



# Establishing an Oncology Pharmacy in Your Practice

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## Adding Value to the Patient Care Team

In the face of continuing reimbursement cuts, oncology practices across the country are intensifying their focus on drug management issues. These practices are looking for solutions that will serve their patients and optimize their operations. The introduction of an in-house, specialty oncology pharmacy may be an effective and profitable option for many practices that are losing revenue to third-party pharmacies or mandatory vendor imposition. Office- or cancer center-based oncology pharmacies can also significantly benefit patients by offering one-stop cancer care—doctors' appointments,

chemotherapy, and ancillary medication—at one site.

Drugs play a significant role in the value chain of an oncology practice. On the expense side, the average costs for drugs per medical oncologist is between \$1 million and \$1.5 million per year.<sup>1</sup> Annual drug cost per physician approaches three times the cost of support personnel and also more than three times the cost of rent, depreciation, and all other practice costs. And drug costs continue to increase, as evidenced by the double-digit inflation over the last several years.<sup>2,3,4</sup>

On the revenue side, drugs account for 70 to 80 percent of an oncology practice's annual receipts; however, in practices that have diversified their revenue through oncology radiation and diagnostic services, drugs account for 55 to 65 percent of an oncology practice's annual receipts.<sup>5</sup> With more than 900 oncology drugs currently in development, this percentage is not likely to decrease.

These simple economics make a compelling case for optimizing drug management in your practice. The carefully planned addition of a licensed pharmacist to your team may be an effective way to better position your practice for future changes to the cancer care delivery system. Oncology pharmacists are the key to drug management efficiency. They complement the clinical team with pharmaceutical knowledge and drug management expertise. They reduce risks in prescribed drug therapy by monitoring dosing and administration. They help to improve quality and safety of chemotherapy mixture and administration.

## Assess Your Needs

Begin by accurately determining the need for the addition of an oncology pharmacy to your practice. Be sure you understand the problems you are attempting to solve. Assess your practice's drug management policy and look for gaps that need to be filled or issues that need to be resolved, such as reducing drug waste. An oncology pharmacist is trained to understand and analyze the pharmaceutical aspects of a cancer program and can ensure that your practice follows an optimum drug economics model without compromising patient care. Your practice or cancer program can benefit greatly from a pharmacist's unique and extensive knowledge about the drugs themselves.

Next, study your staff, particularly nurses, who are typically being stretched far beyond their traditional roles within a practice. As an active member of your patientcare team, a pharmacist will allow you to reallocate nurses to traditional nursing duties, while the pharmacist handles drug-related concerns such as mixing or dispensing.

Assess your patients' needs and see if they are getting answers to questions about medication and treatment options. Having a pharmacist on staff can augment your ability to answer patients' questions regarding chemotherapy and will ensure that your patients have convenient access to the information they need.

Finally, take a look at your program's research capabilities. A dedicated pharmacist in your office could enhance your research opportunities, benefiting the entire practice. For example, pharmacists involved with investigational studies dispense investigational medications and medication information necessary to utilize and monitor these medications appropriately. In addition, pharmacists perform dose verification per protocol and provide the necessary drug and protocol information to healthcare professionals working with the research study. The pharmacist has expertise in determining and reviewing medication interactions based on mechanisms of action. This becomes critical for medications without an established history of documented interactions. Pharmacists also complete accountability logs according to good clinical practice (GCP) standards while securing the medications as required by the sponsors.

### **Justify the Need**

Of course, it will take a close dollars-and-cents appraisal to justify the need for an oncology pharmacy. Start by calculating recent increases in the volume of patients or in the amount of medication used by your office and the actual dollars spent. Be sure to include the time spent by your staff in drug preparation. Then, assess the value of lost revenue.

One example would be to look at the revenue you lose to brown bagging and what it costs you to capture that revenue elsewhere in your practice. A practice-based pharmacy could help staunch the flow of brown bagging by having the flexibility to contract with managed care via the in-house pharmacy. Keep in mind that oral drugs are generally unavailable to oncology practices without in-house pharmacies, and must be ordered even from specialty pharmacies. An in-house pharmacy can redirect these revenue streams into your practice. And, by establishing a comprehensive profile of drug costs and revenues (i.e., drugs classically administered in the office plus drugs traditionally obtained from an outside pharmacy), your pharmacist will be better equipped to negotiate contracts with managed care organizations—another benefit to your practice.

Your patients' convenience is also important to your assessment. If patients are leaving your office only to make another stop at a specialty pharmacy or wait for next-day or 48-hour delivery service, you can streamline the process for them and meet all their needs, while enhancing their continuity of care.

As a final step in justifying the need for a pharmacy, you must analyze the expected return on your investment and determine whether it makes sense for your practice. Investment costs will include construction, staff, and pharmacy software that will be used to automate processes once the pharmacy is up and running.

### **Analysis and Implementation**

Once you have established your need and satisfied the justification process, you can start implementation. Adding a retail pharmacy to your office involves significant challenges, with many considerations before, during, and after implementation. You would be wise to set your expectations on the front end. Be aware that these changes will not happen overnight and allow for a three to five-month implementation timeline. First, address some basics. Your pharmacy must be licensed with the state board of pharmacy. Most state boards have web sites that allow you to research state guidelines. One potential logistical hurdle is that some states impose minimum square footage and internal layout requirements. Your state also may have regulations that determine who may own the pharmacy within your practice, either the physicians or an outside management company. Ownership concerns are relevant when there are issues regarding self-referrals.

In addition to staff, process, and purchasing considerations, you must also explore up front the steps to register your pharmacy with the appropriate pharmacy benefit managers (PBMs). If you are not contracted with the PBMs, it is likely that many of your patients will be unable to access your pharmacy for specialty services.

You should also consider what, if any, additional staff you will need. At a minimum, you must have a registered pharmacist. Your current patient load, added to chemotherapy volume and the additional workload of a retail pharmacy service may necessitate supplementary staff as well. While you are considering new staff, give some thought to existing team members and how they might perceive these changes. An internal communications plan that demonstrates the value of an in-house pharmacy to staff and patients is a good investment in the success of your new venture.

Security will be a major consideration once the pharmacy is in place, since the pharmacist will be required to control access to the area.

After your pharmacy is up and running, your internal process flow will change. Policy and procedures are crucial, as a pharmacy is both a legal and a financial undertaking. Although you may implement a practice-based pharmacy to deal with the retail side of cancer treatment, the most significant process change can be in tracking and recording chemotherapy orders.

Whereas previously, the doctor wrote a prescription and delivered it to the nurse who mixed and administered the medication, now a pharmacist is involved. Although the outcome is the same, some staff may view this as an additional

medication, now a pharmacist is involved. Although the outcome is the same, some staff may view this as an additional step in the patient-flow process. In reality, it is not. This change will, however, require planning to ensure an efficient patient-care delivery model. To make this transition smooth and to ensure that your nurses are available elsewhere in the practice, you should develop an organized procedure for delivering the prescriptions and chemotherapy orders to the pharmacist.

Purchasing practices may change with the addition of a pharmacist to your team. This new team member is dedicated to ordering and receiving drugs for your office, which will free up the administrative or clinical resources previously occupied in this important practice function.

### Measuring Success

Once the implementation period is over and your pharmacy is serving patients, it is vitally important to measure the success of your program. If you set the proper benchmarks up front, you will be well positioned to judge the results. Capturing your baseline drug spending, revenues and waste, as well as inventory levels, before establishing your pharmacy, will provide half the data needed to gauge its accomplishments. The other half of the economic data comes in the form of actual retail receipts. Track your retail revenues separately from office visits and chemotherapy in order to accurately measure the impact on your practice.

In addition to the hard facts of revenue and expenditure, track the personal side of the improvements your pharmacy has delivered. Has your pharmacist contributed to decisions about prescriptions or drug interactions? Remember: The pharmacist is legally responsible for the monitoring of prescriptions and may occasionally step in with advice. Tracking these interventions—rather than viewing them as intrusive—can help you realize their full value.

Ask your staff and patients for feedback. How do they perceive the new system? Assess if your pharmacist is actively educating patients about their drugs, explaining expected side effects, and discussing potential drug interactions. Your patients are a wealth of information about the success of your new pharmacy; be sure they have the opportunity to educate you.

Each of these factors, while impossible to measure mathematically, is a valuable indication of the benefits of your practice-based pharmacy.

Implementing a pharmacy in your oncology practice is not just about setting up the room and hiring a pharmacist. It is a process that must be undertaken with careful consideration and specific goals in mind. If done properly, the benefits can far outweigh the investment of time and money.

A pharmacist will become an integral member of your team, interacting with doctors, nurses, and patients to ensure that your practice delivers the highest quality of service. Pharmacists, who typically work in either retail or hospital settings, may regard practice-based pharmacies as a very attractive employment opportunity. The chance to work as part of a patient-care team—interacting with physicians, nurses and patients, and making measurable contributions to cancer treatment—can offer a welcome change for them.

Establishing an in-house pharmacy will allow your practice to expand its research and patient education activities. Don't be surprised if your practice actually experiences an increase in research activity due to the pharmacist's input and collaboration.

The practice's economics will benefit, as the pharmacist improves charge capture, inventory control, and other essential drug management issues.

Your pharmacist will also manage the relationships and contracts with PBMs.

Most important, your patients will benefit from the convenient access to an on-site pharmacy and a pharmacist who is truly a member of their healthcare team.

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### References

<sup>1</sup>Dollar estimates based on DATAMONITOR reports and the authors' own experience dealing with more than 100 practices outside US Oncology.

## Oncology Issues

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<sup>4</sup>Intercontinental Marketing Services. IMS Reports 7% Growth in Retail Pharmacy Drug Sales for the 12 Months to August 2003. Available at: [www.imshealth.com/ims/portal/front/articleC/0,2777,6599\\_42485344\\_43910109,00.html](http://www.imshealth.com/ims/portal/front/articleC/0,2777,6599_42485344_43910109,00.html). Accessed Jan. 14, 2004.

<sup>5</sup>Galloro V. Promise and peril: Cancer care. *Modern Healthcare*. June 18, 2001:74-76.