In today’s changing healthcare climate, the old model of a hospital pharmacy is just not sufficient. It is no longer enough to hold down costs and deliver the “five rights”: Right drug, right patient, right dose, right route and right frequency. It is now optimal to create a hospital pharmacy that is a strategic asset to your hospital system. And that means shifting to the “4-F Framework”: Find revenue, fix inefficiencies, fulfill quality care mission and follow the patient.

When developed, staffed and managed to its full potential, a hospital pharmacy can and should play a much greater role — in furthering the hospital’s mission, in supporting high-quality patient care, in fostering efficiency and in creating a competitive advantage. In short, the hospital pharmacy can be a true strategic asset to a hospital or an entire health system. To accomplish these goals, health systems are increasingly turning to specialized experts that outsourced solution providers can offer. They create exponential benefits to the bottom line and more importantly, improve patient care.

How do you make the shift from a cost center to a strategic asset?

Pharmacy as a strategic asset: The “4-F” framework

- **Find revenue**: Top-line impact, such as new revenue and reimbursement capture
- **Fix inefficiencies**: Reducing cost, such as purchase costs, utilization, staffing, Lean, etc.
- **Fulfill quality care mission**: Clinical outcomes, core measures, readmissions, etc.
- **Follow the patient**: Patient programs that extend beyond the acute care setting

**Why consider a pharmacy as a strategic asset?**

- Capture new revenue and increase reimbursements
- Benchmark to reduce costs and deploy best practices
- Recover entitled reimbursements and leverage federal program dollars
- Increase pharmacist retention, recruitment and engagement
- Elevate the role of the pharmacist as an integral part of the patient care team
- Optimize clinical outcomes through evidence-based practice and drug therapy
- Improve the standard and continuum of patient care, reducing readmissions

By Mary Baxter
Vice President Performance and Outcomes
Cardinal Health
Find revenue

Revenue opportunities exist on both sides of the ledger — in increased sales and reduced purchasing costs. One obvious route to greater revenue for a hospital is through expanding pharmacy services to a retail pharmacy, serving patients upon discharge and hospital employees. An onsite pharmacy allows the hospital to capture revenue that otherwise would go to private pharmacies. Not only is it convenient for employees and patients, it also helps ensure that patients leaving the hospital have their time-of-discharge prescriptions filled.

Riverside Regional Medical Center, the largest of six hospitals in the Riverside Health System based in Newport News, Va., recently opened a retail pharmacy managed by Cardinal Health. “Its primary function is to serve patients,” says Michael Doucette, Vice President of Operations. “All patients are offered the option to have their discharge prescriptions filled and brought to their room before they leave, so they don’t have to drive to a pharmacy on the way home.”

The pharmacy also offers soft goods and medical supplies patients need for post-acute care. Patients with a high risk for readmission receive a call from a pharmacist to make sure their medication therapies are going well and to answer any questions.

The pharmacy fills prescriptions for employees under the health system’s self-insured medical plan too. “We’re at risk for the cost of those medications no matter where they are filled,” says Doucette. “Having the pharmacy in-house means we can reliably direct people toward generic drugs and other lower-cost alternatives, saving money on our health plan outlays.”

Riverside looked to Cardinal Health for support in formulating a strategy for participation in government-regulated 340B pricing and in complying with the program’s complex regulations. “Riverside Regional qualifies for 340B for outpatient medications, but the application and the monitoring are complicated, and the government is increasingly strict about auditing,” says Doucette.

Another hospital found ready cash by selling its entire pharmacy inventory to Cardinal Health, which in turn managed it. The transaction enhanced the hospital’s cash position by $5.98 million, improved its bond rating and helped finance the modernization of an older facility.

Revenue can also come from government incentives. At IASIS Healthcare, a $2.8 billion health system with 20 acute care hospitals, a computerized physician order entry system was instrumental in meeting Meaningful Use criteria. With consultation from Cardinal Health, IASIS Healthcare secured $32.2 million in incentive payments in 2011-12, and an estimated $5.4 million in the first quarter of 2013. “The ability to communicate the prescription electronically to the pharmacist, have it reviewed, have it show up in the EMR and have the discharge medications rectified — all that is part of Meaningful Use,” observes Tedd Adair, Vice President of Clinical Operations.

With consultation from Cardinal Health, IASIS Healthcare secured **$32.2 million** in incentive payments in 2011-12, and an estimated **$5.4 million in the first quarter of 2013**.
Fix inefficiencies

Efficient operations in purchasing, inventory, staffing, and other key areas can drive down costs and significantly improve operating margins. Cardinal Health has access to industry benchmarks that provide a roadmap to more efficient operations. This offers proven best practices shared across multiple facilities in a health system. Ready-made dashboards track and report progress against key performance metrics.

IASIS Healthcare’s Adair reports that his organization’s overall pharmacy costs as measured per adjusted patient day remained flat from fiscal years 2009-12. “That is more impressive than it sounds,” he says, noting that the major cost components — drug purchases and pharmacists’ salaries and benefits — increased during that time: “If you were to trend the lab, radiology, or any other department, you would likely see that their costs have escalated. The fact that pharmacy stayed flat is a testament to Cardinal Health’s help in managing our bottom line.”

Benchmarking Identifies Opportunities

Savings resulted in part from the role of Cardinal Health in controlling medication costs. Each facility chooses three to five diagnosis-related groups (DRGs) to monitor each year. The hospitals receive quarterly reports on specific metrics: top ten drugs used, cost per case, physicians using high volumes of each drug and others. The hospitals can benchmark against each other and against national standards drawn from all hospitals managed by Cardinal Health. That helps identify opportunities to work with physicians, deploy best practices and encourage delivery of drugs that provide the desired patient outcomes while reducing costs. Pharmacists review prescriptions and can substitute lower-cost generic drugs, so long as efficacy is not compromised.

Take a look at your drug distribution

Perhaps the most fundamental efficiency improvement is in drug distribution. At IASIS Healthcare, Cardinal Health applied the expertise of specially trained buyers and an automation subject matter expert to create a Min-Max (minimum-maximum) system that helps determine the optimum amount of each medication to place in the automated dispensing cabinets. This system helps avoid stock-outs and relieves staff members from spending excessive time replenishing drugs. Inventories are then monitored monthly against specific metrics and adjustments are made as necessary.

Pharmacist recruiting and retention

Effective pharmacist recruiting and retention adds significant efficiency and ensures continuity of expertise. That came into play at IASIS when three hospitals in rural Texas had difficulty recruiting pharmacists.

In response, Cardinal Health took charge of recruiting pharmacists and directly employed them under a blended staffing model, leveraging clinical pharmacy expertise within the hospitals along with a remote order entry service. Each facility is assigned a full-time remote order entry specialist who works eight hours per day on a schedule determined by each hospital’s peak-time order volume.

More broadly, IASIS uses remote pharmacy services across its network to increase hours of coverage. “Most hospitals can’t afford to keep a pharmacy open 24-7,” notes Adair. “In the early morning hours, for example, there is no need to have a pharmacist available, but orders are still being written. Through remote pharmacy services, a doctor writes an order, it’s reviewed by a licensed pharmacist in another location, the order is entered, and the medicine becomes available through the Pyxis™ machine on the floor.”

Over 3 ½ years, IASIS Healthcare had an overall cost savings of $4.69 million

- $2.14 million on antibiotics
- $2.14 million on anticoagulants for DVT prophylaxis
- $415,000 on anemia drugs
Fulfill quality care mission

Among the key objectives of pharmacy management is the ability to help health systems achieve quality care objectives. The demands on pharmacists’ time are numerous — they must be able to juggle management training, compliance training, staffing and multiple other administrative functions. When the pharmacy is leveraged as a strategic asset, the scope of a pharmacist’s responsibilities further increases — as well as the degree of collaboration and integration.

Pharmacists as clinical partners

Pharmacists must be available on the hospital floors to consult with physicians and nurses helping to ensure that patients receive the most appropriate medications and therapies. “We have board-certified pharmacists on the units, deeply involved in the care of the patients — not just validating orders the doctors have written,” Doucette says. “Some are employees of our outsourcing partner [Cardinal Health]; most are our employees whom our partner has trained. Our physicians have come to rely on them as integral members of the care team.”

At IASIS, pharmacists are part of a Hospital Medical Management Quality Program. “It’s a holistic, integrated, multi-disciplinary way of managing the patient experience from admission to post-discharge,” says Adair. “We have daily patient management meetings involving all the players who are part of the care process: imaging, laboratory, hospitalists and a pharmacy representative. The pharmacists listen to the reports on the patients and make sure they are on the right medication regimens. Their input is very valuable.”

Pharmacists also take part in ICU rounds: “Pharmacists actually respond to codes and bring drug trays with them. Some of our pharmacists have been trained to administer the influenza vaccine. They are pretty well integrated throughout the hospital — they are seen as a lot more than a person behind a cage with all the medications.”

Comparing drug therapies

Centralized pharmacy management also enables close tracking of diagnosis-related groups (DRGs). The goal at Riverside is that similar patients with essentially the same conditions receive essentially the same drug therapy.

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Vice President of Clinical Operations  
IASIS Healthcare

“Cardinal Health runs the data for us. They have the capability to break it down to say ‘For this DRG, here are the drug variations we see across physicians or across hospitals.’ Some variations of course are justified by the patients’ conditions, while others are preference items. We also look at length of stay and outcomes — so if we paid more for a drug, was it worth it? Or was it just a costly drug that had the same effect as something less expensive? All that comes from the central database,” Doucette says.

Compliance and accreditation

This includes helping to correct deficiencies for Joint Commission or DNV compliance and maintaining a continuous state of readiness for compliance audits. At IASIS Healthcare, Cardinal Health applies a pharmacy operations dashboard to track, monitor and display monthly metrics on key performance indicators in the hospital pharmacies. This helps to illuminate areas for continuous improvement and keep the facilities prepared for annual DNV visits.

Preventing diversion

The pharmacy managers from Cardinal Health at Riverside Health installed best-practice controls against drug diversion, according to Doucette: “Many sophisticated processes need to be in place to keep theft from occurring. Between the controls covering provider order entry, distribution through the Pyxis™ machines, trending of drug use by nurse, and other documentation, many opportunities for diversion were removed.”

Staff recruiting and retention

Cardinal Health helped create a residency program that accepts two pharmacy school graduates each year. “It creates a recruitment pipeline for us, and a number of them end up staying,” Doucette says. “An organization like ours would have difficulty developing such a program on its own.”

Medication safety

This includes a shift from punishing mistakes (which employees then learn to hide) to fostering a Just Culture in which people trust each other, are rewarded for providing safety information and reporting errors, understand their responsibilities for safe choices and share accountability. A medication safety expert can help instill a Just Culture in which different types of errors are treated appropriately and a fertile environment for continuous improvement is created.
Follow the patient

Effective pharmacy management can have positive impacts on care even after patients are discharged from the hospital. It begins with delivering all prescriptions upon discharge and following up to ensure compliance. This program extends to the coordination of care as patients move from the hospital to other care facilities.

At Riverside Health, their system-wide pharmacy management provided by Cardinal Health enables continuity of care for Riverside’s Lifelong Health and Aging-Related Services, encompassing senior services, nursing and retirement homes and rehabilitation centers.

“Patients may come into one of our primary care practices, then receive acute care services, and from there enter a Lifelong Health facility,” says Doucette. “Having central management on the pharmacy side helps significantly. Traditionally, nursing homes had an entirely different way of managing pharmacy, as did retirement communities, and both were very different from the hospital world.”

Meanwhile, IASIS is exploring its own ways to prevent readmissions. “Patients get readmitted for a number of reasons that include failure to follow discharge instructions or fill their discharge prescriptions,” says Adair. “We’re looking at ways to bridge that gap. The pharmacists at Cardinal Health are always available to patients, and that includes giving time-of-discharge drug consultation. The pharmacy team is exploring how we can ensure that patients leave with everything they need so that they don’t get readmitted within 30 days. That’s a work in progress.”

Reaching full potential

Unfortunately, often the pharmacy is perhaps the least optimized asset in a typical hospital. Changes in healthcare — from the Affordable Care Act, to the Accountable Care Organization model, to the sheer imperative to cut cost and improve performance — all point to greater attention to the pharmacy and the development of its full potential. The tools and methods already exist. All that remains is to deploy them to full effect so that the pharmacy becomes a true strategic asset — supporting patient care, quality, safety and financial performance. In this respect, the services of a management partner can be essential.

Adair observes, “As we have grown from a system of a dozen hospitals to 20 today, we have had a strategic partner along the way. I have worked with Cardinal Health for 10 years, and I have never worried about pharmacy operations. I trust our pharmacy management partner.”

Pharmacists are not confined to the pharmacy itself but spend time on the floors in multidisciplinary collaboration with physicians and nurses, consulting with patients about their medications and providing pre-discharge counseling. They also work with physicians and administrators to share ideas that can add value, lower operating costs, improve care quality and enhance patient satisfaction.

Clinical pharmacists focus on ensuring the most appropriate drug treatments and avoiding adverse events. Patients have their prescriptions filled and delivered to their rooms before discharge. Pharmacists make follow-up contacts to inquire about any medication questions and ensure patients are complying with their regimens to help prevent readmissions.

Purchasing policies take full advantage of discounts, including government programs such as 340B pricing. Drug inventories turn at a rate appropriate to the size of the hospital or network, operating close to just-in-time while still ensuring availability. On-floor automated dispensing cabinets are stocked optimally. Cost, quality and other performance metrics are tracked meticulously and are used to compare system facilities to each other, and to peer-group facilities around the nation.

What does your pharmacy’s “full potential” look like?

When a hospital pharmacy is leveraged to its full potential, it can become a key driver for achieving the organization’s strategic agenda.

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Pharmacy as a strategic asset (PhASA)

By leveraging the pharmacy’s full potential, it can become a key driver for achieving the hospital’s strategic agenda.

“Some may ask, ‘Why would I pay someone to do something I can do myself?’ We are the largest privately owned healthcare company in America, and we don’t outsource a lot of things. But looking at pharmacy management, we say, ‘We can’t do this ourselves.’ As a $2.8 billion company, our second biggest spend is on pharmacy. It’s a huge amount of money, and we really need someone watching our back – not only looking at costs but helping us provide good-quality patient outcomes.’”

Tedd Adair
Vice President of Clinical Operations
IASIS Healthcare
Is your hospital pharmacy ready to perform as a strategic asset?

A high-performing hospital pharmacy is more than a utility for efficiently and accurately dispensing medication. Instead, it adds value to the organization’s financial performance, competitive position, patient and staff satisfaction, and clinical outcomes. Here are some steps to take toward leveraging your pharmacy as a strategic asset:

**Pharmacy leadership**
- Maintain a strong presence in multi-disciplinary committees: Medication Safety, Pharmacy and Therapeutics (P&T) Committee, and others
- Engage pharmacists as active participants in physician rounds to ensure that optimal medication therapies are in place
- Foster an environment of innovation for achieving strategic directives, sharing ideas that add value, lower operating costs, improve care quality and enhance patient satisfaction

**Stakeholder engagement**
- Encourage collaboration between physicians and hospitalists, nurses, technicians, pharmacists and case managers to improve patient outcomes and care — including active multi-disciplinary participation in key committee and planning teams
- Utilize a strategic agenda, and develop goals and priorities with guidance and inclusion of key stakeholders throughout the facility

**Clinical pharmacy program management**
- Align key metrics to monitor results from various initiatives
- Develop a scorecard and reports regularly on results to build momentum and sustain improvements
- Ensure that communication is timely and consistent across the facility and various work teams

**Hospital leadership**
- Facilitate engagement and support across all stakeholders and set the expectation for multi-disciplinary participation in strategic initiatives
- Provide accountability for the delivery of program objectives and goals
- Drive the adoption of cultural changes that reflect the spirit of collaboration, and communicate to all hospital employees about strategic priorities and advancements
About the author

Mary Baxter is Vice President of Performance and Outcomes with Cardinal Health. She can be reached at mary.baxter@cardinalhealth.com. Cardinal Health Pharmacy Solutions has more than 40 years of experience in positioning hospital pharmacies as strategic assets. The company uses professional services and commercial software solutions to provide savings, revenue streams, and pharmacy process and quality improvements across the entire continuum of care.

About Cardinal Health

Headquartered in Dublin, Ohio, Cardinal Health, Inc. (NYSE: CAH) is a $108 billion healthcare services company that improves the cost-effectiveness of health care. As the business behind healthcare, Cardinal Health helps pharmacies, hospitals, ambulatory surgery centers and physician offices focus on patient care while reducing costs, enhancing efficiency and improving quality. Cardinal Health is an essential link in the healthcare supply chain, providing pharmaceuticals and medical products to more than 60,000 locations each day. The company is also a leading manufacturer of medical and surgical products, including gloves, surgical apparel and fluid management products. In addition, the company supports the growing diagnostic industry by supplying medical products to clinical laboratories and operating the nation’s largest network of radiopharmacies that dispense products to aid in the early diagnosis and treatment of disease. Ranked #21 on the Fortune 500, Cardinal Health employs more than 30,000 people worldwide. More information about the company may be found at cardinalhealth.com and @CardinalHealth on Twitter.