Control the flow of drug expenditures

Prescription drug expenditures are the fastest growing component of health care spending, putting pressure on health systems' inpatient margins while also creating new revenue opportunities in the outpatient setting. For most health systems grappling with accelerating drug spend, reducing unwarranted prescribing variation will offer the single biggest improvement opportunity. That said, there are several other near-term chances to reduce spending and grow revenues. It’s critical to understand—and use—available controls to manage spend, capture revenue, and position for growth.

Partner with physicians to reduce unwarranted prescribing variation

This is the single most powerful lever for managing rising drug spend, but it isn’t easy. It requires an organization-wide commitment and a major investment of physician and staff time.

Reduce spending on health system employees’ prescription benefits

Health systems that successfully manage their employees’ pharmacy benefits can leverage that expertise to improve performance under risk-based contracts—or even to develop a pharmacy benefit manager (PBM) product.

Centralize select pharmacy services and drug inventory

Centralizing drug purchasing, inventory, and compounding creates opportunities to negotiate lower prices, reduce inventory, and mitigate effects of drug shortages.

Improve revenue capture for infused and injectable drugs

Due to cost-plus reimbursement, infused or injectable drugs generate significant revenue. As prices rise, payers are increasing prior authorization and documentation requirements to demonstrate medical necessity.

Capture outpatient growth opportunities

Managing overall drug spending—particularly on specialty drugs—will be essential to future financial sustainability. Establishing health system-owned retail and specialty pharmacies can help systems manage drug spending and optimize patient outcomes.

Get the tools you need to manage drug costs and improve revenue at your organization advisory.com/ef