Tips for Establishing an **Outpatient Pharmacy**

MORE AND MORE HEALTH SYSTEMS ARE ESTABLISHING OUTPATIENT pharmacies in order to better serve their patients, employees, and/or members of their communities and, in some cases, to generate revenue for their organization. To begin offering these services through your hospital or health system, there are several key decisions to make before you open up shop.

Patient Population

It is vital to determine the population your outpatient pharmacy will serve. Will you employ an "own use" medication model, serving only health system patients – such as discharged inpatients, emergency room and clinic patients – and health system employees and medical staff and their immediate families? Or will you also offer pharmacy services to the general community? If you decide on the latter, keep the following in mind: Under the Robinson-Patman Discrimination Act of 1936, you are not able to offer prescriptions to the general community utilizing your hospital-purchased medications, since that would be a violation of the federal antitrust laws. You also need to consider the intended location of your outpatient pharmacy. Is it conveniently located in a standalone building, and is ample parking available for your customers?

For-Profit Versus Not-for-Profit

You must also decide upon your business model. If you choose to operate a not-for-profit pharmacy as a value-added service to your patients and employees, your key concern is to break even financially. By filling prescriptions for your employees and their immediate families, hospitals can avoid costs associated with health care benefits. Some hospitals have chosen to implement a policy by which employees can get a first-fill prescription at their local pharmacy but require that all refills be filled by the hospital's outpatient pharmacy. That policy enables your employees to get prescriptions when they need them, while transferring a financial benefit to the overall organization, since the lower cost you pay for medications can decrease your hospital's prescription benefits costs. To implement such a policy at your facility, set up a program with your PBM (prescription benefits manager) through which first-fill prescriptions can be processed by any pharmacy and refills must be processed by select pharmacies in your organization. As a self-funded payor, you can legally dictate where your employees fill their prescriptions. With this model, your organization will spend less money on its employees' "own use" prescriptions. Hypothetically speaking, instead of paying $2 million annually on your employees' prescription benefits, you can spend $1.6 million by dispensing those drugs from a hospital-based retail pharmacy. If that pharmacy costs $300,000 a year to run, your facility will realize a net savings of $100,000 each year in employee prescription drug benefit costs.

As a not-for-profit pharmacy, however, you are required to reinvest any profit you make from the sale of medications into the health system. The decision to structure your pharmacy as for-profit or not-for-profit is one you should make with your hospital's attorneys and financial executives.

Hours of Operation

Determine the hours of operation that are logistically feasible for your facility. Of course, it is ideal to be open for the same hours as a typical retail pharmacy, but that is not always possible, due to staffing concerns, or practical from a financial standpoint. The volume simply may not justify the expense of staffing the pharmacy around the clock, unless you can utilize the inpatient pharmacists during the evening, night, and weekend hours to also provide retail pharmacy services. The key is identifying the hours of operation that generate business volume and, if you are operating as a for-profit entity, allow your pharmacy to be competitive with local retail outlets. At Saint Barnabas' Monmouth Medical Center in Long Branch, New Jersey, we operate an outpatient pharmacy from 9:00AM to 6:00PM, Monday through Friday. While we miss out on weekend business and certain emergency room discharges, we serve a good deal of our medical center's urgent care and clinic patients. So, in determining the hours that work best for your facility, consider the staffing you will have available, as well as the potential for prescription volumes from various contingencies, including inpatient and emergency room discharges and clinic patients.

The Initial Capital Expense

Depending on whether or not you already have space allotted for your outpatient pharmacy, expect to spend between $125,000 to $250,000 in initial capital outlay. Potential expenses include construction, shelving fixtures, software, computers, copy and fax machines, a phone system, drug information references, and other ancillary supplies. Also factor in the cost of licenses from the DEA, the state board of pharmacy, and other state agencies, as well as malpractice insurance. You must also acquire a Medicare and Medicaid provider ID, and sign up with health insurance providers. There are companies that can register your pharmacy with every PBM and manage any Medicare Part D contracts for a fee, alleviating your paperwork burden and ensuring that you never have to turn a customer away because you do not accept their insurance. Remember that there are additional resources available to simplify the process of setting up an outpatient pharmacy. Contact your local retail professional associations and wholesale distributors for names of companies that can help you with your start-up.

Initial Drug Inventory

Naturally, it is crucial to stock the drugs your customers will need, because you may lose their business for good if they are unable to fill their prescription with you even once. It is no easy task to determine what to stock, but your wholesaler can help you draft a fairly complete list of "must have" drugs. It might also be worthwhile to poll your physicians for their most commonly prescribed drugs. Determining your initial inventory can be a shot in the dark, but use the resources available to you to make the most educated guesses possible. In addition, many wholesalers will help you capitalize your inventory to ease the financial burden of the initial expense; they may allow you to pay for your first order over time.

Timeframe

It should take about six months to set up an effective outpatient pharmacy, and you need someone to oversee the process. For the first three months, you may only need to dedicate one full workday per week to the project. It is prudent to hire a full-time manager for the three months leading up to the pharmacy's opening – when activity ramps up. One to two months prior to opening, full-time personnel should be hired to assist with setting up the pharmacy and for training.

Staffing Concerns

In Saint Barnabas' experience, at least one pharmacist is required for every 100 to 125 prescriptions filled per day. If the majority of your business comes from refills, which require less time on the phone with insurance providers, one pharmacist may be able to process more than 125 prescriptions. However, underestimating your staffing needs can be a grave mistake. Long waits discourage repeat business. With that in mind, consider hiring a cashier/technician to help your pharmacist(s) service customers in an expedient fashion. A cashier/technician's salary is more affordable than that of a second pharmacist, and your customers will appreciate the timely service they receive.

Your staffing needs also depend upon your hours of operation. It is feasible for one pharmacist to staff a Monday-through-Friday pharmacy with 9-to-6 hours. However, if you plan to keep extended weeknight or weekend hours, you need at least two pharmacists on staff. Also develop a back-up plan for instances in which your outpatient pharmacist needs time off. Consider designating at least one inpatient pharmacist as a back-up outpatient pharmacist, and train that person appropriately in your outpatient systems and operations.

Selling the Idea to Administration

In order to sell hospital administration on an outpatient pharmacy, present them with your projected volume of business, revenue projections, and projected profit margin. Collect from human resources the cost of the current employee prescription benefit program, and present administration with that information to demonstrate the potential for savings from "own use" prescriptions.

In addition, outpatient pharmacy services can improve your patients' compliance with drug therapy. For instance, an outpatient pharmacist can contact employees and clinic patients regularly to ask about their side effects and the effectiveness of their prescriptions, as well as remind them about refills and so on. This practice can improve patients' use of their drug therapies and, consequently, their overall health. This may ultimately reduce emergency room visits and inpatient stays, resulting in cost savings for the hospital that are of value to administration.

Conclusion

By considering the recommendations made in this article and with careful planning, your health system can reap the benefits of outpatient pharmacy services, including revenue generation and reduced costs for employee prescription benefits. In addition, your employees, patients, and greater community can benefit from convenient access to medications and to the quality of care outpatient pharmacists are able to provide. ■

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