

Scripting a change

Given the number of health care modifications on tap, pharmacies will need to beef up their staffing, marketing and technology to stay ahead.

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Rising prescription drug inventory costs, evolving technology and patient safety remain key concerns for supermarket pharmacy operations. Several new wrinkles—the challenge of paying for and complying with required third-party audits and unfolding legislative issues—will make this a busy year for pharmacies, according to observers.

“This is inherently a challenging business,” says Mike Coughlin, president and CEO of ScriptPro, based in Mission, Kan. “Pharmacy follows a 90/80 rule: 90% of the revenue and 80% of the costs are not in the pharmacies’ control. This is the opposite of what you would expect in other areas of grocery.”

He says it important for supermarket pharmacies to be prepared to quickly adapt the technology to accommodate these changes, whether they are driven by business or legislative needs. “Pharmacies might be surprised to learn that their legacy software platforms will be difficult or impossible to change and update,” he says. “Suppliers might be able to patch small issues, but it remains to be seen if they can react to the dynamic needs emerging in the pharmacy industry.”

One immediate change retailers have to adapt to is the newly revised average manufacturer price definition, which is a benchmark for reimbursement calculations. Coughlin anticipates that when the new version is published it will squeeze the margins for all but a few pharmacies, noting large chains with greater purchasing power will drive down the average. He says this will put pressure on the rest of the industry to match those prices, all of which will impact their reimbursement rates. “Now more than ever, pharmacies need to understand and track contracts for proper reimbursement,” says Coughlin.

According to Larry Stephenson, vice president of sales for HCC and FDS, based in Fort Worth, Texas, inventory cost is another key concern for pharmacies today. Most pharmacies leave decisions about stocking levels of medication to in-store pharmacy personnel, which Stephenson notes often results in overstocks. “Historic forecasting can resolve this and help pharmacies reduce their in-stock position by as much as \$40,000 in a single location,” he says.

However, he notes, forecasting not only reduces inventory expenses; it can also lower staff labor costs and create a more reliable in-stock position. As in any other area of the supermarket, growing the customer base is a key focus in pharmacy this year. Reviewing pharmacy use among a supermarket’s loyalty membership can yield substantial results, Stephenson says. “There are a number of manufacturer-sponsored offerings that target customer activities and we have developed tools to generate manufacturer-sponsored messaging so that the customers’ compliance is increased,” he says.

Another challenge is creating new ways to leverage the role of the supermarket pharmacy in the overall health of the patient. The key, Stephenson says, is to merge pharmacy data with point-of-sale data to enhance loyalty programs and reward healthy choices. He says HCC and FDS has created

an interface that allows retailers to issue rewards to customers based on prescription compliance, targeted purchases and participation in certain healthy activities.

Tim Gregorius, director of operations for Latrobe, Pa.-based PRS Pharmacy Services, says a growing number of pharmacies are creating patient health education and wellness centers. "The concept of medication therapy management has been talked about for years, but the challenge always was how to get paid for those services," he says.

As supermarkets look for ways to generate revenue in the pharmacy, observers say there are now plenty of pharmacists available to fill open positions. Scott Weaver, director of pharmacy for PRS, adds that pharmacies are also filling fewer prescriptions these days. He says pharmacy volume is down due to several factors, including pressure from insurance firms to have patients fill recurring prescriptions through mail order and people losing their health benefits due to unemployment.

Driving traffic

While there are more pharmacists available and fewer prescriptions to fill, supermarkets are looking for ways to drive more traffic and increase profitability, according to Ron Mackert, vice president of Uniweb, Inc., a fixture company based in Corona, Calif.

"The quandary for retailers is how do they reduce costs and increase profits in fixed-space areas like the pharmacy, while making it look inviting," says Mackert. "Considering that we are a custom manufacturer, we are not limited to 'fixed' boxes or components. This allows for every square foot of space to be fully utilized," he says, adding that products such as Uniweb's can increase pharmacy inventory capacity by 30%.

While it is important for retailers to invest in fixture and other improvements to appeal to shoppers, they must also invest in technology, experts say. "The pharmacy has become a complicated business to run, for a number of obvious and not so obvious reasons," says Christopher Thomsen, president of The ThomsenGroup, a pharmacy consultancy based in Kansas City, Mo. "Between distractions, administrative work, filling scripts, answering phones and counseling, pharmacists' and technicians' time and attention are pulled in a number of directions," says Thomsen. All of which, he adds, can open up opportunities for error.

He notes that as retailers look into upgrading their legacy systems, a rare few, such as San Antonio, Texas-based H-E-B, are deciding to bring the management systems function in-house and are writing and implementing their own programs. "Given the cost and complexity, this isn't something many chains are in a position to do," says Thomsen, who also serves as vice president of business development for Kirby Lester, a pharmacy automation supplier based in Lake Forest, Ill.

L. Preston Hale, national manager, strategic accounts for QS/1, based in Spartanburg, N.C., notes that how resources are applied and concern over the increasing cost of doing business are two issues facing pharmacies. "Pharmacy continues to look for ways to automate and at software management tools that allow them to do more with less," says Hale. "Programs such as QS/1's HealthMinders not only improve a patient's health, but increase store volume with timely refilled prescriptions."

According to Hale, the HealthMinder program can automatically remind patients of critical medications that are due to be refilled. QS/1 can then take these prescriptions and automatically push them to what they call InstantFill, where the prescription is processed without the need for manual entry by the pharmacy staff. The RxMedic dispensing robot can bottle, label and sort prescriptions for delivery without manual intervention. "These features are part of how we can help improve the bottom line of the pharmacy operation," he says.

For more than a decade technology has been changing the landscape of pharmacy, and companies such as Kirby Lester have made new strides in recent times with robotics. According to Mike Stotz, the company's manager of business development, the KL60 can handle 60 oral solids, custom labels and two sizes of vials. The system can pump out filled, labeled, completed prescriptions automatically at a rate of up to 130 per hour.

"By automating 60 medications, it is just enough automation for all but the busiest of grocery store pharmacies," says Stotz, noting that the KL60 can process 30% to 40% of the pharmacy's total orders. Kirby Lester officials say extra checks and balances are necessary to prevent errors in today's fast-paced pharmacies. Stotz says the technology is getting smaller, easier to use and more affordable.

ScriptPro recognizes the challenges of understanding contract benefits and has responded to this challenge by developing software that can compare various contracts—information that can help in negotiations with vendors, notes Coughlin. "The pharmacy department is important to grocery stores, but so many managers have a hard time controlling and monitoring it the way they do the rest of their business," he says.

The 340B regulation has also put a new onus on pharmacies, adds Coughlin. Under this recent rule, grocery stores can now fill 340B prescriptions, a program designed to improve patient access to affordable medications.

Future forward

Gregorius sees DME or Durable Medical Equipment as the next pharmacy opportunity on the horizon. He says pharmacy is in a perfect position to deliver DME products, but he notes some pharmacies have hesitated due to concerns over the challenges DME billing can sometimes present. Gregorius notes that PRS Pharmacy Services can help pharmacies become accredited in this area. "Pharmacies are beginning to understand there is a huge untapped market to be a DME provider," he says.

Despite the challenges, Gregorius is optimistic about the future. "We are an industry in the middle of transition. Gross profits are beginning to rise and we have pharmacists being paid for work that was never the case before," he says.

Another factor poised to change the landscape of pharmacy is third-party audits. Weaver says calls come in regularly asking for PRS to help pharmacies comply with third-party insurance audits. "In some cases, auditors are asking pharmacies to produce a complete policy and procedure manual in short time. They are relieved to find we can help them with that," says PRS' Weaver.