SUSTAINABLE BUSINESS MODEL KEY TO SPECIALTY PHARMACY SUCCESS

The market for Specialty Pharmacy services is substantial and growing. An aging population, the rise in chronic illness, and the complexity of specialty drugs designed to treat these conditions present both challenges and opportunities for hospitals seeking to improve the quality of care for their fragile patients. Hospitals are in a unique position to coordinate and integrate the care of chronically ill patients and to provide the level of patient interaction, education, and monitoring essential for specialty drugs.

While this confluence of factors has compelled hospitals and academic medical centers to launch Specialty Pharmacy services, many are struggling to achieve expected clinical and financial performance. What’s needed is a sustainable business model that runs the specialty program as an efficient business and enables the hospital to succeed in this complicated care delivery environment.

THE OUTLOOK FOR SPECIALTY DRUGS

In 2012, spending on specialty drugs in the US accounted for slightly more than 25% of total prescription drug spending.1 By 2020, specialty drug spending is expected to quadruple, exceeding $400 billion, accounting for 9.1% of total US healthcare spending.2 Meanwhile, spending on traditional drugs is growing at the much slower pace of 2.4% per year.3

While specialty drugs treat a variety of chronic and life-threatening conditions, more than half of current specialty drug spending is in five categories. This concentration provides a ready focus for hospitals and integrated health systems seeking to build a successful specialty pharmacy program.

1IMS Institute for Healthcare Informatics
2UnitedHealth Center for Health Reform & Modernization, 2014
3Express Scripts 2013 Drug Trend Report
4CVS Caremark Insights 2013
COMPPLICATING FACTORS

Specialty drugs require special handling, administration (often via IV or injection) and monitoring – capabilities that hospital pharmacy departments may need to establish or strengthen in order to provide the complex medications to patients. In addition, manufacturers often limit access to new specialty drugs to an exclusive set of providers that meet certain criteria. Hospitals will need to develop viable strategies to gain access to those new specialty drugs that are most appropriate for their patient demographics.

Compared to the average patient, specialty patients are more likely to have multiple diagnoses, see more specialists, fill more prescriptions, require more lab tests and experience more ER visits and hospitalizations. Specialty patients can incur costs that are as much as eight times higher than the average patient. As a result, these patients – often included among a hospital’s “frequent fliers” – are the focus of intense scrutiny among hospital leaders seeking to provide the optimal balance of effective and efficient healthcare that will improve patient outcomes and financial performance.

The degree of loyalty that patients have to their existing pharmacy is an often-overlooked factor by hospitals new to Specialty Pharmacy services. Patients battling chronic and complex medical conditions may be taking specialty medications for months, if not years. This can lead to a long-term relationship with their pharmacy that the patient is hesitant to disrupt. Hospitals seeking to fill the patient’s specialty prescriptions will need to provide education, service and convenience to motivate conversion. Patients who are newly prescribed a specialty medication may be easier to convert to the specialty pharmacy practice.

A VIABLE SPECIALTY PHARMACY BUSINESS MODEL

Establishing and managing a Specialty Pharmacy that achieves clinical and financial performance expectations requires a flexible, dynamic business model. While there is not a one-size-fits-all solution, North Highland has developed an approach that focuses on improving clinical outcomes while contributing to positive bottom-line impact.

Critical Success Factors – Based on our client experiences, we offer the following critical success factors to help bolster the clinical and financial performance of new specialty drug programs:

Focus on the right areas for your patient mix – Hospitals should assess their patient demographics, payer contracts and drug reimbursements to identify the opportunities that are most likely to affect volume and margin. Then, focus development on your highest impact clinics.

Educate and engage physicians and nurses – Physician support of the specialty pharmacy program is critical. Educate them about the specialty pharmacy program and demonstrate the value they can achieve with the hands-on, personalized approach provided by the specialty pharmacists. Communication between pharmacists and physicians will be enhanced if you embed pharmacists inside the specialty clinic.

Recognize that you can’t serve every patient – Before you launch your specialty pharmacy service,
The only way to run a successful specialty pharmacy is to run it like a business that includes:

- Data analysis to identify best opportunities for specialty drug programs
- Roll-out strategy to implement specialty drug programs in targeted clinics
- Staffing models to determine optimal resource allocation
- Data analytics to pinpoint specific patients for conversion
- Strategies to expand access to new specialty drugs and to secure payer reimbursement
- Sales and marketing framework to improve patient conversion
- Outreach campaigns to targeted patients
- Patient education and training to improve medication compliance
- Turnkey financial counseling and revenue cycle management to reduce out-of-pocket costs to patients and improve payments

By developing a viable business model and incorporating critical success factors, hospitals and integrated health systems can establish a successful specialty pharmacy business. North Highland’s expertise in specialty pharmacies can help hospitals and integrated health systems enhance patient care and improve their financial and operating performance.

Assess payer contracts for their specialty drug reimbursement. With this information, you can pinpoint specific patients for outreach efforts. In addition, you can begin to shore up coverage gaps by negotiating new payer contracts and gaining access to new pharmaceutical products.

**Bring the C-suite on board** – Bringing a specialty pharmacy business online may require a significant financial investment. And, it will require the participation of key players including experts in information technology, managed care, and financial services along with specialty clinic staff and physicians. C-suite enthusiasm can help ensure necessary support is available when needed.

**Continually improve your value proposition** – Regularly measure your staff’s knowledge and performance. Then, respond with periodic education and training opportunities to keep staff up to date, ensuring impeccable communications and turnkey services.
ABOUT NORTH HIGHLAND

North Highland is a global management consulting firm that delivers unique value, relevant big ideas and strategic business capabilities to clients around the world. The firm solves complex business problems for clients in multiple industries through an integrated approach and offers specialty services via its Data and Analytics, Managed Services, and Sparks Grove divisions. North Highland is an employee-owned firm that has been named as a “Best Firm to Work For” every year since 2007 by Consulting Magazine. The firm is a member of Cordence Worldwide (www.cordenceworldwide.com), a global management consulting alliance. For more information, visit northhighland.com and connect with us on LinkedIn, Twitter and Facebook.

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