

Is **medical group** DRUG SPEND your blind spot?

Medical group physician practices often purchase and manage medications independent of their aligned health systems and therefore miss out on the benefits of being part of a larger organization. Thus, they may pay higher prices for drugs and needlessly waste unused medications.

In addition, most medical groups lack staff with the experience and expertise to ensure medication safety and regulatory compliance, which puts the larger organization at risk.

Here are five questions you should ask about medical group drug spend to discover your blind spots.

1

How much do your medical group practices spend on drugs?

- You may not be able to find out even if you want to. In most system-owned medical groups, practices purchase from a variety of distributors and there is no single, consolidated record for physician practice drug purchases. This lack of visibility also limits the system's ability to ensure safe handling of hazardous drugs.

REAL-WORLD DATA

Only 34% of health systems have centralized drug purchasing for all physician practices, which is key to seeing the full scope of drug purchases.

In addition, 50% of pharmacy executives could not identify where all hazardous drugs are being used in their system's physician practices.

BLIND SPOT STRATEGY

Centralize purchasing

- COST SAVINGS
- QUALITY IMPACT
- REQUIRED RESOURCES

2

Are medical group practices purchasing drugs at the best available price?

- Physician practices often purchase drugs from distributors that charge physician practices 6%–12% more than the prices that health systems pay for the same drugs, given wholesaler and GPO discounts.

IU Health saved 8%–10% per physician practice on drug purchasing costs by consolidating inventory, centralizing purchasing, and switching practices to health system GPO and wholesaler contracts.

Consolidate drug inventory

- COST SAVINGS
- QUALITY IMPACT
- REQUIRED RESOURCES

3

Is the medical group leveraging its scale to negotiate with manufacturers for lower prices?

- Direct negotiations with pharmaceutical manufacturers can lead to substantial price concessions on ambulatory drugs. Marshfield Clinic has negotiated with manufacturers to lower prices on at least eight different drug categories used by their physician practices.

Marshfield Clinic saved \$400K in one year on vaccine costs alone by negotiating with a single vaccine supplier.

Negotiate for a better price

- COST SAVINGS
- QUALITY IMPACT
- REQUIRED RESOURCES

4

How often are drugs expiring on the shelves, leading to write-offs instead of reimbursements?

- Drug waste is a big problem in practices, due to large-quantity ordering and poor inventory management. Providing practices with hands-on inventory management support reduces drug waste, improves the ability to manage drug shortages, and reduces potential for medication errors due to unnecessary inventory.

CoxHealth saved \$400K annually across 12 clinics by assigning a pharmacy technician to help practice managers improve their inventory management and ordering processes.

Provide inventory management support

- COST SAVINGS
- QUALITY IMPACT
- REQUIRED RESOURCES

5

Do practices receive full reimbursement for the drugs they administer?

- Drug prices can fluctuate frequently and unexpectedly, which may result in a mismatch between purchasing costs and reimbursement rates. The resulting losses often go unnoticed. At Plains Health (pseudonym), the pharmacy director reviews profit and loss statements quarterly and investigates any over-budget drug spending.

Through these quarterly reviews, the pharmacy director identified a common orthopedic drug that incurred a \$400 loss on each administration. She pursued additional price discounts, and ultimately the drug began to earn a small profit.

Proactively monitor purchasing

- COST SAVINGS
- QUALITY IMPACT
- REQUIRED RESOURCES



Check out our report, *Five Strategies to Lower Medical Group Drug Costs*, for more details on how pharmacy and medical group executives can collaborate to improve drug purchasing and inventory processes: available at [advisory.com/ClinicDrugSpend](https://www.advisory.com/ClinicDrugSpend)