Preserving Core Pharmacy Services in an Era of Declining Revenue

ROSS W. THOMPSON, M.S., B.S.PHARM.
TODD KARPINSKI, PHARM.D., M.S.
Ross W. Thompson, M.S., B.S.Pharm.
Director of Pharmacy Services
Tufts Medical Center
Boston, Massachusetts

Ross W. Thompson, M.S., B.S.Pharm., is the Director of Pharmacy at Tufts Medical Center and Assistant Professor of Medicine at Tufts University in Boston, Massachusetts. Mr. Thompson is also a Clinical Assistant Professor at Northeastern University’s Bouve’ College of Health Sciences School of Pharmacy.

Mr. Thompson received his Bachelor and Master of Science Degrees from the University of Kansas and completed his residency at the Kansas University Hospital. His experience includes serving as Associate Director of Pharmacy at the University of Texas Medical Branch and as Assistant Director of Pharmacy at the University of North Carolina Hospitals. He also gained experience with McKesson Corporation in roles ranging from traditional pharmacy practice management to consulting and implementation services within health system pharmacy practices.

Mr. Thompson remains active in the Massachusetts Society of Health System Pharmacists having served as Treasurer and as President. He is also active in the American Society of Health System Pharmacists (ASHP) and has served as Vice Chair of ASHP’s Section for Pharmacy Practice Managers, Chair of the Section Advisory Group on Financial Management, and most recently as a member of the Section Advisory Group on Manager Development. Mr. Thompson also served as a member of ASHP’s Council on Administrative Affairs from 1999 to 2002 and is currently serving as a member of ASHP’s Council on Pharmacy Management.
Todd Karpinski, Pharm.D., M.S., is Director of Pharmacy Services at Froedtert Hospital in Milwaukee, Wisconsin. Dr. Karpinski has held pharmacy leadership positions in both academic and community hospitals in various parts of the country.

He received his Doctor of Pharmacy from Drake University in Iowa and Master of Science in hospital pharmacy from the University of Kansas. He completed the American Society of Health-System Pharmacists-accredited pharmacy practice management residency at the Kansas University Hospital.

Within the ASHP Pharmacy Practice Managers section, several leadership roles have included Chair, Management Development Section Advisory Group and Chair, Education Programming Committee. Dr. Karpinski is serving a second term on the ASHP Council on Pharmacy Management. He is active within affiliate chapters and is currently President-elect of the Illinois Council of Health-System Pharmacists (ICHP). He has served as ICHP Director of Professional Affairs, ASHP delegate (ICHP), and President-elect of the Gulf Coast Society of Health-System Pharmacists. Dr. Karpinski was honored with the 2007 ICHP President’s Award.
Ross W. Thompson, M.S., B.S. Pharm.
Todd Karpinski, Pharm.D., M.S.

Preserving Core Pharmacy Services in an Era of Declining Revenue

Abstract

Many pharmacy leaders have been challenged to justify key pharmacy services, especially during the recent economic downturn. In this workshop, you will learn from your peers and discuss strategies that demonstrate the value of your core pharmacy services while continuing to advance the evolving practice model of health-system pharmacy.

Learning Objectives

After participating in this application-based educational activity, participants should be able to

- Analyze the value of core pharmacy services to your health-system administration and other health care professionals.
- Sketch out ways to build alliances with your medical, nursing, and allied health associates in order to strengthen the perceived value of unique pharmacy services that you have implemented.
- Examine various strategies to effectively defend the continuation of key pharmacy services in challenging economic times.
Preserving Core Pharmacy Services in an Era of Declining Revenues

Todd Karpinski, Pharm.D., M.S.
Ross W. Thompson, M.S., B.S.Pharm.

Overall Workshop Objectives

- Analyze the value of core pharmacy services to your health-system administration and other health care professionals.
- Identify opportunities to build alliances with your medical, nursing, and allied health associates in order to strengthen the perceived value of unique pharmacy services you have implemented.
- Examine strategies to effectively defend the continuation of key pharmacy services in challenging economic times.

Format of the Workshop

- Four lecture sessions led by moderators
- Four breakout sessions
  - Allow for group interaction
  - Case-based learning
  - Each group assigned a unique scenario
  - Formulate plan to expand or justify a pharmacy service
- One 15 minute break at midpoint of workshop
Session 1 - Objectives

- Discuss the background on declining revenues and the impact of the economic downturn on health-systems
- Discuss tactics utilized to improve the financial viability of health systems
- Evaluate the impact of the downturn on the pharmacy department

Forces Continue to Challenge the Business Fundamentals of Providers

- Constrained Payment Sources
- Economic Uncertainty
- Philanthropic Resources
- Evaluation of Tax Exemption
- Covering the Uninsured
- Ongoing operating cash flow will contract
- Philanthropic resources will be limited
- Investment portfolio declines will impact operations and future strategic plans
- Returns from investment portfolios will remain volatile and continue to decline over the near term
- Increased credit rating downgrades are likely

Fred Hessler, Managing Director, Citi, "Wall Street Perspective: Operating in a New Capital Markets World", January 2009
Hospitals are continuing to see a decline in financial health

Percent of Hospitals reporting a Moderate to Significant Decrease in Margin

<table>
<thead>
<tr>
<th>Total Margin</th>
<th>Moderate</th>
<th>Severe</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>26%</td>
<td>39%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating Margin</th>
<th>Moderate</th>
<th>Severe</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>29%</td>
<td>28%</td>
</tr>
</tbody>
</table>

AHA (March 2009) Rapid Response Survey: The Economic Crisis

Aggregate operating margins have taken a severe hit

Analysis of American Hospital Association Annual Survey data

Hospitals reporting negative margins are the highest on record

AHA Annual Survey data
• What has been the trend in your hospital’s total operating margin over the past 2 years?
  - Positive
  - Negative
  - About the same

Changes in uncompensated care and patients covered by Medicaid have had an impact on revenue

<table>
<thead>
<tr>
<th>Uncomp care as percent of total revenue</th>
<th>Moderate</th>
<th>Severe</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>45%</td>
<td>24%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Percent of patients covered by Medicaid</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>40%</td>
<td>8%</td>
</tr>
</tbody>
</table>

AHA Rapid Response Survey, The Economic Crisis

Nine in 10 hospitals have made cutbacks to address economic challenges

<table>
<thead>
<tr>
<th>Made changes to address economic challenges</th>
<th>0%</th>
<th>20%</th>
<th>40%</th>
<th>60%</th>
<th>80%</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Made changes to address economic challenges</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cut Administration expenses</td>
<td>50%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduced Staff</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduced Services</td>
<td>13%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Considering Merge</td>
<td>3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Divested Assets</td>
<td>1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

AHA Rapid Response Survey, The Economic Crisis
### Additional responses from hospitals to mitigate the impact of the collapse

- Capital projects put on hold
- Construction halted
- Wage freezes / reductions
- Changes in benefit plans
- Employment of physicians
- Reduction in supply expenses
- Revenue optimization – new market development
- Utilization management
- Increasing overall efficiency

---

### Impact of the downturn at the departmental level

#### 2009 ASHP survey

- Purpose was to assess the impact of the economy on pharmacy services in health-systems
- 541 responses (17% response rate)
- Good geographic and bed size distribution
- 69% of respondents felt pharmacy services were impacted at a similar level as the rest of the organization

---

### Strategies to reduce staffing and payroll budgets

<table>
<thead>
<tr>
<th>Answer</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction in FTE</td>
<td>67%</td>
</tr>
<tr>
<td>Reduction or salary freeze</td>
<td>42%</td>
</tr>
<tr>
<td>Reduction in benefits</td>
<td>23%</td>
</tr>
<tr>
<td>Reduction in level and scope of services</td>
<td>20%</td>
</tr>
<tr>
<td>Reduction in staff paid hours</td>
<td>16%</td>
</tr>
<tr>
<td>Staff furloughs</td>
<td>14%</td>
</tr>
<tr>
<td>Reduction in hours in pharmacy services</td>
<td>7%</td>
</tr>
<tr>
<td>Reduction in base salary</td>
<td>2%</td>
</tr>
</tbody>
</table>
### Drug budget reductions

<table>
<thead>
<tr>
<th>Amount of Drug Budget Reduction</th>
<th>% of Respondents that Had to Reduce Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 2%</td>
<td>11%</td>
</tr>
<tr>
<td>2% - 5%</td>
<td>56%</td>
</tr>
<tr>
<td>6% - 10%</td>
<td>25%</td>
</tr>
<tr>
<td>More than 10%</td>
<td>8%</td>
</tr>
</tbody>
</table>

### Strategies employed to reduce drug budget

- **Formulary restrictions** – 80%
- **IV to PO** – 79%
- **Therapeutic substitutions** – 78%
- **Consideration of 340b participation** – 66%
- **Additional strategies**
  - Revenue cycle management
  - Tighter PA processes
  - AMS program
  - Inventory turns
  - Additional OP services
  - Thorough contract review
  - DRG-based drug analysis

### Impact of economy on capital investments

- **Automated dispensing cabinets**
  - 16% eliminated or postponed
- **BCMA**
  - 23% eliminated or postponed
- **EMAR**
  - 14% eliminated or postponed
- **CPOE**
  - 20% eliminated or postponed
The Froedtert Story

New DOP at Froedtert

• August 2008 interview for Director position
  – Froedtert is a growing entity
  – Historically strong operating margins
  – Good cash reserves
• Start date – January 2009
  – Operating margin erosion – Nov / Dec
  – Administrative plan put in place to mitigate economic downturn

Cost cutting strategies employed

• Immediate 18-month travel and salary freeze
  – February 2009
• Freeze on all but vital capital
• Administrative cost reductions
• Supply standardization efforts
• Energy conservation activities
• Targeted productivity improvements
  – Action OI – 50th percentile
Impact of measures in the pharmacy department

• Action OI 50th percentile
  – Drug spend – okay
  – Labor spend – 78th = 2.3 million dollar opportunity
• Salary freeze for all employees
  – Not fun for a new DOP
• Drug policy opportunities
• Freeze on all capital projects
• New clinical programs put on hold
  – Ambulatory, ED, IDS

New Business Model of Care is Being Defined

<table>
<thead>
<tr>
<th></th>
<th>Current Model</th>
<th>New Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value Proposition</td>
<td>More market share, more patients, more services</td>
<td>Best quality at lowest price</td>
</tr>
<tr>
<td>Direction of Price</td>
<td>Saks Fifth Avenue</td>
<td>Wal-Mart</td>
</tr>
<tr>
<td>Cost Environment</td>
<td>Cost management</td>
<td>Cost structure</td>
</tr>
<tr>
<td>Direction of Utilization</td>
<td>Always up – industry growth</td>
<td>Flat, maybe down</td>
</tr>
<tr>
<td>Relationship between hospitals and MDs</td>
<td>Parallel play</td>
<td>Coordinated, integrated</td>
</tr>
<tr>
<td>Payment</td>
<td>Fee for service</td>
<td>Something else</td>
</tr>
<tr>
<td>System of Care</td>
<td>Patient services</td>
<td>Patient management</td>
</tr>
<tr>
<td>Importance of scale</td>
<td>Small can survive</td>
<td>Big, bigger, biggest</td>
</tr>
</tbody>
</table>

Kaufman, Hall & Associates 2010

Actions Items in the New Model

• What is your place in providing care?
• What is achievable?
  – Medical home
  – Acute care bundling
  – Acute Care Episode with Post-Acute care bundling
  – Post Acute Care Episode bundling
• Cost management v.s. Cost structure
Critical Questions in the New Era

- Can your hospital stand alone in the new business model?
- Do you have a physician strategy that will meet reform requirements?
- Do you have a quality initiative that recognizes the principals of care coordination, evidence-based medication, and comparative effectiveness?
- Is your financial plan on steroids?
- Are you building a primary care network that will keep patients in the system?

Questions?

Breakout Session 1 – 20 minutes

- Introductions between members at each table
- State why you are interested in this topic
- Describe the financial status of your hospital or health system
- What tactics have been utilized at your health system to deal with the downturn
- Report out utilizing the cards
**Breakout Questions**

- **Audience participation**

- **How has the economic downturn impacted your hospital operating margin?**
  - No impact
  - Negative
  - Positive

---

**Breakout Questions**

- **What strategies has your organization implemented to mitigate the impact of the downturn?**
  - Reduced staff
  - Reduced services
  - Merger
  - Divested assets
  - Capital projects halted
  - Wage freezes / cuts
  - Utilization management
  - Changes in employee benefits
  - Employment of physicians

---

**Breakout Questions**

- **What strategies has your pharmacy implemented to mitigate the impact of the downturn?**
  - Reduction of FTE
  - Reduction or salary freeze
  - Reduction in drug budget
  - Elimination of resident position
  - Reduction in student rotations
  - Reduction in level or scope of services
  - Staff furloughs
  - Reduction in hours of services
  - Capital projects on hold
Breakout Questions

• If your organization implemented strategies to curb the impact of the downturn, has the recent recovery helped to re-institute lost services, staff, etc.

  Yes

  No

The Changing Landscape of Health Care: Cultivating Leadership in Health-System Pharmacy

Preserving Core Pharmacy Services in an Era of Declining Revenues
Todd Karpinski, Pharm.D., M.S.
Froedtert Hospital
Milwaukee, Wisconsin

Session 2 - Objectives

• Discuss resources and tools that can be used to justify existing pharmacy services.
• Review key articles that provide financial and qualitative justification for expanding pharmacy services.
• Discuss strategies to combat the impact benchmarking can have on staffing and services.
Tools for justifying services and resources

- **Hard dollar**
  - Revenue enhancement
  - Expense reduction
  - Utilization management

- **Soft dollar**
  - Cost avoidance
  - Quality gains
  - Error reduction

*At the end of the day we must add value to the organization*

---

Expense reduction strategies at Froedtert Hospital

- **Direct expense reduction**
  - 50% reduction in overtime
  - Drug spend cuts
    - Utilize GPO resources
    - Consultants

- **Revenue enhancements**
  - Specialty pharmacy position
  - Re-direct infusions to OP setting
  - Chargemaster review and price increase

---

Value of pharmacists and pharmacy services

- Pharmacy services do provide value to health systems
- Search primary literature
  - Doesn’t take long to find good examples
- Network with colleagues
  - ASHP, GPO, state organizations
- Gauge internal value of pharmacy
  - Quite possibly the most important
Landmark articles that demonstrate the value of pharmacy services

- Medicare data from 885 hospitals, over 2.8 million admissions
- Pharmacy services associated with reduction in mortality rates
  - Education
  - ADR management
  - Protocol management
  - Code response
  - Rounding
  - Admission histories

Clinical Pharmacists and Inpatient Medical Care

- Review of 36 studies to evaluate pharmacist interventions
- Pharmacist on rounds
  - Reduction in ADE – 66%
- Antibiotic monitoring
  - Reduction in days of therapy and abx spend
- Anticoagulation mgmt
  - More patients in therapeutic range and reduced LOS

Pharmacist obtained medication histories

- Pharmacist v.s. physician obtained histories
  - Identified medications, 614 vs 556
  - 353 actual discrepancies identified by RPh
  - 88% of discrepancies were corrected
- Pharmacist v.s. nurse obtained histories
  - 34% of patients with 1-4 discrepancies
  - 17% of patients with 5-9
  - Average history time – 20 minutes
  - Data utilized to justify 3.5 FTE pharmacists

Reedler TA, Mancinelli A. Pharmacist versus physician-obtained medication histories. AJHP. 2008;65:857-60
Murphy EM et al. Medication reconciliation at an academic medical center: Implementation of a comprehensive program from admission to discharge. AJHP. 2006;62:2160-31
Emergency Department pharmacy services

• Literature review to determine economic, humanistic and clinical outcomes
• 17 citations involving 12 hospitals
• Cost avoidance numbers
  – Up to $3M annually
• Clinical interventions
  – Code participation, kinetics, antibiotics, histories

How would you use this information at your hospital?

• Primary literature is purely a starting point
• Do you have local evidence?
• What is the landscape in your ED?
  – High ADE rates
  – Compliance issues
• Where would you target the services?
• How will you measure value?

The wonderful world of Benchmarking
How to defend your benchmarking numbers?

• First, understand the data
• Know what the metrics mean and the limitations
  – Drug expense not separated into meaningful groups
  – CMI is a flawed method for measuring pharmacy acuity
  – Clinical activities often not measured
  – Data reporting varies significantly by hospital
  – Vendor reported productivity ratios are flawed

Additional strategies when working with an external system

• Understand mathematic formulas behind each ratio
  – Ex. Inpatient drug expense per 100 CMI-adjusted revenue-adjusted patient days
• Select the most meaningful metrics to you
  – Work with your administrators to establish and work on improving 1-2 metrics
• Identify potential quality impact of 25th percentile labor productivity goals
• Develop internal benchmarking

Using benchmarks offensive to identify opportunity

- Good situation to be in
  - Drug expense much larger impact
  - Pharmacists can reduce drug spend
- Focus on the total cost of care
- Identify other positive variances
  - Low OT, high PIS
Audience participation

• Are you utilizing an external benchmarking vendor?
  - Yes
  - No

Audience participation

• If you are utilizing external benchmarks, what metrics are you held accountable for?
  - Worked hours
  - Labor expense
  - OT expense
  - Paid FTE
  - Drug expense
  - Labor or Drug expense per volume metric
  - Adjustment for CMI? PIS?

Audience Participation

• Are you using internal benchmarks?
  - Yes
  - No
  - If yes, what metrics?
Internal Benchmarking - Scorecards

Justification of existing pharmacy services at Froedtert Hospital

• Action OI Labor expense – 78th percentile
  – Goal 50th percentile – remove $2.3 million from salary budget
• Justification for maintaining staffing levels
  – 35th percentile for drug expense
  – Removed an additional $500K from drug budget (5 million under for the year in total expense)
  – Rallied support for existing pharmacy services

Expansion of pharmacy services at Froedtert Hospital

• Antimicrobial stewardship coordinator
  – Review of the literature – extensive
  – Review of internal data
    • No stop dates - $500K opportunity
    • No strict adherence to restrictions
    • No de-escalation of therapy
  – Garner support
    • Clinical leadership, ID service line
  – Addition of 1.0FTE
Pharmacist led discharge medication reconciliation

- Four week pilot program
  - No additional resources – 1.0FTE dedicated
  - Performed reconciliation and counseling
- 167 patients
  - 271 interventions
  - 65% of patients required at least one intervention
- Average time per patient = 25 minutes
Pharmacist led discharge medication reconciliation

- Results presented to administration
  - DOP, DON, MD champion
- Quality justification presented FIRST
  - Stories of interventions highlighted
  - Regulatory
  - Patient compliance and readmissions
- Patient satisfaction
- Financial case
  - 6.0FTE pharmacist needed = $720K
  - Soft savings - $26million based on interventions
  - Offset - revenue generation

Questions?

Breakout Session 2

- Please open the envelope at your table for the assigned case.
The Changing Landscape of Health Care: Cultivating Leadership in Health-System Pharmacy

Preserving Core Pharmacy Services in an Era of Declining Revenues
Ross Thompson, M.S., B.S.Pharm.
Tufts Medical Center
Boston, Massachusetts

Session 3 - Objectives

- Examine available sources of information to establish and develop a business concept
- Discover the importance of aligning with the organization’s mission and priorities
- Consider business model and financial drivers influencing resource decisions
- Review importance of finding stakeholders and gaining support

Finding and quantifying an opportunity

- Clinical practice research
- Professional Colleagues
- Health care industry publications
  - Regulatory updates
  - Safety publications
  - Reform / reimbursement changes
- Benchmarking and trending
  - Access to additional comparisons through GPO
  - AJHP National Survey results
  - You are your best “comparator”
Defining and developing the scope

- Refining the business concept
- Explaining how the initiative supports the health-system
- Facing questions and challenges, forces you to define scope:
  - What it is
  - What it is not
- Helps identify stakeholders and advocates

Aligning with organizational initiatives

- Make your agenda “their” agenda
- Any concept must be sold to a higher authority
  - Specific enough to illustrate how it fits within the larger agenda
  - Simple enough for the 60 second “elevator pitch”
- Critical for gaining support and finding the message that resonates

Financial model considerations

- Existing market or an emerging market
- Hard or soft dollar impact
  - Creating more revenue or decreasing expense
  - Redirecting resources toward quality, safety, etc.
- Organization’s financial priorities
  - Increase revenue
  - Decrease expenses
  - Improve cash flow
Defining a value proposition

• Usually one of two equations apply:
  – Margin = Revenue – Expenses
  – Value = Quality / Cost

• Organizations strained by cash flow have a lower appetite for soft dollar / value-add
• Hard dollar opportunities are related to revenue growth and / or cost reduction

Cost center dynamics

| Revenue is fixed or absent | Impact on margin:
| Margin = Revenue – Expense | decreases |
| Dynamics: |
| 1. Adding cost without changing revenue ... |
| 2. Decreasing cost with no change in revenue ... |
| increases |
| no change |

Revenue center dynamics

| Revenue and expense are variable | Impact on margin:
| Margin = Revenue – Expense | decreases |
| Dynamics: |
| – Increasing revenue with no change in expense ... |
| – Decreasing expense with no change in revenue ... |
| increases |
| no change |
Value and quality dynamics

- Value = Quality / Cost
- Reimbursement models change this dynamic
  - Fee for service
  - Capitation
  - Risk pool with cost and quality incentives
- Previously soft dollars: quality, safety, compliance
- Quality now translating to hard dollars

How to apply these dynamics

- Business concept will typically require investment of time and / or money
- Need to identify how the hospital will realize a greater benefit than the investment
- Staying informed of health care trends and hospital priorities is critical

Universal health care in Massachusetts

- Must control costs if large population is insured
- Align incentives to keep health care affordable
- Payers exploring innovative reimbursement models
- Blue Cross Blue Shield of Massachusetts offered Tufts Medical Center an Alternative Quality Contract
BCBS Alternative Quality Contract

- Goal of improving overall quality, transparency and affordability for members, providers and employers
- Model designed to reward high quality, appropriate and efficient care
- Involves a two-component model of reimbursement:
  - A global, risk-adjusted, fixed payment per patient
  - Performance-based incentives linked to measures of quality, efficiency and patient satisfaction

Quality and satisfaction data

- Data now public information and easily accessible
  - Process of care measures (surgical care, acute MI, pneumonia, heart failure)
  - Outcome of care measures (mortality, unplanned readmissions)
  - Patient satisfaction via Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS)
- Available at [www.hospitalcompare.hhs.gov](http://www.hospitalcompare.hhs.gov)

How “fluent” are you in HCAHPS

- Experienced / proficient
- Aware but inexperienced
- Just becoming aware
10 focus areas of HCAHPS survey

- Nurses communicated well with patients
- Doctors communicated well with patients
- Patients received help quickly from hospital staff
- Patients’ pain was well controlled
- Staff explained about medicines before giving them
- Patients’ rooms and bathroom were kept clean
- The area around patients’ rooms was kept quiet at night
- Patients given information about what to do after discharge
- How do patients rate the hospital overall
- Would patient recommend the hospital to friends and family

HCAHPS survey questions

- Nurses communicated well with patients
- Doctors communicated well with patients
- Patients received help quickly from hospital staff
- Patients’ pain was well controlled
- Staff explained about medicines before giving them
- Patients’ rooms and bathroom were kept clean
- The area around patients’ rooms was kept quiet at night
- Patients given information about what to do after discharge
- How do patients rate the hospital overall
- Would patient recommend the hospital to friends and family

HCAHPS survey questions

- Before giving you any new medicine, how often did hospital staff tell you what the medicine was for?
- Before giving you any new medicine, how often did hospital staff describe possible side effects in a way you could understand?
  - Never
  - Sometimes
  - Usually
  - Always
**HCAHPS – Hospital Compare Data**

<table>
<thead>
<tr>
<th>Communication about Medications</th>
<th>Staff &quot;always&quot; explained</th>
<th>Staff &quot;usually&quot; explained</th>
<th>Staff &quot;sometimes&quot; or &quot;never&quot; explained</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average of U.S. Hospitals</td>
<td>59%</td>
<td>19%</td>
<td>22%</td>
</tr>
<tr>
<td>Average of MA Hospitals</td>
<td>61%</td>
<td>19%</td>
<td>20%</td>
</tr>
<tr>
<td>Tufts Medical Center</td>
<td>63%</td>
<td>19%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Data from 10/1/2008 through 9/30/2009

---

**How to leverage this “quality trend”**

- Margin = Revenue – Expenses
- Value = Quality / Cost
  - Increased quality = Increased revenue
  - Now able to define hard dollar margin impact
- Effectively blends these equations
- Allows us to focus on more than just expenses
- Great time to expand quality-oriented services

---

**Turning trend into a concept**

- Pharmacist-led patient education
- Focus efforts in pain management
- Incorporate discharge planning
- Monitor HCAHPS to gauge impact
- Potential impact on unintended readmission
Seek support of stakeholders

- Understand who’s priorities are most aligned
- Determine best method for “telling the story”
- Help them realize impact of not pursuing
- Advocacy as you convince them of the need
- Learn how to best position a formal proposal

“Selling” the business concept

- Align message with priorities of stakeholders
- Simple enough to understand
- Enough detail to generate interest and excitement
- Highlight the 2 or 3 key points to emphasize

Gauge the appetite for risk

- Some initiatives are more risky and may require more homework and justification
  - Significant financial investment
  - Potential adverse effects
- If timing not critical, consider proof of concept
  - Demonstrating internal capability decreases fears
  - Project for resident or student to support
Questions?

Breakout Session 3

- As a continuation from your last exercise, develop a business concept to support your hospital’s immediate financial or clinical objectives
- Develop a 60 second elevator pitch to “sell” the concept to a COO in casual conversation
- Please be prepared to report-out

The Changing Landscape of Health Care: Cultivating Leadership in Health-System Pharmacy

Preserving Core Pharmacy Services in an Era of Declining Revenues
Ross Thompson, M.S., B.S.Pharm.
Tufts Medical Center
Boston, Massachusetts
Session 4 - Objectives

- Review purpose of writing a business plan
- Describe key components of a business plan
- Develop a strategy to “sell” the concept
- Insure a successful implementation
- Measure and promote your success

Purpose of a business plan

- Provide written description of business concept
- Answer … “why should we invest time and resources in this concept?”
- Written with the audience in mind
- Quantify the expected impact and timeline
- Outline resource needs and success factors
- Identify potential risks

Pre-work to draft business plan

1. Define the business or program
2. Market research and analysis
3. Competitor analysis
4. Clinical and quality requirements
5. Operational process design
6. Marketing strategy
7. Financial projections
8. Implementation plan and timeline
9. Risk / consequence
10. Exit strategy
Using BCBSMA AQC example

1. Define the business or program
   • Pharmacist-led patient education program
   • Direct impact on HCAHPS on medication, indirect impact on others

2. Market research and analysis
   • Illustrate current HCAHPS results
   • Outline impact on reimbursement rate

3. Competitor analysis
   • Not an external competitor in this case but perhaps internal
   • Why use a pharmacist versus a less expensive resource

4. Clinical and quality requirements
   • How will we insure we provide correct / appropriate information
   • What concerns must be addressed regarding patient privacy

Using BCBSMA AQC example (continued)

5. Operational process design
   • How patient is identified and engaged by a pharmacist
   • How much time per patient, what information provided

6. Marketing strategy
   • How “customers” informed and attracted to the service
   • Could require some degree of support from nursing staff

7. Financial projections
   • Cost of labor (if incremental) and educational materials
   • Expected impact on BCBSMA reimbursement rate
   • Possible “soft savings” of decreasing nursing workload

Using BCBSMA AQC example (continued)

8. Implementation plan and timeline
   • Project plan for staff training, printing of materials, etc.
   • Timeline and sequencing of roll-out and timing of impact on HCAHPS

9. Risk / consequence
   • Strengths, weaknesses, opportunities, threats
   • Possible failure to improve HCAHPS

10. Exit strategy
    • Define program failure and when to determine
    • Protocol for returning the responsibility to nurses
Now that pre-work is complete:

You are now:
- Aware of potential opportunities and risks
- Ready to present the business plan
- Both are true

Trick question

- May realize risks outweigh reward
- Many business concepts are investigated but found to be unworthy of pursuit
- Good to determine this early in the process
- Keep documentation on hand as dynamics may change that renews interest

Key components of business plan

1. Executive summary
2. Background and description of service
3. Market analysis
4. Operational structure and process
5. Financial projections
6. Implementation plan with milestones
7. Risks and opportunities
8. Exit strategy
9. Conclusion
10. Supportive documents (financial statements, regulatory standards)
Quantifying the financial impact

- Often the “highest hurdle” to clear
- Unlikely to justify a new service without showing a tangible benefit
- Variety of financial modeling tools
- Learn what your organization uses
- Engage Finance for buy-in and support

Tufts MC Outpatient Expansion

- Analyzed existing operations
- Comparison of national benchmark data to assist in sizing our opportunity
  - 350,000 clinic visits per year
  - Low employee utilization
  - Self-insured
  - 340B pricing
- Asked Finance to assist with projections

Example of Financial Projection

<table>
<thead>
<tr>
<th></th>
<th>Investment</th>
<th>Year 1</th>
<th>Year 2</th>
<th>5 Year Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>2,682,957</td>
<td>267,235</td>
<td>31,918,851</td>
<td></td>
</tr>
<tr>
<td>Total Expenses</td>
<td>2,381,961</td>
<td>3,426,501</td>
<td>24,613,912</td>
<td></td>
</tr>
<tr>
<td>Contribution Margin</td>
<td>(1,178,299)</td>
<td>300,996,842</td>
<td>224,7</td>
<td>304,939</td>
</tr>
</tbody>
</table>

ROI (5 years) 74%
Payback Period 2.1 years
Satisfies multiple agendas

- Financial success for the organization
- Addressed CMS requirements in transplant
- Improved patient satisfaction
- Improved employee satisfaction

“Selling” the business proposal

- Selling is equally important to researching and drafting of the proposal
- May only get 5 minutes to formally present to executive team
- Solicit support informally versus solely on a presentation
- Anticipate the challenges

5 reasons a proposal fails

- Too cumbersome to implement
- Too costly or risky
- Too tangential to organization’s goals
- Too complex to comprehend
- Too vague or loosely defined
Proposal approved ... now what?

• First, celebrate your first major milestone!

• Second, turn your focus to:
  – Implementation plan
  – Measuring / monitoring performance
  – Communicating progress and success

First step of implementation plan

- Call a meeting to generate a project plan
- Draft your own project plan and run with it
- Pull project plan from your proposal

Implementation plan

• Already described in detail within your business plan
• Formalize a project plan with assigned tasks and completion dates
• Monitor progress to the project plan and communicate completion of milestones through implementation
Measure and monitor performance

• Once operating, keep key performance metrics visible
• Measurements remind and motivate staff as you ask them to change
• Allows you to validate business assumptions
• Creates a clear message to communicate to stakeholders

Communicating progress and success

• Establish a communication vehicle and reporting frequency to share updates
• Keep visibility and organizational focus on the project
• Diplomatically identify barriers to be removed
• Squarely answer “did we get what we paid for?”

Value of reporting progress

• Allows you to promote the accomplishment within the context of a project update
  — Never leave success to interpretation
  — Builds credibility with senior executive team
• Ideally report success and impact of all service areas of your department - not just the latest venture
  — Best offense is a good defense
  — By being reminded of the value a resource provides, it is less likely for anyone to question the resource
Questions?

Breakout Session 4

• Using the business concept your group developed, “rough-out” a business proposal within the outline provided
• Model the cost / financial impact
• Outline your presentation if given 5 minutes with the senior executive team
• Please be prepared to report-out

The Changing Landscape of Health Care: Cultivating Leadership in Health System Pharmacy

Preserving Core Pharmacy Services in an Era of Declining Revenues

CPE Session Code for this workshop:

_____________
SELF-ASSESSMENT QUESTIONS

1. Forces that continue to challenge the business fundamentals of hospitals include:
   a. Increased reimbursement.
   b. Commercial payer consolidation.
   c. Less self-pay.
   d. All of the above.

2. Studies have demonstrated a reduction in overall mortality from the following pharmacy services:
   b. Drug protocol management.
   c. Rounding.
   d. All of the above.

3. Challenges with external benchmarking services include:
   a. Classification of drug expenses.
   b. Determining the pharmacy acuity.
   c. Lack of accounting for clinical pharmacy services.
   d. All of the above.

4. Proposing a new service or defending an existing service depends on you to:
   a. Stay current with hospital priorities and health care trends.
   b. Communicate and promote the value of the service.
   c. Understand financial dynamics of your organization.
   d. All of the above.

5. Which of the following applies to a revenue center but not to a cost center?
   b. Revenue is variable.
   c. Expense is variable.

6. Formalizing a business plan requires that you:
   a. Quantify the opportunity.
   b. Identify resource needs.
   c. Establish an implementation plan.
   d. All of the above.

ANSWERS:

1. b
2. d
3. d
4. b
5. d
REFERENCES


6. Impact of the Current Economy on Pharmacy Services in Hospitals and Health Systems. A survey by the ASHP Section of Pharmacy Practice Managers. March 26, 2009


