

# Pricing Competitively: The New Pharmacy Science

It seems to Don Meyer, chief pharmacist and co-owner of Vallette Pharmacy in Chicago-area Elmhurst, Ill., as if there's a fee for just about everything these days. So he is very much aware that he has to be careful that any new service he adds makes a positive contribution towards maintaining the margin he needs to stay in business. One service that passes the test with flying colors, in Meyer's opinion, is the new Auto-Rx-Net pricing service that Meyer has started using with his McKesson Pharmaserv system.

## Pricing Isn't an Art

Vallette Pharmacy has been an Rx-Net customer for almost six years, so Meyer was already a fan of the company's products. "Over the years I've always had the sense that there had to be a more rational way to price prescriptions than by calling up local competitors," says Meyer. His experience with Rx-Net has proven to him that this intuition was correct, with the result that the pharmacy's gross margins are up. The pricing service has worked out so well that when Rx-Net President Michael Cannata told him there was a new and improved product available exclu-



**Don Meyer's pricing service helps him focus on being a pharmacist.**

sively for McKesson users, Meyer was sold on it immediately.

Perhaps the most important advantage of Auto-Rx-Net is that Meyer no longer has to create pricing tables, much less maintain them. The new software has also increased the number of top drugs covered from 1,050 to 2,100. When you then consider that Auto-Rx-Net has distinct pricing for all the generic versions of a drug, as well as for specific package sizes, the number of prices covered is even

larger, reaching close to 4,000 products priced automatically every month. New drugs are added each month as they break into the top sellers. At Vallette, a major high-volume independent, there's certainly not enough time in the day to handle such a monumental pricing task in-house, or to make sure that prices are competitive for cash patients while also appropriately priced for third-party reimbursement. "We just don't have the time and information we'd need to price drugs carefully based on costs," says Meyer.

## Find Your Competition

The service gives you three different competitor types to choose from when setting prices: chain, mass merchandiser, and independent. The comparison is made with other stores in an area defined by the first two digits of the client pharmacy's zip code. As with other independents, Meyer considers the mass merchandisers and chains as the main competitors. One interesting thing he has noted is that these stores are not always the cheapest in his area. But they do set their prices rationally, based on territory

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and zip code, with whole departments dedicated to the task. "Small guys need that same information to keep the playing field level," says Meyer.

### **Getting Generics Right**

Another big challenge that Auto-Rx-Net helps solve is pricing for generics. The problems with generics come in two forms. First, when a drug first goes off patent and a generic becomes available, many people might be inclined to wing its pricing, says Meyer. You don't want to do that. Auto-Rx-Net will give you information-based pricing, giving an appropriate, competitive price for every covered drug, including new generics. The next problem comes when there are a number of manufacturers of a certain generic drug. In this case the information given for

average wholesale price (AWP) can vary a great deal. Auto-Rx-Net makes it so that all the generics of a certain type have the same price derived from the AWP for these generics as a group; this is set across the board to the price necessary to ensure the minimum margin required, no matter which generic is dispensed. "This makes our pricing both accurate and consistent," says Meyer.

### **From Better Prices, Better Service**

While Meyer can look at Vallette's books to see the improvement in gross margin, he also has another way of judging the success of his pricing. "People will constantly call for quotes," he explains. But when he gave a quote before, people wouldn't necessarily come in. Now, in Meyer's estimation, when he quotes a price, the store more often than not gets the busi-

ness. This may just be his intuition again, but he's convinced it is still more proof of how effective a consistent, data-driven pricing program can be. Ultimately, Auto-Rx-Net has moved pricing at Vallette Pharmacy from a mystery to a science. And this is an achievement that benefits more than just finances, as important as they are. It also means that the Vallette Pharmacy staff can spend its time the right way. "We have McKesson's automated counting, we have IVR, POS, and auto-order in the pharmacy system," says Meyer. "But the idea here is to get pharmacists away from being wrapped around all the technology we have and get them out to the patients." Auto-Rx-Net is one more tool to help meet this goal. **CT**

— by *Will Lockwood*,  
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