HCA Pharmacy Centralized Distribution

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HCA Mountain Division
Optimizing the Present

Preparing for the Future
Healthcare Challenges

Healthcare Reform.... A Challenging Environment

Pressures
- Pay For Performance Imperative
- Population Health Management
- Labor Costs ↑
- Pharmacy Costs ↑
- Reimbursements ↓

Mandates
- Control Expense Growth
- Integrate New Payment & Care Delivery Models
- Improve Outcomes
- Accelerate Value Across Care Continuum
- Transform Pharmacy to Strategic Asset

High Performing Pharmacy
Implementing Solutions that address all dimensions of pharmaceutical and operating expense while preserving the clinical foundation and enhancing outcomes

Increased Operating Margin Pressure
Innovate to be Low-Cost Provider
Pharmacy Industry Challenges

**Drug Shortages**
- Over 260 critical shortages
- Non-contract purchases or higher cost entities >$10M
- Not likely to resolve in near term

**Cost Increases**
- Branded items/contract increases resulted in over $70M impact in 2014, $80M in 2015
- Sole generics, company mergers
- Unapproved drug legislation

**High Cost Drugs**
- Exparel-Surgery
- IV Tylenol-Surgery
- OutPt Infusion
- Expansion of Infusion Services, Transplant, Stroke, CV-high cost drug therapies

**Compounding**
- New compounding regulations federally
- State regulations on IV Admixture Services
- FDA Regulations will determine outsourced vendors
Optimization of Pharmacy Resources to Drive a High Performance Pharmacy

- Leadership Development
- Clinical Pharmacy and Formulary
- Operations and Automation Standardization
- Technology CPOE/EHR Vigilanz
- Centralized Order Entry
- Centralized Distribution

High Quality, Cost Effective Care
Project Scope

- The scope of implementing a company wide pharmacy distribution program starts with purchasing of drugs to delivering of drugs to the facility. The process includes:
  - Centralized drug purchasing and distribution
  - Centralized drug packaging and barcoding if required
  - Reduce number of drug SKUs through a centralized formulary management
  - Implement a facility pharmacy inventory management system
  - Standardization of pharmacy operations across the enterprise
  - Implement a SMART/WMS interface with the automated dispensing cabinets
  - Enhanced reporting capabilities

- The following are out of scope for this project:
  - Controlled substances
  - Centralized medication cart fill
  - IV compounded medications
  - Patient specific filling
Distribution Timeline

2011
• Nashville

2014
• North Texas
• Jacksonville

2015
• Richmond
• Denver
• Kansas City
• Houston
• Tampa

2016
• Salt Lake City
• San Antonio
• Atlanta
• Miami
• Austin
# Major Benefits of Consolidated Pharmacy

<table>
<thead>
<tr>
<th>Effectiveness</th>
<th>Efficiency</th>
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<tbody>
<tr>
<td>• Reduce Pharmacy Expense/APD</td>
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<tr>
<td>• Reduce SKUs</td>
<td></td>
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<tr>
<td>• Reduce On-Hand Inventory</td>
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<tr>
<td>• Improve Inventory Turns</td>
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<tr>
<td>• Reduce Drug Stock Outs</td>
<td></td>
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<tr>
<td>• Reduce Expired Drugs</td>
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<tr>
<td>• Reduce Facility Time on Supply Chain Functions</td>
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- Inventory Management
- Automation of Drug Replenishment
- Centralized Drug Purchasing
- Centralize Critical Drug Stockpiles
- Drug Formulary Management
- Pharmacy Technology

Reducing Pharmacist time from task oriented checking to patient care activities
Pharmacy Supply Chain Functions

Procurement
- Requisitioning
- Contract Compliance
- Monitoring
  - Direct
  - Non-Stock Items

Account Payables
- Optimizing discounts and rebates
- Analyze purchasing and distribution
- Ensure appropriate pricing

Logistics
- Receiving
- Picking
- Optimizing distribution
- Efficient use of space

Standardization
- Inventory management
- Waste reduction
- Formulary standardization
- Utilization management
Distribution Timeline for Mountain CSC

- Project Kickoff with O’s
- Customize Project Plans
- Implement Formulary and SKU
- Implement OptiFlex in Facility
- Pharmacy Workflow Design
- Open CSC Pharmacy
- Begin Distribution to 1st site
- Implement Remainder of Sites

Timeline:
- May
- June
- July
- Aug
- Sept
- Oct
- Nov
- Dec
- Jan.
- Feb.
- Mar.
Metrics to Determine Facility Deployment

- Cartless Distribution Model
- CSC Formulary Implemented/SKU Reduction
- Pyxis Optimization Complete
- Pharmacy Workflow Optimized
### How Do We Determine Success?

<table>
<thead>
<tr>
<th>Metrics</th>
<th>Outcome</th>
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<tbody>
<tr>
<td>Pharmacy Expense/APD</td>
<td>Meet established Pharmacy Expense/APD target</td>
</tr>
<tr>
<td>Facility Drug Inventory Turns</td>
<td>12 inventory turns/year</td>
</tr>
<tr>
<td>Contract Lost Opportunity</td>
<td>Reduction in lost opportunity spend over prior year</td>
</tr>
<tr>
<td>Drug Waste</td>
<td>Reduce amount of expired drugs</td>
</tr>
<tr>
<td>SKU Reduction</td>
<td>Reduce number of unique NDCs carried in each facility</td>
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- Reduction of Pharmacy drug expense/APD
- Reduction in drug products stocked at each facility
- Standardization of inventory management
- Pharmacist and pharmacy technicians performing other clinical functions
Lessons Learned

• People
  o Redeployment of Pharmacists from task oriented processes to patient care
  o Redefined role of Pharmacy Technician to free up time for Pharmacist
  o Defined resources necessary to sustain inventory optimization at the facility
  o Division and facility leadership support for formulary work and operational changes

• Process
  o Optimized formulary standardization execution through visibility at service center
  o Realized SKU reduction from 6800 line items purchased to 1400 items
  o Standardized facility pharmacy operations processes
  o Heightened awareness of inventory management opportunities
  o Standardized pharmacy distribution model

• Technology
  o Difficulty to find enterprise technology to support a fully consolidated model
  o Reduced automation and automation labor expense through elimination of contracts
Current State Mountain – Pharmacy Inventory

- $5 million in drug inventory in MTN
  - $4.5 million @ facilities

- $430,337 in expired meds last 12 months
~ $3.5 million stored in Pyxis cabinets
Representing approx 19% of inventory
## Inventory Turns for Mountain Facilities

<table>
<thead>
<tr>
<th>Facility</th>
<th>Inventory Turns</th>
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<tbody>
<tr>
<td>Alaska</td>
<td>7.84</td>
</tr>
<tr>
<td>Brigham City</td>
<td>4.72</td>
</tr>
<tr>
<td>Cache Valley</td>
<td>4</td>
</tr>
<tr>
<td>EIRMC</td>
<td>12.12</td>
</tr>
<tr>
<td>Lakeview</td>
<td>7.15</td>
</tr>
<tr>
<td>Lone Peak</td>
<td>3.94</td>
</tr>
<tr>
<td>Mountain View</td>
<td>8.97</td>
</tr>
<tr>
<td>Ogden</td>
<td>6.56</td>
</tr>
<tr>
<td>St. Mark’s</td>
<td>10.82</td>
</tr>
<tr>
<td>Timpanogos</td>
<td>6.84</td>
</tr>
<tr>
<td>West Valley</td>
<td>7.52</td>
</tr>
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</table>
Pyxis Nursing Locations for Mountain Facilities

203 cabinet locations
Pharmacy Replenishment Process

- Hospital Automated Dispensing Cabinet (ADU)
- Hospital Pharmacy Department scans product

Mountain Division Supply Chain

- Receives requisition
- Product picked in low units of measure
- Product placed in tote

Truck/courier delivers totes to hospital

Facility ADUs are polled by Center to generate replenishment order

Pharmacy receives product and inventory is replenished
Overarching Goal- Improvement in Patient Care

Reduce Non-Clinical Activities

Focus on Clinical Activities
Questions