



Outpatient Pharmacy Transformation

A Strategic Imperative ... What to Expect

“Envision and Think In Terms of the Future State”

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The transformation path is vastly different than that often associated with traditional consulting. Whereas the latter focuses on ‘fixing’ something that should work, the former ‘changes’ something that does not. The big healthcare consulting firms focus on ‘fixing’. Therefore, expect to drive your own transformation.

As drug chain stores continue to expand their presence in the healthcare industry, hospital management must recognize a strategic imperative to expand their own healthcare operations and diversify product offerings, specifically post-discharge ownership of patient health. A key to that ownership are pharmacists, and the process begins with transformation of the outpatient pharmacy business model.

Before we look at components of transformation, we need to understand what outpatient pharmacy success looks like. More broadly, what does a successful hospital-centric pharmacy business model look like?

Success has the potential to mean different things to top management and will translate to a wide measure of metrics. However, owning 100% of prescription lives and maximal therapeutic outcome from the following markets is the **sole** measure of success.

- Hospital Patient
- Campus
- Served Geographic Area
- Staff

In the context of the broader picture, a hospital-centric pharmacy business model must:

- ✓ Create patient hospital loyalty
- ✓ Reduce post-discharge population risk
- ✓ Enhance hospital capital architecture
- ✓ Drive hospital service demand
- ✓ Improve owned primary care and clinic ROI

COMPONENTS OF TRANSFORMATION

Creating a successful outpatient pharmacy business model is no small commitment. It will become an integral part of a hospital’s mission and operations. Below are some key elements of transformation.

[1] Robust Bedside Program

A robust bedside program is *essential* to outpatient pharmacy business models. The delivery window is very small and requires product to be both pulled and *pushed* to different markets and avoid untenable production and delivery queues.

The bedside program should begin *before* the patient arrives and integrate with their in-service. This assures a ready, willing, able consumer, and coordination of prescription delivery with their discharge.

[2] Omnipresent Delivery Model

Most hospitals have multiple ingress and egress points with perhaps one or two gateway locations. Patients must have access to prescription and consultation at all discharge corridors.

Similarly, the campus market must be serviceable and will require delivery solutions.

[3] In-Market Clinic Pharmacies

Consider this part of the transformation a *strategic imperative*.

These served market pharmacies are essential for the reasons listed below:

- Therapeutic Outcome
- Population Health
- Hospital and Healthcare Defense
- Improve 340B Revenue
- Healthcare Equity
- Financial

Therapeutic outcome and population health are key to improving revenue and profits, especially for DSH and NPO organizations.

Retail encroachment to healthcare represents a clear and present danger to hospitals and providers, let alone the population. There has never been a better time to disrupt the current prescription delivery system.

Owning hospital and campus prescriptions is only one part of the defensive strategy. It is equally important to provide patients with a bona fide healthcare-pharmacy option close to home. Refill business leverages the investment in outpatient pharmacy, while at the same time, establishes a vital healthcare bridge to improve therapeutic outcome.

In-market clinic-pharmacies will reduce or eliminate retail profiteering from the 340B program, returning all revenue back to healthcare.

History shows that retailers follow profit regardless of population equity. The same will hold true as they push their agenda of healthcare equity on Congress usurping the critical role played by hospitals and physicians in these markets.

Perhaps most important to struggling hospitals is the financial contributions a successful pharmacy program can make. Aside from potential profit (refills, mail order, intersystem contract business, etc.), patient outcomes

and population health can improve patient and service mix to better leverage assets and increase returns.

[4] Process and Production Channel Changes

Drug store clones do not work because their process, production, and delivery channels do not align with hospital and patient markets. Some required changes include out-cycling, trap sidings, process folding, WIP and other inventory changes, robotic staging, and multiple production channels.

Existing outpatient pharmacies can benefit from some process and production channel changes without the immediate roll-out of other business changes cited above. However, ignoring the other business changes is likely to result in winning the battle but losing the war.

[5] Systems

The transformation will result in a process with more moving parts than a retail clone. Desktop systems will manage production and delivery of product.

Expect to have your IT department or some 3rd party to create data connection (stream, data extract, etc.) between EMR and these desktop systems.

Expect to replace accounting reports with *operating* statements. The latter more validly reports margins, payroll, and profit performance ... a key to effective cost management.

[6] Fixtures, Equipment, and Technology

Vendor offerings are generally tailored to standard retail operations and maximize vendor profit. Expect to design and build many of the fixtures in the pharmacy to lower cost and maximize use of space. Do NOT let your vendor design your pharmacy ... they really have no idea what they are doing with respect to optimizing staff performance and production output.

[7] Branding and Marketing

Drug chains have established themselves as the only source for filling prescriptions. Additionally, they set the low bar for service. Hospitals must educate patients that hospital-centric clinic/pharmacies provide greater healthcare value.

Patients are first and foremost consumers. Hospitals should expect to provide improved signage, navigation, and marketing material at key consumer (patient, family, etc.) touchpoints throughout the campus.

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.

