



Health Care Advisory Board

# Five Things CEOs Need to Know about Pharmacy

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# Today's Presenters



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# Numerous Ways for Pharmacists to Enhance Value

## Transition to Risk Changing the ROI on Clinical Pharmacist Roles

### Reduce 30-day Readmissions

- Randomized controlled trial of 278 patients being discharged home
- Patients in intervention group received face-to-face medication reconciliation, a custom pharmaceutical care plan, discharge counseling, and post-discharge phone calls on days 3, 14, and 30



**36% reduction**

in 30-day readmissions rates and 9% improvement in scores on HCAPHS medication-related questions

### Improve Chronic Care Management

- Hennepin County Medical Center embedded pharmacists and pharmacy residents in outpatient clinics
- Pharmacists review medication orders, consult with physicians, and provide medication therapy management services



**\$~2.5K decrease**

in average variable costs per patient per year; 3.4% reduction in 30-day readmissions

### Increase Medication Adherence

- Kaiser Permanente's Diablo Service Area in Northern California developed a pharmacist-led medication management program for CML<sup>1</sup> patients on oral tyrosine kinase inhibitor (TKI) regimens
- Pharmacists meet with patients in clinic and follow up by phone and email



**35% increase**

in patients who remained on their treatment plan

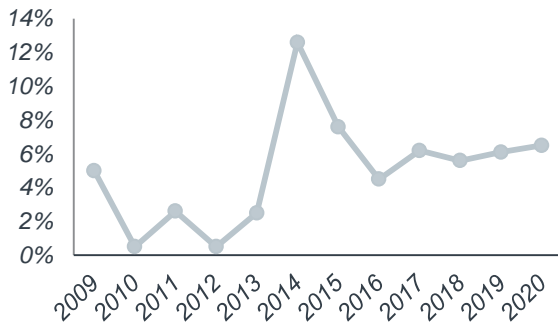
Source: Phatak, A et al., "Impact of Pharmacist Involvement in the Transitional Care of High-Risk Patients Through Medication Reconciliation, Medication Education, and Postdischarge Call-Backs (IPITCH Study)," *Journal of Hospital Medicine*, January 2016; Chan, T., "Pharmacists and ambulatory care teams: An expanding role," *Practice Notes*, available at: <https://www.advisory.com/research/medical-group-strategy-council/practice-notes/2013/july/implementing-pharmacists-in-the-clinic>; Lamb, MSH and Cheung, N., "Impact of oncology pharmacist-managed oral anticancer therapy in patients with chronic myelogenous leukemia," *Journal of Oncology Pharmacy Practice*, September 2015.

1) Chronic myeloid leukemia.

# Pharma Spending on the Rise

## National Prescription Drug Expenditure

Annual Percent Change




**\$435.3 billion**  
Projected drug spend in 2020


**“**  
**A Complex and Rapidly Changing Market**  
“Patterns of growth over the most recent 10 to 15 years of data are difficult to explain, as the effects of several different factors must be disentangled.”  
*CMS, National Health Expenditure Projections, 2015–25*


Source: Keehan, SP et al, “National Health Expenditure Projections, 2015–25: Economy, Prices, And Aging Expected To Shape Spending And Enrollment,” *Health Affairs*, Jul 2016, available at: <http://content.healthaffairs.org/content/early/2016/07/12/hlthaff.2016.0459>; Advisory Board research and analysis.

# Price Increases Abound

## Complex Marketplace Allowing Prices to Soar


 **Drug shortages**  
inflate prices and  
threaten clinical quality


 **Generic drug price increases**  
have small, but  
additive effects on  
total pharma spend


 **Specialty pharmacy**  
introduces new and  
expensive drugs to the  
marketplace

**8.5%**

increase in net drug  
prices, 2015

 **Brand drug price inflation**  
puts an added strain on  
pharma budgets

 **Captive pharmacies**  
avoid formulary  
management by capitalizing  
on market share

 **Consolidation**  
among drug manufacturers  
limits direct competition

# Beyond Pricing, Utilization Trends Drive Spending

## A Range of Opportunities to Improve Medication Management

### Ineffective Medication Management



#### Sub-optimal drug choice

- Wide variation among prescribers
- Lack of value-based frameworks for evaluating drugs



#### Duplicate, unnecessary drugs

- Inadequate medication reconciliation processes
- Fragmented IT systems and uncoordinated care

### Insufficient Patient Engagement

#### Ineffective partnerships

- Failure to involve patients in shared decision making
- Lack of transparency about drug efficacy and side-effects



#### Poor medication adherence

- Failure to pick up or refill prescriptions on time
- Confusion about how to take medications correctly



# Confronting New Business Opportunities

## Benefits of Health System Retail Pharmacy

1



### Rein in Employee Health Spend

- Employees can potentially buy prescriptions at GPO prices, reducing costs by 5-12%
- Cost savings are potentially greater for 340B hospitals

2



### Improve Continuity of Care

- Health system pharmacists can access patient records, consult with MDs
- Med-to-bed programs reduce readmissions

3



### Improve Patient Experience

- Locating retail pharmacies in clinics makes it more convenient for patients to fill their prescriptions
- Centralized refill services are more timely and efficient

4



### Build a Foundation for Specialty Pharmacy

- Retail pharmacies enable health systems to gain experience buying and billing for outpatient drugs and managing complex chronic disease patients in the outpatient setting

# Specialty Pharmaceuticals Upping the Ante

## Expensive Drugs Reshaping Pharma Landscape

**2 out of 3**

The proportion of drug spend due to specialty drugs between 2010 and 2015

**42%**

The percentage of specialty medications in the late-stage pipeline

**\$9 billion**

Estimated sales for top 7 specialty drugs, 2016

**\$94,000**

Cost of Hepatitis C drug, Harvoni, for 12 weeks plus lab testing

**Specialty Pharmacy:** The sale and administration of high-cost, outpatient drugs that treat complex conditions and often require special handling and storage



# Pharmacy Critical to Broader System Objectives

## Health System Challenge

## Intensifying Margin Pressure

## Increasing Quality, Outcomes Scrutiny

## Transition to Population Health

## Rise in Health Care “Consumerism”



## Pharmacy’s Role

- Prioritize growth opportunities in specialty and retail
- Rightsize pharmacy service portfolio, market footprint
- Pursue novel contracting arrangements with suppliers
- Achieve superior performance on medication-related VBP<sup>1</sup> measures
- Deploy pharmacy staff to reduce medication-related readmissions
- Prioritize investments in pharmacy data and technology to ensure patient safety, quality care
- Adopt value-based formulary management
- Ensure rigorous medication reconciliation across settings
- Drive patient adherence and reduce abandonment
- Integrate pharmacists into outpatient care teams
- Enhance convenience, access to pharmacy services
- Differentiate pharmacy program, establish a unique value proposition

1) Medicare’s Value-Based Purchasing program.

# The Pharmacy Executive Forum

## The Pharmacy Executive Forum Helps Pharmacy Leaders...

### Develop market-leading strategy



- Analysis of national trends and industry news
- Strategy decision guides
- Expert consultation

### Accelerate performance improvement



- Best practice publications
- Program performance assessments
- Clinical, operational, and financial benchmarks

### Enhance team capacity and effectiveness



- On-call research support
- Sample policies, procedures, job descriptions
- Staff training and development

### Communicate pharmacy's value to the system

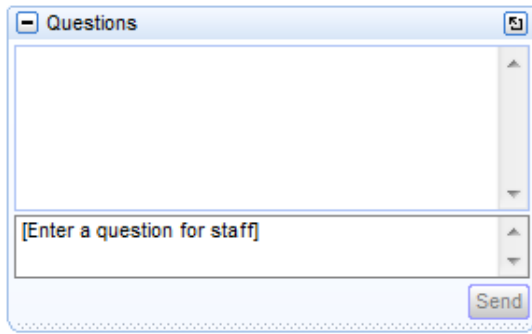


- Executive education
- Ready-made presentations
- Trusted third-party voice

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