Outpatient Pharmacy Real Estate Decision

Gateway Locations

"Envision and Think In Terms of the Future State"

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Location is easily one of the most important aspects of successful retail operations. Retailers willingly pay a premium for high visibility real estate that hospitals have in abundance … for free.

Overview

- The patient ***aversion to diversion*** makes the real estate decision critical to the success of the pharmacy.
- ***Patient impatience*** creates an operations challenge that impacts the real estate decision.
- The outpatient pharmacy has a limited *corridor of opportunity*
- Real estate can maximize staff efficiency and effectiveness.
- The Product Delivery Model affects the real estate decision by changing the point(s) of delivery.
- The real estate decision must keep an eye turned downstream to ensure future success.

Outpatient pharmacy markets are far more complex than major drug store markets. This challenges hospitals to meet the same metrics of success of market share and profit without the same advantages of retail. If you are thinking about following the same real estate and operation rules as major drug chains, think again.

Successful outpatient pharmacies must deliver prescriptions ***where*** the patient is *willing* to receive them. Patient ***aversion to diversion*** makes the real estate decision critical to the success of the pharmacy. Hospitals cannot pass the burden and cost of delivery to the patient consumer like major drug chains.

Prescriptions must also be ready ***when*** the patient is *ready*. This ***patient impatience*** creates an operation challenge. All things being equal, it is unrealistic to expect pharmacy staff to fill prescriptions faster and more efficiently than drug chains. But all things are not equal making the real estate and operation decisions that much more critical for hospitals.

Real Estate and Operations

Unlike the popular line from the movie Field of Dreams, "if you build it he (sic) will come.", no one is coming to the outpatient pharmacy just because you built it. Patients think of drug stores as the place to get their prescriptions … even when you tell them otherwise[1].

Graphic (A) offers four simple rules to guide the design of operation and location for outpatient pharmacies.

YOU are not on the patient radar for pharmacy services … they will not *think of you, be ready for you, search, or wait for you*. This means you must create awareness and a ready willingness to act in the placement of your services.

Graphic A
4 Rules for Outpatient Pharmacies

*Patients will not **think** of you …*

Process and real estate combine to help the direct market (patients, family, Etc.) begin to *understand* they have an option to in-market drug chains and independent pharmacies. The lack of a brand and the patient disposition at discharge are challenges the outpatient pharmacy must overcome.

*Patients will not be **ready** for you …*

Process makes the patient ready to use the outpatient pharmacy. The process should begin before the patient arrives at the hospital. To a lesser extent, highly visible real estate, in combination with in-room education pieces, or family, can help the patient get their prescription at the hospital.

*Patients will not **search** for you …*

Consumers search for drug chain pharmacies because they need to … not because they want to. This gives drug chains the flexibility to use inconvenient locations. The same is not true for outpatient pharmacy except for uninsured markets. The *corridor of opportunity* begins at bedside and ends in a direct path at an exit.

*Patients will not **wait** for you …*

Unless otherwise compelled, patients will not wait for delivery of their prescription. There is anecdotal evidence that some drug chains work with hospitals to press the limits of freedom of choice by automatically requiring patients to use an in-house retailer[2]. Patient prescription transparency comes with the challenge of convincing patients of the value of receiving medications before leaving the hospital, expedite the discharge process, and find a way to have prescriptions ready when the patient is ready.

Indirect markets (doctors, nurses, admin staff, etc.) also challenge the outpatient pharmacy. Interaction with these markets must be seamless and non-disruptive. There are ways for the outpatient pharmacy to help indirect markets with the right real estate and operations.

The Gateway

Retailers think of consumer facing as either destination or convenience. The former requires consumers to make a *separate* shopping stop to visit the store which is often the only store on the site. Convenience facings offer *multiple* shopping opportunities to the consumer.

Gift shops, coffee shops (Starbucks), cafes, and medical specialty shops are candidates for *destination* real estate inside hospitals. Visitors (and some patients) will actively seek out these services.

Hospital stays offer few opportunities for combining multiple shops. Patients aversion to diversion … in this case, delays leaving the hospital, far outweigh the need to shop. Some hospitals experiment with retail corridors and atriums as revenue generators. These retail footprints are not suitable for the outpatient pharmacy.

Hospitals underuse or ignore gateway real estate for outpatient pharmacy. While not always the best location for a *production* pharmacy, some type of prescription delivery should occur at key gateways. There is no comparable facing for the retail industry (with the possible exception being a newsstand).

To be a gateway, the real estate must:

1. *intersect and face* the flow of traffic in whole or part
2. offer immediate access and action to the patient
3. offer continuous flow to the transit point
4. accommodate vehicle standing (some gateways)
5. optional pick-up either at transit point or downstream, and in some cases,
6. offer patient parking[3] and education services

Gateway real estate serves a specific purpose … highly efficient and effective product delivery. This means that the successful gateway requires highly efficient and effective delivery operations. It is worth noting again, traditional retail operations will not work for hospitals.

As Graphic A above suggests, patients are not predisposed to getting their prescriptions while at the hospital, and even less disposed to waiting. Prescription 'delivery'[4] must be ready by

the time patients reach gateway locations, unless otherwise served by the pharmacy.

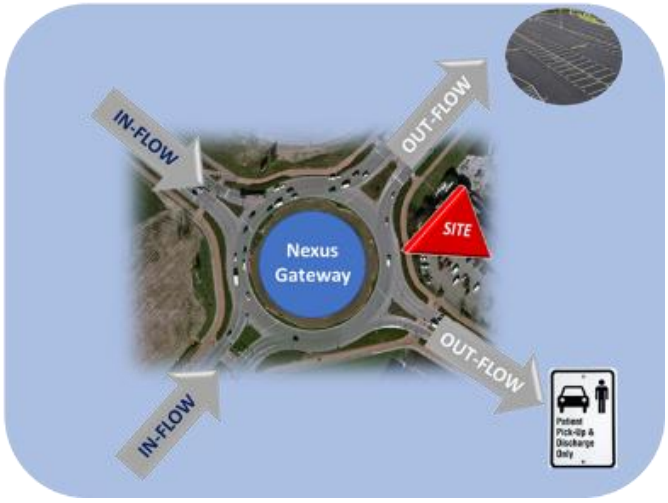
The *right* real estate offers maximum exposure to consumers who are *ready* and *willing* (or needing) to shop. Site choice by drug chains suggest a preference for the *going-home side* of traffic, which when combined with a drive-thru, make it easy for picking-up ready prescriptions.

As it turns out, the 'going home' side of the street works for hospitals as well, if not more so. There are three 'going home side' gateways.

Traffic Nexus

Graphic C depicts a nexus with in-flow from two discharge points moving towards two exit points. In this instance, the *prime* gateway real estate is between the two exit corridors on the roundabout.

Graphic c
Nexus Gateway



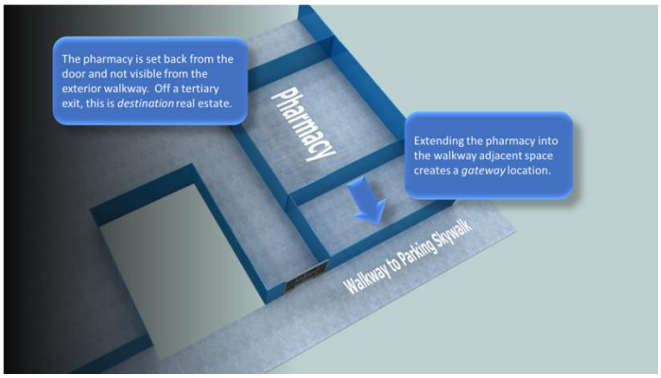
The site in Graphic C meets three of the gateway requirements. It intersects, faces the flow of traffic, and gives continuous movement towards the exit points. It also allows for downstream pick-up at exits if those points have standing and delivery capabilities.

The site must be large enough to offer patients immediate *engagement*. Customer facing areas must have enough queues to limit the waiting queue during peak discharge periods. Larger hospitals must consider patient parking, education, and sale of goods needed for recovery are options.

Parking Gateway

As the words suggest, the parking gateway intersects with traffic at the parking area walkway. Unlike the traffic nexus, parking gateways are at *patient* exit points of the hospital or hospital campus.

Diagram A
Parking Gateway



Building design dictates the number of gateways a hospital has. Multiple parking gateways often require remote delivery systems or a robust push PDM to cover all patient exits.

Client Note: (See Diagram A) An outside walkway and skybridge serves the primary patient parking garage. The outpatient pharmacy was setback from tertiary exit doors feeding the walkway at the skybridge. The hospital chose to use the space between the exit door and the pharmacy for a maintenance worker closet and provide window seats for an administrative department.

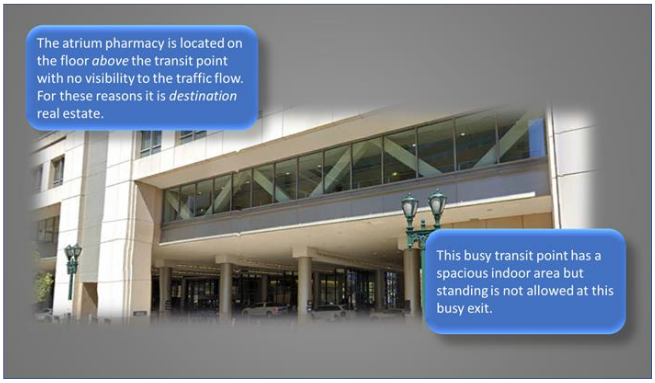
The consequence of not intersecting with the walkway resulted in the loss of significant patient engagement. While at a gateway location, this real estate is destination, owing to its lack of visibility and limited traffic access. A few feet separate this pharmacy from success.

It is important to remember that the parking gateway site must *intersect* with the parking walkway. Close does not count. High visibility is critical to the effectiveness of all gateway locations.

Transit or Standing Gateway

The transit or standing gateway presents the greatest challenge for delivery owing to the inherently short duration associated with patient pick-up. Most transit gateways have limited or no standing capacity requiring patients to move quickly through these hospital exits.

Diagram B
Transit Gateway



Client Note: (See Diagram B) Two principle exit points on opposite sides of the large campus, with several smaller transit points, serve a large hospital in the Midwest. The hospital also has a retail atrium at one end of the campus near the largest and busiest transit point. Unfortunately, the outpatient pharmacy is on the floor above the transit point. In addition, it is not the right real estate for a hospital of this size and operated as a retail clone.

However, that does not necessarily mean this real estate cannot be effective, and efficient, given the right PDM and operation. Once again, a robust push model combined with a pull model that shifts discharge time from the floor to the pharmacy area increases prescription delivery time while also improving bed turnover rate. Other advantages to this also exist.

Is gateway real estate right for the hospital?

The short answer is that it depends on the product delivery model. Large hospitals may need a combination of service and gateway real estate. Smaller hospitals may combine service at gateway locations. In other cases, the hospital may opt to own their patient prescription lives with off-campus pharmacies.

The product delivery model (PDM) balances delivery demand for direct and indirect markets. The PDM uses various push and pull delivery products and processes to mitigate counter demand.

Push marketing and delivery move products and services *to* patients. A robust bedside delivery program is a push delivery tactic. Combined with marketing and process push tactics, bedside programs are highly effective at freeing gateway delivery capacity.

Push tactics include process and production methods aimed at reducing delivery time. For example, work-in-process (WIP) inventory labor to reduce the amount of labor and time required at the point of delivery. Used correctly (which is not all that often) vial filling machines could be a useful push tactic.

Pull marketing creates a willing consumer for products offered at the outpatient pharmacy. The challenge, of course, is to clear the patient's aversion to diversion hurdle. Pull tactics rely on increasing willing (or necessary) waiting time for something other than prescription delivery.

New technology creates opportunities for pull marketing. 3D technology, for example, can enhance the patient and family discharge experience. Providing a unique discharge experience could include patient discharge and education, particularly for high therapeutic recovery risk patients.

Footnotes

[1] Hospitals must offer compelling arguments to change consumer behavior and habits. This begins with telling consumers what makes the outpatient pharmacy *different* than the corner drug store. Listing all the bad experiences they may face at the retail drug store (long waits, coming back another day, leaving without getting your prescription filled, insurance delays, Etc.) is a good place to start.

[2] This requirement was found in drug chain hospital pharmacy contract: "All patients will be enrolled in bedside delivery." It goes on to suggest that patient discharge could be delayed one hour or more.

[3] Parking refers to dedicated space for wheelchairs or ambulatory patients and family at the outpatient pharmacy, *other* than the area in front of the counter. This area is used for enhanced patient discharge experience.

[4] Delivery in this context means that the prescription is ready *or* will be delivered to them free within an hour (or reasonable time frame).

About the Author

Sabrina Hannigan is a retired major drug chain executive with over three decades experience in site analysis and operations optimization. Upon retiring, she contracted with a healthcare consulting firm to consult on a broad range of operational topics specific to build-out of an outpatient pharmacy service.

As an independent consultant, Sabrina recognized that retail solutions were not transferable and created an outpatient pharmacy business model incorporating methods and processes experienced over forty years in manufacturing and retail.

Sabrina is passionate about the future of healthcare and envisions hospital-centric solutions for improving therapeutic outcome and population health. Towards this end, she continues to develop new processes and methods for outpatient pharmacies.