



Pharmacy Solutions

This brief describes how GE Healthcare Consulting works with health systems to improve the overall business performance of their pharmacy operations. This is accomplished through a tailored approach that utilizes multiple strategies and tactics designed to ensure that exceptional pharmaceutical care is provided in the most operationally efficient and cost-effective manner while optimizing pharmacy revenue-producing opportunities and maintaining quality.

Background

The rising cost of pharmaceuticals is not a new concern for healthcare systems. A recent report¹ found that total hospital and health system drug spending had increased by an average of 18.5% between fiscal years 2015 and 2017. The AHA president and CEO Rich Pollack stated, "This report confirms that we are in the midst of a prescription drug spending crisis that threatens patient access to care and hospitals' and health systems' ability to provide the highest quality of care."²

Hospital CEOs identified increasing supply costs, high prices, and insufficient reimbursement for medications as top concerns.³

Hospital budget pressures resulting from the continued dramatic increases in drug prices have negative impacts on patient care, with many hospitals being forced to delay infrastructure investments, reduce staffing, and identify alternative therapies.

Challenge

The practice of pharmacy has become an extraordinarily challenging environment with standards for medication safety being driven by agencies and regulatory bodies, which include: The Joint Commission, State Board of Pharmacies, Federal Drug Enforcement Agency, Food and Drug Administration, United States Pharmacopeia, National Institute for Occupational Safety and Health and numerous institutes and professional societies for best practices. These challenges—coupled with the seemingly never-ending drug shortages, the opioid crisis, and the complexity of integrating all the medication management technologies together in a meaningful manner—has made the pharmacy leadership role increasingly complex.



Within this increasingly challenging and complex pharmacy environment, a successful relationship is dependent on providing consulting expertise from professionals who have truly "walked in the shoes" of today's hospital and health system pharmacy leaders. Our team's wealth of hospital and health system experience enables our team to be a trusted pharmacy leadership resource. We work with each organization to increase the overall business performance, including a focus on pharmacy revenue which is often overlooked with the emphasis on pharmaceutical cost.

Consulting Solutions: A Collaborative Approach

The pharmacy practice consulting solutions delivered by GE Healthcare Consulting start with subject matter experts who have extensive experience in the consulting environment as well as being past leaders within healthcare provider organizations. The ability to become integrated within the

¹ <https://www.aha.org/system/files/2019-01/aha-drug-pricing-study-report-01152019.pdf>

² <https://www.ashp.org/news/2019/01/16/new-report-shows-impact-of-rising-drug-prices-and-drug-shortages-on-patients-and-hospitals>

³ <https://www.ache.org/learning-center/research/about-the-field/top-issues-confronting-hospitals/top-issues-confronting-hospitals-in-2018>



health system as a trusted pharmacy leadership colleague, understanding the challenges facing the delivery of exceptional pharmaceutical care, yet having the ability to be laser focused on savings and revenue generating opportunities creates a very productive relationship. Our team of experts work side-by-side with the client pharmacy leaders to assess opportunities and challenges for savings and identify revenue optimization opportunities that may be available at each individual hospital or health system. We know that each identified, planned, and implemented financially beneficial strategy must be the right solution for each client's environment and culture.

Our comprehensive assessments consider many innovative approaches to pharmacy savings and revenue generation. These financially beneficial opportunities include (but are not limited to) the following:

Operational Efficiencies

- Develop meaningful productivity measures to drive appropriate staffing levels and skill mix to meet the organization's pharmacy practice vision and goals.
- Optimize pharmacy technology to truly increase productivity while improving medication safety.
- Review ordering and inventory management practices.
- Minimize pharmaceutical waste while determining additional pharmacy compounding opportunities.

Pricing

- Review pricing and contracting on everything pharmacy, e.g., specific product pricing, GPO contract compliance and tier optimization, wholesaler costs of goods discounts and reviewing contract and equipment lease and service contracts.

Utilization

- Perform a systematic review of all drug utilization to understand the formulary, drug guidelines and enforcement processes.
- Identify additional opportunities for therapeutic interchanges and clinical equivalence with less expense alternatives and build mechanisms and tools to monitor and build a culture of accountability.

Pharmacy Revenue Cycle

- Ensure that the selected billing processes, e.g., billing on dispense or upon administration, are accurately capturing

the appropriate charge with the inherent challenges of billing unit per package size. Review billing for waste practices and drug denials and determine if there are potential strategic pricing opportunities.

340B Program Optimization

- Extensively explore all opportunities for 340B program optimization and expansion. These opportunities include, but may not be limited to the following:
 - Ensure processes are functioning properly in disproportionate hospital mixed use areas to minimize purchases at wholesaler acquisition cost.
 - Increase the 340B qualified outpatient prescription capture rate (e.g., building an extensive 340B contract pharmacy network).
 - Expand the covered entity qualified care locations (e.g., infusion centers and physician-based practice conversion to hospital provider-based).
 - Appropriate utilization of the 340B program in the organization's self-insured health plan

Retail/Specialty Strategies

- Improve the P&L of existing retail pharmacy business units and develop and/or enhance the specialty pharmacy strategy, including appropriate accreditation and working with commercial payers.

Health Plan Prescription Benefit

- Conduct an extensive review of the pharmacy benefit, inclusive of formulary development, disease management programs and utilization of the 340B program, if applicable.

Upon the approval of the best business improvement strategies for the covered entity, GE Healthcare Consulting collaborates to develop the plan, manage the implementation process, and validate the financial success. Our "boots on the ground" approach has us embedded into the client's processes (such as participating in pharmacy operations meetings, attending P&T committee, contributing to building and renovation plans, drafting policies and procedures and creating job descriptions) to expedite the realization of the value identified. We remain engaged until the savings and revenue benefit have been validated and a plan for sustainability is in place.



Results

GE Healthcare Consulting has assisted numerous hospitals and health systems with the development and implementation of pharmacy cost savings and revenue generating initiatives. Examples of these results over the past two years are provided in the table below:

	5-Hospital System in the Southeast	5-Hospital System in the Northwest	3-Hospital Academic Medical System	2-Hospital Region of Large IDN in the Northwest
Situation 	Client needed help strengthening the system's pharmacy structure while driving cost savings and reduced variation	Having recently closed its retail pharmacies while also facing significant budgetary pressures, the client sought expertise surrounding comprehensive pharmacy cost reduction	Client needed focused assistance in select expense categories and wanted to leverage the project governance structure to drive system integration	Client had just acquired two hospitals in a new region and needed assistance with pharmacy cost reduction while launching and optimizing their 340B program
Scope 	Focus areas: <ul style="list-style-type: none">• Operational Efficiencies• Pricing• Drug Utilization	Focus areas: <ul style="list-style-type: none">• Operational Efficiencies• Pricing• Drug Utilization• 340B Program Optimization	Focus areas: <ul style="list-style-type: none">• Operational Efficiencies• Pricing• Drug Utilization• Retail/Specialty Pharmacy• 340B Program Optimization• Health Plan	Focus areas: <ul style="list-style-type: none">• Operational Efficiencies• Pricing• Drug Utilization• Pharmacy Revenue Cycle• Retail/Specialty Pharmacy• 340B Program Optimization
Results 	Achieved annual recurring expense reduction of over \$8 million	Achieved over \$20 million in annually recurring expense reduction	Achieved nearly \$6 million in annually recurring expense reduction and net revenue increases	Achieved nearly \$30 million in annually recurring expense reduction and net revenue increases