy will be explained later in this paper.

In addition to closed or open-door pharmacies, health systems can provide prescription fulfillment through a mail-order program. By creating their own mail-order offering or partnering with a company that specializes in mail order, health systems can alleviate the convenience and privacy concerns of their employees while still benefiting from own-use pricing.

Some health systems have realized significant cost savings by creating their own prescription benefit plan. These health systems have developed their own benefit plans and are capitalizing on own-use rules and incentivizing employees to utilize their system's pharmacies. While financially rewarding, this is also the most challenging tactic and it should be strongly noted that managing the prescription benefit for your own employees can be difficult. It involves the health system stepping outside of its normal business practice and requires a robust set of capabilities, along with close cooperation with human resources. It can be challenging for a health system to offer the level of customer service that a PBM is able to provide – employee satisfaction being keenly important to a health system's human resources group. The health system must also be certain that the plan is compliant with all requirements and regulations.

### Outpatient Pharmacy Tactics

As introduced previously, outpatient pharmacies offer the health system yet another opportunity to expand their services to an already-captive audience. Emergency room patients or consumers who visit in-hospital physicians are at the hospital and are likely in need of prescriptions upon discharge or after an office visit. If a health system offers a place for these consumers to quickly and conveniently fill their prescriptions, these consumers will most likely use the health system pharmacy instead of visiting a secondary location – unaffiliated to the hospital – to pick up their prescriptions.

Beyond the revenue and brand awareness opportunities, creating an outpatient pharmacy can also have a positive effect on patient compliance. According to a study by the Agency for Healthcare Research and Quality, medication problems frequently arise because patients are often discharged from the hospital on medication different from their prior regimen. In one study, hospital providers changed 53 percent of the drugs prescribed by primary care providers.<sup>11</sup> These changes, coupled with a lack of communication, can result in recently discharged patients failing to receive medications or appropriate, ongoing monitoring of their drug therapy. An outpatient pharmacy affiliated with the health system could ensure that discharged patients are filling all of their new prescriptions and after the initial fill, the pharmacist can transfer the remaining refills for

<sup>11</sup> Murff, M.D., Harvey J., and David W. Bates, M.D., M.Sc. *Making Health Care Safer: A Critical Analysis of Patient Safety Practices*. Rep. Agency for Healthcare Research and Quality, 01.

chronic therapy to the patient's local pharmacy. In this way, outpatient pharmacies provide continuity of care for the patient, additional customer service and create positive interactions to build patient compliance – and therefore trust – in the health system.

Outpatient pharmacy services can take many forms to capitalize on the financial opportunities available. A health system should evaluate what model would work best for them and their patients. They need to consider additional staff and space needed to meet the increased demand. What capital investment, if any, would be needed to create a new ambulatory pharmacy space? Will over-the-counter medications and dietary supplements be available? What about medical devices such as blood glucose monitors and other durable medical equipment?

Health systems should be prepared for the fact that managing an outpatient pharmacy is very different than managing an inpatient operation. Many health systems already engaged in this tactic have partnered with organizations that understand Enterprise Pharmacy Strategy to evaluate the financial return on investment and navigate the obstacles in implementation. These partners can help a health system optimize current pharmacy operations, determine the feasibility and benefits of building an outpatient pharmacy, integrate pharmaceutical supplies and services efficiently across care groups, and design implementation of processes, policies, and procedures.

### Strategy: Employer Services

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As mentioned previously, employers across the nation are facing rapidly increasing health benefit costs. According to a study by The Advisory Board, curbing the rapid rise in health benefit costs is a top priority in board rooms across every industry.<sup>12</sup> Even with the recent dip in the pace of growth, the average annual increase in health insurance premiums has been in the double digits for four consecutive years. Leading advisors to Fortune 500 companies suggest that double-digit growth in health benefits is now negatively impacting operations of the largest companies – causing them to rein in hiring due to the prohibitive costs of health care benefits. For many businesses, employee benefits now represent a company's third largest expense – and the fastest growing.<sup>13</sup> These factors have many companies, large and small, looking for ways decrease their benefit costs.

Absent of extraordinary economic growth, the average Fortune 500 company may soon spend as much on health benefits as it earns in profits.<sup>14</sup>

### Employer Services Tactics

If a health system establishes a successful pharmacy services strategy for its employees, it is uniquely positioned to offer the same services to other employers. Generally, health systems first gain experience in offering prescriptions, medication management, and disease state management programs to their own employees and then expand their offerings to local companies. Employers struggling to reduce the costs of healthcare may welcome partnering with a local healthcare provider (and trusted resource) to better manage their prescription benefit, improving compliance and health outcomes. With 75 percent of healthcare spending in the U.S. associated with chronic and preventable diseases,<sup>15</sup> employers and their PBMs might want to target educational programming at illnesses such as diabetes, obesity, and heart disease.

Developing pharmacy services in coordination with an employer's pharmacy benefit manager, or as part of a hospital-managed pharmacy benefit, will allow more consumers to interact with the health system's brand in a way that promotes a commitment to comprehensive, quality care. Audiences who have a positive experience with the pharmacy might be more inclined to use the hospital's other services when the opportunities present themselves. These partnerships raise awareness of the health system throughout the community and position the system as more of a wellness partner and steward of care, versus a place for only the sick or injured.

Although there is great opportunity for health systems to increase their profits and awareness by offering local employer pharmacy services, this strategy can be difficult for many systems to implement. It necessitates that the health system move beyond the walls of its core business, which requires cutting-edge leadership, strategic planning, and commitment to a successful implementation.

<sup>12</sup> [HR Investment Center. Stretching the Health Benefits Dollar](#). Washington, D.C.: The Advisory Board Company, 05.

<sup>13</sup> [How to control Health Benefit Costs](#). The McKinsey Quarterly, 2004, 1:106; HR Investment Center analysis

<sup>14</sup> [How to control Health Benefit Costs](#). The McKinsey Quarterly, 2004, 1:106; HR Investment Center analysis

<sup>15</sup> [Chronic Disease – Overview](#). Centers for Disease Control and Prevention. 10 Sep 2009 <<http://www.cdc.gov/nccdphp/overview.htm>>

### Strategy: Community Pharmacy

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Public opinion polling over the past few years has tracked a significant drop in confidence in health care systems in general and hospitals in particular. Of the respondents surveyed, 28 percent fewer feel the U.S. health care system is meeting their needs than five years ago.<sup>16</sup> Worse, 60 percent do not completely trust hospitals to do the right thing for patients, perceiving hospitals to be impersonal and detached from the community.<sup>17</sup> By providing additional services that capitalize on their health care brand, such as employer services and community pharmacies, health systems can differentiate themselves from the competition, reconnect with the community and, hopefully, engender a positive change in public perception.

#### Community Pharmacy Tactics

Health systems hoping to take their outpatient pharmacy to the next level may want to consider creating a walk-in, community pharmacy either within their hospitals or as a separate ambulatory location. Unlike the outpatient pharmacy, a health system's community pharmacy would be accessible to the general population, providing the potential to reach out to new patients. In addition, this tactic can promote goodwill toward the health system within the community because it is providing a service beyond what is expected. It is also an increased opportunity for the health system to leverage its brand. The more consumers interact with a health system and have a positive experience, the more likely they will be to seek out the brand for future health care needs. In this case, not only is the pharmacy itself a revenue stream, but the pharmacy strategy could drive an increase in consumers using the health system for other services.

Community pharmacies can exist within health system locations or as separate satellite locations. Similar to creating an outpatient pharmacy, health systems need to take many factors into consideration including product offerings, staffing, marketing, and budgets. It should be noted that that phase of the strategy is perhaps the most capital-investment intensive. Partnering with an outside company that can determine the feasibility and benefit of building a community pharmacy network is recommended, since it is not a core competency of most health systems.

### Enterprise Pharmacy Strategy: Conclusion

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With profit margins continuing to shrink and consumer confidence in the health care industry and hospitals in particular waning, health systems need to find ways to capture additional revenue and engage their community and patients in new and positive ways. Traditionally known as a cost center, hospital pharmacy is now uniquely positioned to become a strategic, clinical, and financial asset by capturing audiences to benefit a health system's brand, its long-term growth – and its bottom line.

The rising cost of employee health care benefits, the unique advantage of a hospital's own-use pricing, and trends in positioning a health system for wellness, not just sick care or injury, set a solid foundation for this new Enterprise Pharmacy Strategy, which provides health systems with the flexibility to implement according to their investment ability, goals, and long-term planning. In exploring these tactics, supported by data in the health system landscape, there is a compelling case for hospitals to change their approach to capital investment and revenue in the years ahead.

#### Employee Services

The more than 13,000 employees (and their dependents covered by prescription benefits) in this regional health system in North Carolina takes advantage of significant out-of-pocket cost savings through a dedicated outpatient pharmacy.

<sup>16</sup> McInturff, William D. [National Journal Public Opinion Strategies](#). Survey. May 04.

<sup>17</sup> Harris Interactive. [Wall Street Journal Health Care Poll](#). Survey. Jan. 04.

For more than eight years, one of the health system's hospitals has had a closed-door, freestanding employee pharmacy that fills more than 12,000 prescriptions per month. Offering walk-up and drive-through windows and couriered prescriptions for other hospital locations, the pharmacy has 14 full-time employees and approximately \$1 million in operating expenses. They utilize pharmacy technology, including an automated storage and retrieval carousel and a vial-filling device, to help with filling volumes and medication safety efforts. In 2010, they are projected to save more than \$2.7 million in benefit costs for just one hospital by taking advantage of own use pricing and \$4.5 million for employees in prescription co-pays.

In the future, the hospital has identified 340B indigent care reimbursement, acute prescriptions, medication and disease state management, and hospital outpatient services for emergency room and discharge patients as areas they would like to see their enterprise pharmacy grow. In the meantime, the system has gone from filling 100 prescriptions per day to 550 per day, with incredible financial benefits for the health of its hospitals and its employees.

### Employee and Employer Services

This not-for-profit multi-specialty medical center in North Dakota has been utilizing employee pharmacy services for tremendous cost savings since 2006. During the past 3 years, they have achieved 95 percent own-use pricing for employee prescriptions and more than \$650,000 in cost savings per year for the hospital in employee benefits.

Based on the success of their employee services program, in 2009 the hospital's chief operating officer, human resources, and pharmacy leadership decided to increase their commitment to Enterprise Pharmacy Strategy by implementing other tactics for additional cost savings and, even, significant revenue opportunities.

First, the hospital will be installing new, advanced pharmacy technologies in their outpatient pharmacy that will allow them to more easily accommodate increased employee prescriptions. The new technology will then free their pharmacists from dispensing tasks and give them the time to design and implement industry-leading employee medication therapy and disease state management programs. Already, they've identified that a diabetes management program would help to further their cost savings and improve staff health, based on the demographics of their employee population. In fact, a preliminary evaluation has indicated that an effective disease state management program could offer an additional \$5,000 in cost savings per employee.

Then they plan to leverage their increased filling capacity and clinical programs to extend services to local employers. They will work in partnership with the business's prescription benefit manager to reduce benefit costs through improved employee health and reduce staff out-of-pocket prescription expenses. For the hospital, these services will offer a new source of revenue, brand awareness, and ongoing patient relationships in the community.

### A Don't-Miss Opportunity in Enterprise Pharmacy Strategy: An Overview of Own-Use Rules

Health systems have a unique opportunity to reduce their drug purchasing costs by utilizing own-use pricing. In 1938, the Non-Profit Institutions Act was passed by Congress to enable non-profits to operate flexibly and less expensively by providing the benefit of lower prices, which they could pass on to the individuals and communities they serve. If the health system meets eligibility requirements under the Non-Profit Institutions Act, it can take advantage of own-use pricing, which can significantly reduce its prescription drug spend. However, many health systems do not fully take advantage of this opportunity because they do not realize the scope of eligibility for own-use pricing which include:

- Inpatients
- Outpatients when the drugs are used on premises
- Drugs purchased by in- or outpatients for use immediately following a hospital stay
- Employees and their dependents
- Medical staff and their dependents
- Retirees and their dependents
- Volunteers and their dependents
- Contract workers and their dependents

By utilizing own-use pricing to serve these consumers, health systems can achieve significant savings. Medications purchased through own-use are approximately 25 percent less than the average wholesale price for brand-name drugs, 70 percent less than the average wholesale price for generic drugs, and 10 percent less than the average insurance reimbursement.

### Community Pharmacy

In order to expand its capabilities and work toward its goal of becoming a lifelong wellness resource in the community, this leading national health care system in the Northeast founded their own pharmacy and pharmacy brand. Along with a wide array of other wellness services offered by the pharmacy, the health system wanted to integrate an employee and outpatient into its flagship hospital. The 1,100 square-foot pharmacy opened in November 2009 and offers a wide variety of over-the-counter medications, lactation products, vitamins, supplements and, of course, prescription medications. The pharmacy will feature a kiosk where customers can access an online portal to order medications and supplies from a comprehensive 10,000+ product inventory. In addition, the pharmacy will be equipped with private consultation rooms for patient medication therapy management and a pharmacy administered and managed vaccination clinic.

For its investment, the hospital expects a high return on this ambulatory pharmacy model, as over-the-counter products typically realize profit margins of 30 to 40 percent, while home healthcare products are generally sold at a 50 percent gross profit. Within five years, the health system plans to open at least 10 additional ambulatory pharmacies throughout the communities it serves under the new brand name.

However, the biggest reward for the health system has been realizing its objective of becoming a community resource for lifelong wellness care. "... we want to nullify the notion that a patient is ever 'discharged' from our care. Our goal is that our health system be seen as a life-care provider, and the enterprise pharmacy strategy is one more step toward that goal."

### Outpatient Pharmacy

This 260-bed community hospital in Wisconsin is a great example of how an outpatient pharmacy can be successful and serve as a launching point for additional enterprise pharmacy tactics. The hospital's inpatient pharmacy is able to serve the outpatient population, which includes employees, discharged, and emergency department patients. Unlike a community pharmacy, the hospital's outpatient pharmacy is not accessible to the public at large, but is reserved for only those consumers who are already affiliated with the hospital.

By expanding its pharmacy operations to accommodate employees and outpatients, they were able to turn a financial burden into a financial success. In fact, the hospital is now beginning a medication therapy management (MTM) pilot program in partnership with a regional pharmacist association. Their MTM program will help patients get the most health benefit out of their medications by working closely with a specially-trained pharmacist to review all of their therapies including those sold over the counter. The pharmacist will evaluate the purpose for each medication, if the drug is effective in treating a patient's condition, possible adverse drug interactions, and if the drug is appropriate for the patient's particular lifestyle. As part of the program, they have created a special pharmacy consultation room and a separate outpatient pharmacy within the hospital.

The hospital hopes the program will help them build a stronger relationship with its patients while also creating an additional revenue opportunity.

### Blending Health, Enterprise Pharmacy Strategy, and Brand Awareness through Wellness Centers

It is important to highlight an additional Enterprise Pharmacy Strategy tactic, the wellness center, because it can be an extension of all the tactics discussed in this paper – from an employee-only wellness center to a stand-alone, satellite location. Wellness centers blend prevention and treatment services, serving as an employee, patient, or community resource for health improvement and combining traditional medical care with prevention, rehabilitation, fitness, education, and wellness services. Wellness centers foster stronger relationships between health systems and their constituents by providing more than just sick-care. They also offer health systems the opportunity to incorporate chronic disease management and medication therapy management into their services offered, creating both huge cost savings in employee benefits and/or a revenue stream through outpatient and community pharmacies.

### Community Pharmacy

This not-for-profit health system in Michigan provides a great example of how a health system can use satellite pharmacy locations to better serve the community. In 1997 this health system started a for-profit enterprise to provide residents in central Michigan with a full-service pharmacy backed by a trusted health care brand.

Since then, this for-profit enterprise has opened six locations. Two are located in its hospitals to serve outpatient, employee, and local community populations. It also has four “satellite” locations that are strategically located near health system-associated doctors’ offices to provide convenient access for their patient populations. In addition to filling prescriptions, most of these retail pharmacy locations also carry a variety of over-the-counter items including cold and flu medications, pain relievers, lozenges, bandages, and other health aids.

During the past few years, this health system has begun to see a shift in its patient demographics and now finds its hospitals and pharmacies serving a larger indigent population. In order to better serve them and also recoup some of the costs associated with providing care to the under- and un-insured, the health system has taken preliminary steps to join the 340B Drug Pricing Program. This program is a federal program that requires drug manufacturers to provide outpatient drugs to eligible health care centers, clinics, and hospitals (termed “covered entities”) at a reduced price.

For more than 100 years, this Michigan-based health system has provided quality, compassionate, cost-effective care and its ambulatory pharmacy strategy has allowed it to continue this mission by serving its patients and the community in a new way – through community pharmacy services conveniently located near points of care.

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### Overcoming Some of the Challenges: Pharmacy Automation and Technology

For each of the components in the Enterprise Pharmacy Strategy, appropriate staffing, dispensing capacity, and capital investments are key considerations for implementation. Although the individual components and approaches health systems have already engaged in may differ, one thing they all have in common is the use of pharmacy automation and technology as a way to simultaneously address those challenges and improve overall operating efficiency, reduce supply chain costs, and increase patient safety.

For instance, robotic dispensers can greatly increase the filling capacity of any pharmacy without incurring additional labor costs and virtually eliminating the errors resulting from manual fill. Compliance packagers offer the same benefits with the additional capability of barcode medication administration and detailed unit- or multi-dose package labeling with drug name, strength, and description; and, if desired, the patient’s name and time to take their medication, contributing exponentially to patient safety.

Some health systems have also leveraged their Enterprise Pharmacy Strategy investment to implement pharmacy supply chain, inventory, and workflow management software, streamlining procurement, prescription fulfillment, and medication reimbursement.

A good partner can not only evaluate each of the tactics in the Enterprise Pharmacy Strategy according to a health system’s unique goals, but can also offer these pharmacy automation and technology solutions to ensure a successful implementation.