Five Things CEOs Need to Know about Pharmacy

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## Numerous Ways for Pharmacists to Enhance Value

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

<table>
<thead>
<tr>
<th>Reduce 30-day Readmissions</th>
<th>Improve Chronic Care Management</th>
<th>Increase Medication Adherence</th>
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</thead>
<tbody>
<tr>
<td>- Randomized controlled trial of 278 patients being discharged home</td>
<td>- Hennepin County Medical Center embedded pharmacists and pharmacy residents in outpatient clinics</td>
<td>- Kaiser Permanente’s Diablo Service Area in Northern California developed a pharmacist-led medication management program for CML patients on oral tyrosine kinase inhibitor (TKI) regimens</td>
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<tr>
<td>- 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</td>
<td>- Pharmacists review medication orders, consult with physicians, and provide medication therapy management services</td>
<td>- Pharmacists meet with patients in clinic and follow up by phone and email</td>
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### Reduction in 30-day Readmissions

- **36% reduction** in 30-day readmissions rates and 9% improvement in scores on HCAPHS medication-related questions

### Increase in Chronic Care Management

- **$\sim 2.5K$ decrease** in average variable costs per patient per year; 3.4% reduction in 30-day readmissions

### Increase in Medication Adherence

- **35% increase** in patients who remained on their treatment plan

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#2: Drug spending growth continues to accelerate, but the drivers are changing

Pharma Spending on the Rise

National Prescription Drug Expenditure

Annual Percent Change

Projected drug spend in 2020

$435.3 billion

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

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
- **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

8.5% 

increase in net drug prices, 2015

Source: “Medicine’s Use and Spending in the U.S. – A Review of 2015 and Outlook to 2020,” IMS Institute, April 2016; Advisory Board research and analysis.
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

Sub-optimal drug choice

Source: Advisory Board research and analysis.
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

Source: Advisory Board research and analysis.
### Specialty Pharmaceuticals Upping the Ante

**Expensive Drugs Reshaping Pharma Landscape**

<table>
<thead>
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<th>2 out of 3</th>
<th>42%</th>
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<tbody>
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<td>The proportion of drug spend due to specialty drugs between 2010 and 2015</td>
<td>The percentage of specialty medications in the late-stage pipeline</td>
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<table>
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<th>$9 billion</th>
<th>$94,000</th>
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<tr>
<td>Estimated sales for top 7 specialty drugs, 2016</td>
<td>Cost of Hepatitis C drug, Harvoni, for 12 weeks plus lab testing</td>
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</table>

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

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**Pharmacy Critical to Broader System Objectives**

#5: Pharmacy executives need a seat at the planning table.

**Health System Challenge**

<table>
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<tr>
<th>Intensifying Margin Pressure</th>
<th>Increasing Quality, Outcomes Scrutiny</th>
<th>Transition to Population Health</th>
<th>Rise in Health Care “Consumerism”</th>
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**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\(^1\) 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.

Source: Advisory Board interviews and analysis.
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
Managing Your GoTo Panel

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Use the orange and white arrow to minimize and maximize your GoTo panel.

Use the blue and white square to maximize the presentation area.
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