



Pharmacy Management Partner

Buyer Beware ... Choose Wisely

“Envision and Think In Terms of the Future State”

Sabrina Hannigan

TransformationalOutpatientPharmacy.com

I have had only one experience reviewing the operation of a large pharmacy management partner (PMP) other than a drug chain. A client asked for the review after having been frustrated by aspects of the operation. Wait times were so bad it drove up the value of wait number tickets for which a robust market existed.

I recently read a sponsored content article on LinkedIn citing advantages of a pharmacy management partner for hospital pharmacies. It seemed a good opportunity to talk about outsourcing pharmacy operations.

There are lots of PMP vendors out there. Some are wholesalers looking to survive in an industry of fewer and fewer players. Others are former or new players in the pharmacy industry looking to capitalize on hospital struggles to achieve prescription delivery goals.

As with all partnerships, it is important to determine *if* it even makes sense to have a partner. If so, what do you *need* to have a partner bring to the table. There are risks to all partnerships, especially those which capitalize on your market and financial potential. And there is the question of whether the product is the right one for you.

Does it make sense?

Vendors make money when things are done *their* way, not yours. It follows that when push comes to shove, it will be their way. That was the case for the client who asked me to look at their PMP.

Outsourcing pharmacy operations to a PMP is in many ways the same as giving access and control of your markets to an in-house drug chain. Both run similar, if

not the same, fill-on-demand layout and process. And both will operate a business model to maximize a return on *their* investment.

The article suggests hospital management may have unrealistic expectations for pharmacists and staff to have knowledge outside core competencies. I propose that the expectations are unrealistic for the processes pharmacist and staff use. I believe they would excel given the right tools.

The article additionally cites labor and site selection as areas where PMPs can help. Let's have a look.

Scarce labor and retention: Today's shortages have more to do with *low pay* and *overwork* than workforce skill and availability. While hospitals face labor and retention problems, the issue has more to do with using the wrong location, layout, and process to achieve their prescription market and healthcare goals.

Customer experience and mistakes: *Understaffing* causes poor experience, mistakes, and missed metrics. The inability to *efficiently* and *effectively* increase staffing to offset mismatched demand and retail clone production rate creates understaffing.

Site selection: It is more difficult to find the correct site for an outpatient pharmacy than a drug store. Still, hospitals can do this with just a little coaching rather than a long-term commitment to a partnership.

What does a PMP need to bring to the table?

The shortest answer is nothing you can do for yourself, and accountability to hospital goals. Things to look for:

Non-retail drug clone: The PMP needs to bring the right transformative solution of location, layout, and process to capture your target share of all markets. Take a pass if the PMP runs retail clones or will not commit to your goals. Keep in mind that in-house drug chains fail to capture all markets even when patients are required to use them.^[1]

Good with the bad: Compassion is expensive. Pharmacies must capture revenue markets to pay for financial assisted markets. The PMP product must deliver to *all* markets, and if necessary, metrics should be set *by* target market.

Financially accountable: The PMP must be financially accountable to contract metrics. The standard should not necessarily be current performance. In some cases, an arbitrator should set the standard, above which, incentives and penalties would apply.

Care should be taken when the pharmacy is running at a loss. Keep in mind that reducing served patients can reduce losses. This was the unfortunate effect of my client PMP contract. Incentives should only be paid when you make money, not a reduced loss.

No drop-dead clause: The client had what I refer to as drop-dead clauses ... meaning they could walk away without notice ... even for questioning how they ran the pharmacy. It would leave the client on the hook for assets and other costs without recourse.

Commitment to goals: It is likely that that the more you want, the less likely your needs will satisfy the vendor desire to participate in your pharmacy. This is especially true if you are looking to capture all your markets with push/pull delivery systems. The PMP must commit to running a profitable pharmacy *and* achieve hospital goals.

Summary

If for no other reason than pharmacist intelligence, I would recommend hospitals exhaust all other options before surrendering control of outpatient pharmacy to a third party. Many hospital systems manage their own pharmacy operations without difficulty. Some may even achieve the goals of market share and profitability set for themselves.

If you are considering a PMP, make sure you remain in control, the PMP is accountable to your metrics, and financial remedies exist for non-performance or delays in providing things like IT support.

Footnotes:

1. I confirmed with a local hospital that they require patients to opt-*out* of using the drug chain retail pharmacy. This is no different than if the pharmacy forced patients directly.

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 to hospital markets. She created an outpatient pharmacy model using 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.

