

Ambulatory and Specialty Pharmacy: *Are the opportunities real?*



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As sophisticated therapies have moved from acute inpatient care to ambulatory care and as hospitals have become part of an integrated delivery network (IDN), hospital pharmacists have expanded their services in ambulatory, retail and specialty pharmacy. This evolution has created an opportunity and an obligation for pharmacy leadership to diversify and to develop business plans along with patient outreach programs that support organizational goals.

A complex environment

Hospitals participating in the 340B program can enjoy discounts on drug acquisition costs that can provide the underpinnings for a business plan that achieves sound financial margins, while supporting outreach and care for uninsured and underinsured patients. Although acquiring drugs at lower costs can provide a financial advantage to 340B hospitals, the complexities of the ambulatory pharmacy environment require thoughtful planning to ensure success.

Here are six practical insights that can help you effectively manage your 340B program:

1. Align strategies

How does your hospital's plan align with your ambulatory and specialty pharmacy strategy?

340B can improve the financial performance of a sound proposal, but it will not rescue a poorly planned pharmacy strategy. Understanding the hospital's plan for continuing care, patient volumes and provider relationships and aligning them with costs and services is a key success factor. It is also important to examine provider relationships and competition from others in your service area.

Some hospitals and health systems tend to think that they "own" patients, but will the network of relationships within the IDN retain access to these patients in the future, and if so, under what terms? Health plans, employers and other providers also have substantial ongoing patient relationships. How will your patients select a provider, and under what rules and guidelines?

2. Define your mix

What do the terms "ambulatory" and "specialty" pharmacy mean to your organization?

Specialty, ambulatory and retail pharmacy are areas that blend together. Key attributes of specialty pharmacy include high-cost treatments for rare or uncommon diseases that have special development, handling, administrative and monitoring requirements. Retail pharmacy is generally the mix of brand and generic oral solid drugs dispensed in 30-, 60- and 90-day supplies. And ambulatory pharmacy generally falls across the two categories and typically includes "in-clinic" and "in-office" administered drugs.

As a result of these differences, payment rules and models vary. For the specialty space, competencies and certifications mean more potential revenue, whereas low cost and efficiency are the greatest value in the retail environment.

3. Size up the competition

Are you prepared for the competitive retail and specialty pharmacy environment?

Consolidation and competition experienced by hospitals is also an attribute of retail and specialty pharmacy. For example, payers and manufacturers seek to narrow networks to contain administrative and patient-care costs and to foster competition. Before entering the retail or specialty marketplace, determine if your pharmacy is prepared to compete with Walgreens, CVS/caremark, Accredo and others. Network size combined with key provider and network agreements, lower cost, and efficient operations makes them formidable competitors. According to the ASHP Foundation, 25% of health systems will conduct their own “specialty pharmacy” services for at least three specialty medications over the next five years, and at least 50% of health systems will have formal relationships with retail healthcare clinics for patient referrals.

Although 340B provides a cost advantage in drug acquisition, how much of that savings will be consumed by the cost of operation? 340B discounts, while generous, are tied to the average manufacturer price (AMP) and are not consistent across therapies. Consider the impact of new therapies on your bottom line. For instance, recent advances in hepatitis C therapies have had a positive impact on patient outcomes, but high drug pricing has proven to be a challenge for the payer and reimbursement communities, making access and delivery of these drugs difficult.

4. How “340B-dependent” is your business plan?

Will potential changes in 340B rules affect your business?

Business plans that depend on 340B discounts should take into account potential risks and potential alternative outcomes associated with changes in 340B rules. Narrowed patient definition, 340B eligibility, or even a changed business relationship with a key group of providers can influence the 340B/non-340B patient mix. For hospitals subject to the GPO prohibition, non-340B drugs are purchased at full wholesale acquisition cost (WAC), which can incur a substantial premium.

5. Assess infrastructure needs

Do you have the right tools and resources to be successful?

Hospital pharmacists typically comment on the key differences and new challenges in the ambulatory environment such as developing and securing talent, resources and competencies. However, it is also critical to assess payer and provider relationships, contracts, and software tools like retail pharmacy systems and 340B software.

Other things to consider:

- Has anyone read your PBM contracts?
- Has a 340B reimbursement contract slipped by you?
- Have you built resources to support prior authorization processes for specialty?
- Have you considered prescription capture rates based on location, business model and network constraints?

6. Evaluate your options

Is a partnership or contract pharmacy right for your organization?

Financial planning can help set appropriate expectations and facilitate a full understanding of the feasibility for success — including 340B impact. Traditional and specialty pharmacy are in some key respects similar, but require separate considerations, particularly in services and support. Financial modeling should lead to a review of ramp-up periods, budgeting for capital assets and cash flow, and a frank discussion of alternatives. 340B provides a head start for financial and patient-care success, but only when built on a sound base.

About the author:

Kevin Scheckelhoff, MBA, R.Ph., is a subject-matter expert helping hospital pharmacies improve operational efficiency, increase revenue and enhance quality. With more than 35 years of experience in pharmacy and healthcare services operations, he has served over 200 hospitals across the United States and Puerto Rico. Kevin provides oversight of analytical solutions for acute care pharmacies and frequently presents on pharmacy business modeling and the application of technology in the medication use process.

Sources:

¹ [Pharmacy Forecast 2015–2019: Strategic Planning Advice for Pharmacy Departments in Hospitals and Health Systems](#), ASHP Research and Education Foundation’s Center for Health-System Pharmacy Leadership, December 2014

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