Assessing and Maximizing Your Pharmacy Program
New York State Adirondack Park

- 12 Sites
- 75+ Providers
- 70,000 Annual Users
- 250,000 Encounters
- 1,000,000+ Prescriptions Written
HHHN’s Alternative Methods Demonstration Project

• First In The Country AMDP For Multiple Contracted Pharmacies Approved December, 2001
  – First Pharmacy Partner April, 2003
  – Grown To 6 Pharmacy Sites (5 Pharmacy Locations, 1 Remote, and Mail-order)
  – Different Reimbursement Methodologies, Different Pharmacy Systems and Wholesalers Feeding Data To HHHN
Sharing the Knowledge

What HHHN Has Learned

• 340B Is A Data Intensive Process
  - Tracking Systems Are Essential
    • Monitoring and Retaining Control
    • Devoted Resources
  - Audit Readiness

• There Are Many Ways To Structure A Successful Pharmacy Program
  - Must Meet The Unique Needs Of The Health Center.
Consulted ~ 20 FQHC’s And Other Covered Entities In 7 States

Each Covered Entity Is Unique And Requires A Distinctive Approach To Maximizing Their Pharmacy Program.

- Urban Vs. Rural
- Staff and Resources Available
- Payor Mix
- Mix Of Pharmacy Services
- Potential Pharmacy Partners

HHHS Has Helped Other FQHC’s More Quickly And Confidently Implement Their Pharmacy Programs
What are Your Pharmacy Options?

Assessing The Proper Components To Achieve Your Goals.
The First Question to Ask?

• What is Your Goal?
  – What Do You Want to Achieve With Your Pharmacy Program.
  – Is it Consistent With the Mission of Your FQHC?
Making Sense of the Components of a Health Center Pharmacy Program

- Patient Assistance Programs
- 340B Contracted Pharmacy Arrangement
- 340B Drugs Through In-House Pharmacy
- Retailer’s Generic Programs
- Physician Dispensed 340B Stock Meds
- Samples
Samples

Pros
- Free
- New and Exciting
- Reps Bring Food

Cons
- Tracking and Disposal
- Expensive to fill
- Reps Bring Food
Patient Assistance Programs

Pros
• Free Drugs For Those In Need
• Patients Take Their Meds

Cons
• Confusing Paperwork
• Coordinating Delivery
Samples

Patient Assistance Programs

Retailer’s Generic Programs

Pros
• Low Cost Generics
• Quicker & More Convenient than PAP

Cons
• Limited Formulary
• May Lose Brand Business
Pros
• Lower Cost/Accessible Urgent Meds
• CHC maintains supply

Cons
• Very Limited Formulary
• Need Proper Labeling
• Must be Provider Dispensed
Samples

Pros
- CHC in Total Control
- Easy Access for Patients

Cons
- Costly Setup/Inventory/Staff
- Hard to Capture Commercial
- Must Contract with 3rd Parties
**Pros**
- Pharmacy does Pharmacy
- Pharmacy has 3rd Party Contracts

**Cons**
- Efficient Tracking Systems Needed
- Responsibility Stays with CHC
Choose the Pharmacy Options that Best Suit Your Practice and Population

- Patient Assistance Programs
- Retailer’s Generic Programs
- Physician Dispensed 340B Stock Meds
- 340B Contracted Pharmacy Arrangement

Choose the pharmacy options that best suit your practice and population.
Why Should a CHC Pursue 340B?

• Reduce Drug Costs For Indigent/Sliding Fee Patients

• Use Revenue From Insured Patients to:
  - Generate a Margin for the CHC
  - Subsidize Discounts to the Indigent
Will it Work for Your CHC?

• Assess Your Eligible Population
• Estimate Your Pool of Potential Revenue
• Consider In-House or Contracted Pharmacy Model
• Research the Market for Your Best Pharmacy Partner
• Presume a Conservative Capture Rate
• Structure A Program That Will Work Most Efficiently For Everyone.
Eligible Prescriptions

- CHC Primary Care Patients
- CHC Referral Patients

Exclusions

[Medicaid]

Controlled Substances
340B Basics
You and Your Pharmacy Partner Must Be Committed to The Program:

- No Diversion
- No Double Dipping
- No Losing Control of the Program
Assessing The Eligible Prescriptions

[# Encounters x 1.3 + (# Encounters x .7 x1.3)]

- 160,000 Eligible Prescribing Encounters
- 644,800 Prescriptions
Pharmacy Economics 101

Retail Prescription Price $50
Acquisition Cost of Drug
  Commercial $37
  340B $26

Average Margin $11
Pharmacy Potential

644,800 x 11 = $7,092,800

The Bottom Line: Do It!
The Contracted Pharmacy Model

- Don’t Know the Business
- Shortage of Pharmacists
- Lack of Capital
- Capturing the Customer
## BUDGET FOR PROPOSED 340B IN-HOUSE PHARMACY

### Personnel:
- Project management and oversight ........................................ $10,000
- Administrative Staff Support ........................................ $10,000
- Pharmacist (cost of two registered pharmacists) ...................... $180,000
- Pharmacy support staff (2 pharmacy techs) .......................... $32,000

### Travel and Communication:
- (includes any travel that may be required, and telephone, fax, postage, and any other charges of this type) ......................... $5,000

### Computer Hardware/Software and Fax machines
- (this includes high level computer system and printers) with appropriate proprietary pharmacy database software and service fees that will be placed in the site for pharmacy operation, as well as an office computer system for pharmacy administration.) .......................... $14,000

### Pharmacy Opening Inventory ........................................... $90,000

### Pharmacy Office Equipment/ Furniture/ Supplies and References $3,000

### Pharmacy Security System ............................................. $1,000
- (the pharmacy needs to have a stand alone security system)

### Pharmacy Licenses and Fees .......................................... $500

### Administrative Costs (Bookkeeping and Support) .................. $30,000

**Total: $375,000**


Jim Fethe, RPh Pharmacy Director, Southern Ohio Health Services Network
340B Contracting Principles

- Register With OPA
- Execute Contract With Pharmacy
  - Negotiate a Fair Transaction Fee
  - Arrange Data Exchange
    » Test And Sign Off On Systems Prior To Going Live
  - Think Through and Document Inventory And Reconciliation Processes
Policies and Procedures

• Eligibility Verification
• Drug Substitution
• Tracking And Disposal Of Expired Drugs (Physical Inventory)
• Replenishment Of Slow-moving Drugs
• Reporting Between Pharmacy And CHC:
  - New Payors
  - Current Provider Lists
  - Error Resolution
  - Pricing
Pharmacy Gains

- Transaction Fees
- Prescription Volume
- Community Service
- Medicaid Pull Through
Pharmacy Pains

- Transaction Fees
- Complexities of a New Program
- Fear of Disrupting Commercial Purchasing Agreements
- Fear of Government “Oversight”
Keep it As Simple as Possible for the Pharmacy!

- Limit The Impact On The Pharmacist
- The Relationship Should Be Beneficial For Everyone Involved.
The Ben Franklin Strategy

“A Penny Saved is a Penny Earned.”
Creating a Discount Program

• CHC Charges 340B Cost Plus Fees to Patients

• CHC as the Insurer
  – Can Negotiate Lower Retail Starting Point and give Discounts off of That Price
  – Structure Discount Levels that Can be Subsidized Without Risk
  – Build in Easy Adjustability
340B Cost Plus Fees

- Can Be Problematic On Low Cost Generic Drugs
  - Amoxil (250mg/5ml susp) 340B Cost = $1.00 (ranges from .70 to 2.00)
  - Rite Aid Price is $7.99 ($4.00 at Wal-Mart)
  - 340B cost Plus Fees = 1.00 + 8.00 = $9.00
  - Patient Pays $1.00 to $5.00 MORE through “Discount Program”.
Retail Minus Discount

- Patient Understands the Discount
- More Consistent With Current Pharmacy Practice
  - Amoxil (250mg/5ml susp) 340B Cost = $1.00 (ranges from .70 to 2.00)
  - Rite Aid Price is $7.99 ($4.00 at Wal-Mart)
  - With 50% off, Patient Pays $4.50 (CHC funds the other $4.50)
  - Net to CHC is ($4.50 (Paid by Pt.) - $1.00 (340B cost of Drug) - $8.00 (fee to Pharmacy)) = -$4.50
Other Options

• Send Patient To Retailer With Generic Program (Wal-mart, Target, Price Chopper)
• Negotiate A Variable Or Lower Transaction Fee For Low Cost Generic Drugs
• Don’t Include Generic Drugs In Your 340B Purchasing Program.
  - Patient Still Get’s Generic From Contracted Pharmacy With Or Without A Discount
  - $7.99 X 50% Discount = -$4.00 Net To CHC
  - Subsidize The Discount Through Revenue on Brand 340B Drugs.
Brand Only 340B Programs

- Eliminates The Complexities Associated With Generic Replenishment And Pricing
  - Much Easier On The Pharmacy
- The “Prime Cut” Of The Purchasing Program
  - Programs Netting $30/Script
- Subsidize Other Pharmacy Initiatives
  - Discounts
  - PAP Coordination
- Subsidize Other CHC Services
The Robin Hood Strategy

Revenue From Insured Patients
Covers
Discounts for the Indigent
Plus
Generates Margin for CHC
Structuring a Drug Discount Program

• Start Conservatively
• Wait to See the Revenue from the Program
• Is Your Discount Apparent to Your Patients?
  – How will the Pharmacy’s Receipt Look to the Patient
• CHC as the Insurer
• Market the Product to Your Community
Using a PBM
(Pharmacy Benefits Management Company)

• On-Line Adjudication
• On-Line Eligibility Verification
• Detailed Reporting
• Real Co-Branded Insurance Cards
• True Savings for Patients and CHC
• Easier on Everyone
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<tr>
<th>Without PBM</th>
<th>With PBM</th>
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<tr>
<td>• Usual and Customary Pricing</td>
<td>• Negotiated Lower Retail</td>
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<tr>
<td>• Bupropion SR Tab $104.97</td>
<td>• Bupropion SR Tab $58.65</td>
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<tr>
<td>• Fluoxetine Caps $64.97</td>
<td>• Fluoxetine Caps $52.69</td>
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<tr>
<td>• Colchicine Tablets $87.97</td>
<td>• Colchicine Tablets $16.98</td>
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</table>
Savings to Patient and CHC

- U&C Borodino SR Tab $104.97 at 50% discount
  - Patient Pays $52.48
  - CHC Subsidizes $52.48
- PBM Rates Borodino SR Tab $58.65 at 50% discount
  - Patient Pays $29.33
  - CHC Subsidizes $29.33

$23.15 saved by both the patient and CHC (all for $2.85 fee to PBM)
Real Money

• On a Random Sample of 25 Prescriptions, HHHN Showed a Lower Retail of $616.44
• That’s $24.66 per Prescription!!!
Contracted Pharmacy Overview
CHC Responsibilities

- Purchase Drugs
- Maintain Medical Records
- Track the Inventory
- Watch the Dollars
- [Arrange for Audits]
- Establish Pricing
- Pay the Pharmacy
Pharmacy Roles/Responsibilities

- Accept & Maintain 340B Inventory (Replenishment Model)
- Dispense Medication
- Provide Accurate and Timely Tracking Data
- Participate in Audits
- Accept Transaction Fees
340B Contracted Pharmacy Implementation

1. Program Initiation
   a. Office of Pharmacy Affairs (OPA) registration
   b. Systems development
   c. Development of Pharmacy Services Agreement with appropriate Pharmacy Services Provider (PSP)
   d. Wholesaler contract development
   e. Application of financial procedures
   f. Application of operational procedures
340B Contracted Pharmacy Operation

1. Inventory/Invoice Management
   a. Receive invoices from wholesaler
   b. Record drug purchases in system
   c. Compare prices charged to 340B prices
   d. Approve payment of invoices
   e. Forward payment instructions to Finance

2. Monthly Financial Reconciliation
   a. Integrate newly dispensed transaction data into system
   b. Integrate newly paid (closed) transaction data into system
   c. Compute transaction fee payable to PSP
   d. Retain non-paid transactions for future reconciliation
   e. Produce monthly financial reports
3. **Program Management**
   a. Issue Monthly Reports
   b. Manage Audit process
   c. Manage OPA relationship
   d. Manage wholesaler relationship
   e. Manage pricing discrepancy issues
Operational Examples
## Script Level Detail

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<th>Per Script Basis</th>
<th>Site 1</th>
<th>Site 2</th>
<th>Site 3</th>
<th>Site 4</th>
<th>Site 5 (remote)</th>
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<td>and development</td>
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## Vendor Invoice Report

### Distributing Vendor: Drug Company

### Pharmacy Shipped to: Pharmacy

**Invoice Number:**

**Invoice Cost:** $699.40

**Date Billed:** 2/25/05

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<tr>
<th>Product ID</th>
<th>NDC</th>
<th>Drug Description</th>
<th>On 340B</th>
<th>Qty Ord</th>
<th>Qty Shpd</th>
<th>@ Cost</th>
<th>Extended</th>
<th>Est Cost</th>
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11 Line Items

**Summed Totals:**

- **340B Total:** $699.40
- **Extended Total:** $590.65
- **Estimated Cost:** $108.75

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Hudson Headwaters Health Network
Drug report for 01234567890

Drug ABC: TABLETS 1000MG

Cost Graph

Manufacturer: Acme Pharm.
Strength: 1000MG
Size: 100.00
Form: BOT
DEA Class: 

Month/Year:
1/2003 $51.46
7/2003 $54.51
10/2003 $31.98
1/2004 $54.51
4/2004 $5.01
7/2004 $86.72
10/2004 $47.12
## Community Pharmacy Reconcile Report -2005

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<thead>
<tr>
<th>TP Code</th>
<th>TP Carrier Name</th>
<th>Sales</th>
<th>Trans Fees</th>
<th>Rem CoPay</th>
<th>Sliding Fee Discount</th>
<th>Rx Acq</th>
<th>340BAcq</th>
<th>340BMar</th>
<th>Mar / Script % Margin</th>
<th>340BMAR After SF</th>
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<th>% Marins After SF</th>
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<tr>
<td>HF-Non 340B</td>
<td>Slicing Fee Plan F - 40% discount-Non 340B</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$4.81</td>
<td>0</td>
<td>0.00</td>
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<td>$0.00</td>
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</tr>
<tr>
<td>HG</td>
<td>Slicing Fee Plan G - 30% discount</td>
<td>$630.93</td>
<td>$306.99</td>
<td>$0.00</td>
<td>$189.27</td>
<td>15</td>
<td>0.00</td>
<td>$100.66</td>
<td>$8.80</td>
<td>$41.17</td>
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<td>41.17%</td>
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<tr>
<td>HG-Non 340B</td>
<td>Slicing Fee Plan G - 30% discount-Non 340B</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$33.16</td>
<td>0</td>
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<td>$0.00</td>
<td>$0.00</td>
<td>0%</td>
</tr>
</tbody>
</table>

### B. Code-NH

#### 12/27/2004
- **Reconcile**:
  - **9000**

#### 12/27/2004
- **Reconcile**:
  - **9000**

### C. Reconciliation Summary for "Community Pharmacy" 1/3/2005

- **Total Retail Sales**:
  - $40,499.70
- **Total Transaction Fees**:
  - ($8,630.45)
- **Total Sliding Fee Discount**:
  - ($5,840.00)
- **Dispensed Remote Transactions Fee**:
  - ($54.00)
- **Closed Remote Machine Co-Pays**:
  - ($693.99)

### D. Other Pharmacy Costs

<table>
<thead>
<tr>
<th>Description</th>
<th>Quantity</th>
<th>@ Cost</th>
<th>Extended</th>
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</thead>
<tbody>
<tr>
<td><strong>Coupons</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>-Veteran</td>
<td>2</td>
<td>$7.54</td>
<td>$14.07</td>
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<tr>
<td><strong>Mailings</strong></td>
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<td></td>
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</tr>
<tr>
<td>-Cash</td>
<td>44</td>
<td>$11.80</td>
<td>$518.00</td>
</tr>
</tbody>
</table>
Options for Going Forward

• In-House Development
  – Start Up Costs
  – Ongoing Commitment

• Outsourcing the Back Office Functions
Summary

• Outline Your Pharmacy Goals
• Assess Your Options
• Consider a Contracted Pharmacy Model
• Look at Your True Potential
• Plan Carefully
• Monitor Your Program Frequently
• Look for Help if Needed
Plan it Well and Stay On Top of Your Program

Before your program spirals out of control!
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(518) 761-0300 ext. 221

www.hhhealthsolutions.org

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