

How Is It Pharmacy Automation Drives Budget Savings and Sustainability for Hospitals and Community Pharmacies?

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All US Pharmacies are Facing Budget Cuts

Let's not muck about!!! (Australian/ British expression for hesitation and procrastination) It's time to use pharmacy automation "across the board" to drive budget savings and improve sustainability. A common denominator in budget management for hospital pharmacies (for profit and not-for-profit) and independent, chain and grocery pharmacies is SWB (salaries, wages and benefits) expense. Adding SWB to inventory control (purchasing approaches) with new patient engagement demands, effecting budget cuts to impart sustainability is in the forefront of thinking by pharmacy managers today. Separate from these common budget management areas, however, the budget management process diverges for hospital pharmacies and community pharmacies.

Hospital Budget Management

Hospitals focus on readmission rates, meaningful- use, real-time benefit verification, ePA (electronic prior authorization) and patient care transition among others. Community pharmacies now focus on fully integrated workflow, MTM (medication therapy management), adherence tracking and medication synchronization with compliance packaging and consultation. How are these organizations achieving successful budget management? The answer: Pharmacy Automation. Hospital Senior Management is challenging their pharmacy directors to drive down SWB in for-profit pharmacies to below 50% of net profit. Those hospitals which have not-for-profit pharmacies often need meet levels of SWB below 60% of net profit. How can pharmacy directors meet these budget goals? Yes, by using pharmacy automation. Also, in many hospital pharmacies, budget reductions are targeting a goal for medication inventory purchases of not more than 12% of net profit. Recent information from the US government's 340B program has indicated over 70% of hospitals are using this medication purchasing approach to reduce drug expense. For those interested in learning how the 340B program can be implemented in hospital pharmacy settings (and community pharmacies also) visit www.hrsa.gov/opa. This program was enacted through legislature efforts in 1992 by the US government.

As hospitals look to better manage budgets, monies lost due to readmission within thirty (30) days of Medicare and Medicaid patients...for the same diagnosis... is significant and has become a top priority. No insurance reimbursement is made to hospitals should this 30-day readmission occur. The Affordable Health Care Act has demanded attention to effecting better transition care...from the hospital to the patient's prior setting (home, skilled nursing facilities, long term and assisted living) to prevent return to the hospital within a 30 day period. This demands hospital staff additional time involvement...including increased pharmacist involvement. With the average readmission cost...for the same diagnosis...US costs are typically \$13K or more for the one instance. This translates into a national readmission cost estimate of \$17.4 Billion US annually for Medicare patients alone (www.medscape.com). Obviously, hospital administration today are super-attentive to this area of their budget....particularly as they are further financially fined by CMS (Center for Medicare and Medicaid Services) when excessive readmissions occur past allowable targets.

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Data just released (www.hcentive.com) summarizes the first six months of effort in this area through surveys of selected hospitals and their emergency room physicians...and it isn't positive. Disappointedly, the survey results show a 47% increase in the number of emergency room visits rather than the anticipated reduction as proposed by the Affordable Health Care Act and this increase is attributed to the mandated larger number of enrollees in Medicare and Medicaid (the Affordable Healthcare Act). A survey of all United States hospitals by CMS would appear to be necessary to validate this as a national trend. Humm.....

Other Areas for Budget Reduction

One effort many hospitals are now using...including their pharmacies...is real-time benefit verification and ePA (electronic prior authorization). Rather than paper billing "after the fact", without knowing the overall hospital budget impact, payment for services verification is completed prior to the service to better help hospitals anticipate their budget exposure for service. The implementation of electronic medical records...and patient portal access...has only increased budget expense with a payback of more than \$44K over 4 years for the organizations who became involved in 2011-2012. The value of electronic medical records, as required by the Affordable Health Care Act's "Meaningful Use" commitment had improved patient care coordination and communication between physicians, healthcare service providers and pharmacies. Budget expense to implement EMR (electronic medical records)...also with patient engagement targets for use...has been very impactful to hospital budgets. The \$44K "reward" for meaningful use involvement is as some say "a drop in the bucket".

Automated Pharmacy Dispensing's Role

Many hospital administrators have taken the advice of their pharmacy directors...based upon thorough evaluation of budget impacts...and implemented use of automated pharmacy counting or dispensing equipment solely because pharmacist overlap hours and early/late pharmacist and technician efforts have reduced SWB....while allowing extra time during the day for the patient care transition effort to reduce hospital readmissions.

Community Pharmacies Budget Management

Budget management in the community pharmacy sector diverges from the efforts for hospitals. The major difference? Community pharmacies (particularly independent pharmacies) are focused on maximizing their profitability (net profit) through integrated workflow processes, prescription volume increase and products or services that improve their patient's healthcare. Hospital and their pharmacies look to maximize profitability through budget savings...prescription volume is already established...in contrast to most independent pharmacies which maximize workflow processes to create more time for patient engagement. How are these independent and other community pharmacies achieving successful budget management to increase profitability?

Today's Challenges for Community Pharmacies

Pharmacies are improving their net profit through pharmacy workflow evaluation and implementation of technologies which support reduction of previous approach duplicative efforts by either pharmacist or technician and the necessary time to complete many elements of the approval, dispensing and filling process. The ultra-challenge in many pharmacies is to reduce these time-demanding events which conflict with net profit opportunities...while improving patient engagement. What are these time-demanding events?

Any US pharmacist today will offer (past the traditional "counting by fives"), that the enhanced efforts for MTM (medication therapy management), medication adherence programs and tracking improvement to patient health (supporting the 5-star ratings now demanded by PBM's (pharmacy benefit management systems), medication synchronization (efforts to provide all medication for the patient once monthly) and in some cases compliance packaging/counseling, all add to the stress associated with the need for "more time".

Many pharmacy owners who have consulted with this author recall an earlier article about time needs...” Another Eight Hours Please” (at www.AskDrS.org) and now would desire another 12 hours per day! Select independent pharmacies who have purchased automated dispensing systems and paired the system with integrated pharmacy management software to optimize pharmacy workflow have reduced the SWB (salaries, wages and benefits) impact on net profit by reduction of pharmacist overlap hours and early arrival/late leaving hours of additional overtime to “stay even” with filling/dispensing volumes. These SWB savings are occurring while allowing pharmacist and technicians to meet the time consuming demands of improved patient engagement activities.

Yet other Time Demanding Activities

A new area of time effort that has appeared during the past 4-6 months for US pharmacy owners is the surprising effort demanded by daily “grocery-shopping” for best price for the generics they dispense. Working to find a balance between generic medication price increase and slowness by insurance payors to adjust patient co-payments and pharmacy filling fee reimbursement has today caused many pharmacies to dedicate a senior pharmacy technician to spending upwards of four (4) hours a day evaluating all needed medication purchases...generic or brand. Oddly, in many cases with the increase generic medication cost, brand prices for the same brand medication is cheaper for the patient/customer with the manufacturer sponsored discounts. A recent article in the Wall Street Journal (August 17, 2014) indicated over ½ of all US generic drugs had a price increase with some reflecting a 1000% increase. One large pharmacy organization recently revised its expected annual earnings by 25% (a reduction of \$1.2 Billion US) due to prior contractual arrangements to provide generic medication to its US Medicare and Medicare Advantage insured customers at specified prices (Wall Street Journal, August 20, 2014).

What’s the Ultimate Scenario to Drive Net Profitability and Sustainability?

In recent consultations with new US PharmD graduates who anticipate opening their own pharmacies, this author has offered several areas that must be included to improve patient customer service and engagement....and advance profitability and sustainability. They are:

1. Fully integrated pharmacy management workflow software
2. Automated pharmacy dispensing systems
3. IVR (interactive voice refills)
4. Medication adherence tracking software
5. Medication synchronization software
6. ePA (electronic prescription prior authorization)
7. Compliance package for their skilled and long term care facility accounts
8. Mobile apps (preferably with two-way video)
9. Text message to both cellphone and home e-mail for pickup readiness
10. Telepharmacy capability
11. Patient portals which connect the pharmacy, area hospitals and physicians with the patient

Success in community pharmacy is...I propose...a technology-based endeavor. My...how times have changed.

In Summary

The Pharmacy profession today is returning to its foundation of patient-centered care as was present in the 1980’s and before. Ironically, the challenges associated with implementing the Affordable Healthcare Act and responding to better patient engagement are driving this opportunity for improved patient care...and improved ROI (return on investment) for the organizations involved.

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