



What CEO's Should Expect from Pharmacy

“Envision and Think In Terms of the Future State”

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Pharmacy leadership no longer has the luxury of operating as a service cost center. CEOs must expect the leadership team to recognize their strategic role in defending the hospital from non-healthcare competition.

As Dr. Joseph Cacchione turns around the fortunes of his hospitals by addressing problems caused by riding the tide of acquisitions *inside* the organization, he and other CEO's must also address new challenges from *outside* the organization. One of these is the threat drug chains pose to their hospital systems.

A senior executive told me recently his outpatient pharmacy operations were 'thriving'. In my mind, 'thriving' meant he profitably captured up to 100% of the prescription lives his hospital system generates. Two CVS pharmacies within .2 miles suggest otherwise. Are his pharmacies busy? Profitable? Maybe. But busy and profitable do not mean successful in today's climate.

Ascension expanded into owned outpatient pharmacy operations some years ago. They removed retailers like Walgreens. They should *own* the prescription lives in the markets they serve. But do they? This question I can answer for certainty ... no. From the windows of my Ascension hospital, you can see two Walgreens. The pharmacy is running at about one hundred scrips when the daily average from the hospital alone should be about 250-300.

Clearly there are different measures of success with some hurdles lower to the ground than others. CEOs recognizing the threat of non-healthcare providers and the role pharmacy must play in meeting this threat will look to raise the hurdle for the pharmacy team.

Debunking Disingenuous Boilerplate Benefits

Before we look at questions CEOs should ask pharmacy leaders, we need to debunk the many well-sounding benefits consultants, vendors, and others use to advocate outpatient pharmacy, most often when doing poorly.

- ✓ Decrease Readmissions
- ✓ Improve Discharge Prescription Capture
- ✓ Medication Adherence
- ✓ Improve Therapeutic Outcomes
- ✓ Improve Patient Experience

If your outpatient pharmacy is a retail clone (as nearly all are), NONE of the above benefits apply. Drug chains do not design process, production, and delivery rates for patient-centricity. Moreover, your outpatient pharmacy must perform tasks retailers do not.

“Where's the beef?”

Process drives benefits and is therefore *measurable*. CEOs should ask to 'see the math' on promised benefits. No math, no benefit.

Asking the Right Question

The new CEO of Jefferson Health is a cardiologist. A lawyer is at the helm of Ascension. While undoubtedly the best and brightest, the CEOs of the ten largest health systems by hospital count^[1] appear to have little

or no retail pharmacy experience. Given this, what are the questions CEOs should ask pharmacy leadership?

[1] What are your top strategic imperatives? How and when will you achieve these?

Retailer encroachment into healthcare should be a call to arms for all hospital leaders. CEOs should *especially* call upon pharmacy leadership to provide defensive and offensive strategies for dealing with this retail threat.

The top strategic imperatives are:

- ✓ *Capture 80-100% of patient prescription lives*
- ✓ *Successfully defend against retail competition*
- ✓ *Leverage pharmacist to create revenue streams*

CEOs should never invest in a *convenience* pharmacy. These pharmacies cannot fully serve the patient discharge market and will never yield substantive patient benefits.

CEOs should replace pharmacy leadership who fail to recognize and respond to their changing strategic role in the face of non-traditional healthcare threats.

CEOs should expect leadership to create new and underpin existing revenue streams for the hospital by leveraging the pharmacy and pharmacists.

[2] What is the total daily scrip potential for each hospital campus and what is the current daily scrip fill count?

This question will help CEOs understand if outpatient pharmacies are capable of meeting the demands of the patient market. The outpatient pharmacy model is incorrect if (after a year) it has not captured a significant share of all markets.

[3] What is the ratio between bed discharges and bedside delivery?

This question will help CEOs understand how well the bedside program is working. Other questions in this regard would be the ratio between insured and financially assisted bed deliveries. The push/pull delivery mix is critical to balancing production and delivery rates.

[4] Where are served patient populations located off campus and what is the total scrip potential of patients in these markets?

Refill scripts are an important component of funding new scrip operations, as well as, realizing the patient

benefits listed above. In-market clinic/pharmacy operations are a key offensive strategy to blunt competition from non-healthcare retailers.

In-market pharmacies are essential for the reasons listed below:

- Therapeutic Outcome
- Population Health
- Hospital and Healthcare Defense
- Improve 340B Revenue
- Healthcare Equity
- Improving Hospital Capital Architecture

[5] What is the scrip potential of other hospitals in the market?

CEOs need to look at the assault on healthcare as an industry issue rather than just a system threat. Forming an alliance with one or more other hospitals in the market will lower the cost of administration and delivery. It also helps to create a hospital-centric pharmacy brand differentiating itself from the existing drug chains.

Footnotes

[1] Definitive Health

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.

