

## Opportunity

Spectrum Pharmacy Services wanted to minimize the labor required to manage prescriptions for a rapidly growing base of long-term care customers in order to maximize profitability.

## Solution

As part of a completely automated, paperless operation, Spectrum integrated AmerisourceBergen's compliance packaging technology as an alternative to traditional, manual punch card fills.

## Results

Spectrum has cut fill times by at least 50%, enabling them to reduce their fully loaded labor costs — including benefits — to less than 13% compared to typical targets of 17% and similar operations that run closer to 25%. In addition, they've helped lower medication cost and delivery efficiencies for their long-term care customers.

# Spectrum Pharmacy Services drives labor costs down as it ramps up services to long-term care providers and patients

Automation and compliance packaging improves efficiency and significantly reduces operating costs

Ongoing regulatory and reimbursement changes in Medicaid and Medicare create significant profitability challenges for pharmacies serving long-term care facilities. It's critical for pharmacy owners to find more effective ways to control operational expenses and improve efficiencies in order to maintain a healthy bottom line.

Ultimately there are only two major cost variables within their control: 1) the cost of goods and 2) the cost of labor. Most pharmacies are part of buying groups and have negotiated drug costs down to some of the lowest possible levels. This leaves labor costs as the biggest remaining opportunity to drive savings and boost profitability.

Many pharmacy tasks remain largely manual and mundane, including prescription order management, dispensing and delivery,

making automation a logical choice to optimize staffing and minimize operating costs.

## Situation

Spectrum Pharmacy Services, LLC was founded in June 2004. It is a closed-door institutional pharmacy located in Henderson, NV with satellite locations in Reno and Tucson, AZ. In less than two years, the company grew from 0 to 4,000 patients, filling over 45,000 prescriptions a month

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for long-term care, assisted living and hospice settings. It was founded by Steve Carlton, who had already helped a major pharmacy operation reduce its labor costs from 30% to 18%. He had a proven vision for how to set up and optimize pharmacy distribution workflow and streamline staffing requirements.

### Challenges

Pharmacies trying to serve the long-term care market are under constant reimbursement and payment pressures created by ongoing changes in Medicare and Medicaid, which puts a tremendous strain on cash flow and profitability.

In the late 1990s, the Prospective Payment System also significantly changed the business model for long-term care facilities. For example, adjustments in Medicare caused the average length of stay to decrease from 30 days to 10-15 days. And, patient acuity levels started rising, requiring more physician interaction and more frequent medication change orders. Both of these trends caused these facilities and government payors to lose money when a significant portion of 30-day medication punch cards were going

unused and the institution had to throw away medications that had already been paid for.

### Solution

Enter compliance packaging and automation technology. This approach replaces manually filling 30-day punch cards with an automated system for filling 7-day compliance packages. Compliance packaging and automation enabled Spectrum Pharmacy Services to realize a significant cost savings by optimizing pharmacy staffing resources, while also giving them an alternative packaging solution that helps long-term care facilities avoid wasting medication, as well as simplifying their process of passing medications to patients.

Despite their status as a small start-up, Spectrum Pharmacy Services was able to acquire an appropriately sized and priced AmerisourceBergen compliance packaging automation system to meet their needs. As a result, they've been able to keep their labor costs well below the industry average, and improve their margins. At the same time, they've helped their customers cut their wasted drug costs by 400%.

### The result

**Spectrum Pharmacy Services manages to keep its fully-loaded labor costs under 13% of gross revenue, which is well below the industry target of 17%, and much better than many pharmacies which operate as high as 20-25%. This enables them to realize a pre-tax profit of 10% on about \$17 million in sales, which is higher than industry averages that may realize only half that much.**