

Advancing Health System Retail Pharmacy

Four Questions for Reevaluating Your Strategy



As of 2016, 47% of hospitals operate a retail pharmacy.¹ Common goals include increasing patient access to medications, improving care continuity, and generating revenues. With the transition to risk-based payment, these goals are taking on increasing importance, prompting many to revisit their retail pharmacy strategies and others to enter into retail pharmacy for the first time. Regardless of whether your health system's retail pharmacy is well established or in start-up mode, the four questions below will help you to evaluate and advance your strategy.

Benefits of the Right Retail Pharmacy Strategy

- ▶ **Profits**
340B hospitals have potential to capture significant margins
- ▶ **Patient Experience**
Enhance patient satisfaction with care experience
- ▶ **Patient Outcomes**
Improve medication management and clinical quality
- ▶ **Cost Savings**
Reduce spending on drugs for health system employees and patients under at-risk contracts

QUESTION 1

Which patient populations should we serve?

Most health system retail pharmacies will benefit from targeting employees and their dependents covered by the organization's health plan, as well as Medicare patients who could be a source of readmissions penalties. Beyond those two groups, the patient segments you target will be a function of your 340B status and the extent to which your health system has taken on risk for the total costs of patient care.

Different Target Populations, Different Benefits

Health system plan beneficiaries

Reduce total drug costs for the health plan

Post-acute care patients

Strengthen transitions of care and improve medication adherence

Medical group patients

Improve continuity of care and maintain patient loyalty

Medicare HRRP² patients

Promote medication adherence to reduce readmissions and improve patient experience

Emergency department discharges

Improve patient satisfaction and reduce avoidable readmissions

High-risk discharge patients

Ensure medication pickup and medication counseling

Chronic disease patients

Improve long-term health outcomes for high-cost patients

QUESTION 2

How can we improve patient access?

We consistently find that convenience is the single most influential factor for patients seeking non-acute services. In addition to locating your retail pharmacy in a convenient location, you can also enhance accessibility through nearby parking, extended hours, call centers, and mail order services.

Location, Location, Location: A Key Component of Access

Hospital-Based Pharmacy

Patient Benefits

- Allows discharged patients to leave hospital with prescriptions in hand
- Provides convenient refills for hospital employees

Business Challenges

- Limited space suitable for retail
- Limited hospital parking
- Requires patients to return to hospital for refill

Clinic-Based Pharmacy

- Provides prescription pickup at the point of care
- Promotes a "one-stop" health care experience

- Requires sufficient volumes at clinic sites
- Extends time that patients must wait on site

Community-Based Pharmacy

- Provides convenient pharmacy services outside the hospital and clinic
- Improves prescription capture
- Promotes continuity of care

- Competes with national retail chains for efficiency and coverage
- For 340B-covered pharmacies, attracts some non-affiliated patients

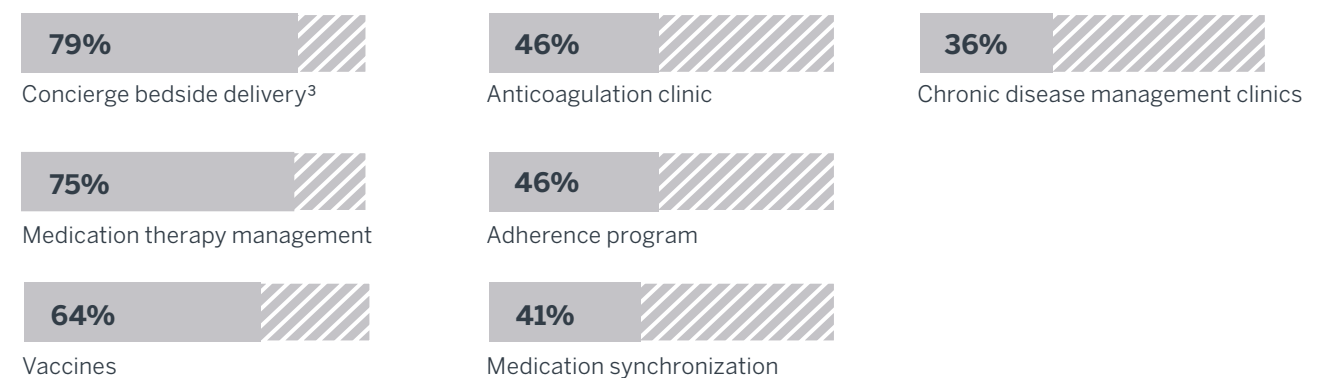
QUESTION 3

Which clinical services should we provide?

Retail pharmacies have great potential to support patients beyond filling prescriptions. Not only can clinical services enhance care quality and accessibility, they also give patients a reason to return to the pharmacy, which ultimately drives additional prescription volumes.

Clinical Services: Benchmark Your Offerings

Percentage of Health Systems Offering Clinical Service in Retail Pharmacies



QUESTION 4

What is our investment or partnership strategy?

Each individual health system needs to weigh the pros and cons of a wholly owned retail pharmacy versus partnership. All too often, organizations enter into partnerships without fully understanding the implications. Through partnership, health systems gain access to retail chains' business expertise and scale, but they trade off complete control of the care continuum and revenues.

Partnering with National Chains: Requires Compromise to Align Goals

Health System Goals

Promote medication adherence

Minimize unnecessary prescriptions and discontinue medications when appropriate

Ensure medication education and side effect management

Retail Chain Goals

Promote medication adherence

Drive increased prescription volumes

Maximize transaction efficiency

¹ "State of Pharmacy Automation 2016," Pharmacy Purchasing & Products, August 2016, pppmag.com/digitalmag/Main.php?MagNo=168&PageNo=1#page/82. ² Hospital Readmissions Reduction Program. ³ Hospital-based pharmacies.