

## Cost of Dispensing Specialty Meds - It May Be More Than You Think

To calculate cost of dispensing a prescription, take total annual costs allocated to the prescription department divided by the annual number of prescriptions dispensed. Sounds pretty simple right? It's a tried and true calculation that works great for prescriptions routinely filled by a community pharmacy. We all know to include all the obvious direct costs such as vials and labels, as well as indirect costs such as rent, insurance, marketing, etc. I recently tried to analyze true cost of dispensing for our Specialty Pharmacy. This pharmacy resides inside one of our community pharmacies. As you can imagine, there are multiple points of cross-sharing in many aspects of the business. Determining the true cost analysis of each practice is important, so this cross-sharing poses a great challenge. In the beginning of my analysis I thought I would just calculate the square footage of each, calculate number of hours worked in each, and divide the number of prescriptions filled by each into that calculation. It was during this exercise that I discovered just how much cost is involved in the dispensing process of a specialty drug. I have had numerous independent community pharmacists ask me about our specialty practice. Most of those folks have a community pharmacy and want to implement specialty drugs into it. This article may help pharmacists with their question of whether to do it or not. It may also help pharmacists that are filling specialty prescriptions to determine a more accurate allocation of expenses or perhaps discover expenses they didn't know existed. To this point, I'm sharing what I've learned about finding these hidden costs and including them in our analysis of finding out our true cost of dispensing a specialty product.

According to the 2018-19 Economic Report on Pharmaceutical Wholesalers and Specialty Distributors {1} Independent pharmacies are expanding into specialty drug dispensing. Smaller entrepreneurial pharmacy owners are proactively pursuing the dispensing of specialty medications. Thirty-nine percent of independent community pharmacies dispense specialty medications. Numerous fast-growing independent pharmacies have transitioned their businesses into a specialty pharmacy focus.

Included in the 2018-19 Economic Report on Pharmaceutical Wholesalers and Specialty Distributors (2) Independents account for about one-sixth of the pharmacy industry's revenues - but they equal more than one-third of all pharmacy locations. The report also addresses that (3), it is estimated that by 2022, 47% of the pharmacy industry's revenues will come from specialty drugs. In 2017, it was estimated that specialty drugs accounted for about one third of the industry's total prescription dispensing revenues.

If you read the NCPA Digest you will see that your (4), geographical location will influence your business cost and revenues. We are located in Austin, Texas. The community pharmacy has been in the neighborhood for 61 years. We established the specialty practice in 2015. The specialty practice occupies about 1/3 of the building and has dedicated staff, technology and inventory.

If you are new to specialty or you are trying to determine exactly what a specialty drug is, I must warn you that everyone has their opinion.

PBM's Model Definition of a Specialty Drug- A prescription drug shall be designated as a specialty drug when it cannot be routinely dispensed at a majority of retail community pharmacies and it meets a majority of the following criteria: (i) requires special handling or storage; (ii) requires complex and extended patient education or counseling; (iii) requires intensive monitoring; (iv) requires clinical oversight; or (v) requires product support services; and the drug is used to treat chronic and complex, or rare medical conditions: 1. that can be progressive or 2. debilitating or fatal if left untreated or under treated.

State Medicaid Programs have similar definition of what a Specialty Drug is.

Then, we attempt to define what a specialty pharmacy is; A specialty pharmacy is a state licensed pharmacy that dispenses specialty prescriptions for people with serious health conditions requiring complex therapies. These include conditions such as, but not limited to, cancer, hepatitis C, rheumatoid arthritis, HIV/AIDS, multiple sclerosis, cystic fibrosis, organ transplantation, human growth hormone deficiencies, and hemophilia and other bleeding disorders. In addition to being state licensed and regulated, specialty pharmacies should facilitate education and coordination with prescribers and payers, and have clinical review and drug utilization protocols in place, provide patient care services and a comprehensive patient management program, have a support program for patients facing reimbursement challenges, and be accredited by an independent third party.

We started our specialty practice from ground zero, the slow and steady growth allowed us to transition into many of the "TLC" or high touch activities that we now provide on a larger scale. We incorporated these activities without really realizing what they were going to cost in the future (on a larger scale). These are hard to track but they are specific and necessary to the dispensing process of specialty products.

I think it is important that pharmacists going into this practice have an awareness of the amount of time and "extras" that it takes to accept, research, fill, and follow thru to patient counseling, and then follow up at completion of therapy for dispensing of most specialty products. Across the industry, the average time it takes for a patient to receive their specialty medication after it is prescribed is 3 to 6 weeks. This statistic demonstrates the intensity of "the fill". Going thru the exercise of measuring actual time required to fill a specialty prescription, brings attention and heightens awareness of the cost. This is very helpful when trying to calculate true return on investment of staff time. It takes us over two hours to refill a specialty prescription.

We definitely operate at a much higher level of customer touch and one on one service with specialty patients versus community pharmacy patients.

There are numerous services, tasks and equipment involved in dispensing specialty drugs. Below is a list that may help raise awareness & discovery of what is needed. The list may also serve to assist in the allocation of expenses that may have been overlooked or erroneously calculated in the past. This list is not inclusive and doesn't include requirements you will need for intravenous specialty products.

**Costs to be considered for allocation to specialty practice**

Accreditation, certification and training

Specialty pharmacy accreditation(s) thru CPPA, ACHC, URAC, The Joint Commission

Consider the cost of accreditation process including the salaries and additional technology you may need.

Example: Language translating services as well as a phone service that provides metrics to track call abandonment rates, provide toll free number, etc

Education for staff

Certain REMS require pharmacies to become certified to dispense the REMS medication.

Pharmacists must complete trainings

Some require pharmacies to enroll to obtain authorization to dispense

Pharmacy personnel must be trained/knowledgeable in complex medical conditions

Patient care services, counseling and training

Creating initial clinical consultations for new patients, including a thorough review of the patient's profile and ensuring we have a complete medical history.

Drug-specific patient clinical/care management services

Higher degree of patient education and counseling than traditional drugs

Training patients to ensure proper self-administration

Some REMS require patient monitoring and/or lab tests prior to dispensing

Tracking and reporting patient adherence and outcomes

Care coordination

Product device training

Monitoring patients for adherence and helping patients overcome side effects that may present.

Helping patients with Medicare Part D plan comparisons during open enrollment to help them minimize their costs with specialty drugs.

Storage, handling and delivery

Ability to adhere to storage shipping and handling standards. An example is maintaining and proving cold chain distribution.

Shipping is costly, even with a high volume. Temperature monitoring devices and special packing boxes are needed.

Delivery cost for local patients.

Time to ensure accurate shipping labels and collection of signatures.

Liability costs when a shipment goes missing or is delivered late or to the wrong address. (it happens).

Reimbursement requirements

Contacting physicians to gather information to complete prior authorizations  
interviewing the patient's to obtain information required to write letter of appeal to payers.

Reimbursement tracking

DIR investigations prior to dispensing

Benefits verification and investigation and support for patient assistance programs

Additional/secondary insurance coverage

Determine what is required for financial assistance for the patient  
Tracking 340B claims to ensure proper reimbursement/replacement

#### Website

Keep prescription forms current  
Intake forms

Computer software and additional specialty software

Depending on your system, this may require double entry

Refrigeration and temperature controls - special refrigeration units may be required

#### Staffing

##### Pharmacist:

Available 24 hours to provide guidance to patients  
Write letters of appeal on patient's behalf

##### Technician:

Document diagnosis, lab values, height, weight, allergies, etc  
Document patient care plans and notes  
Gather insurance info to determine eligibility and coverage/copay information  
Facilitate delivery and clinical services and enroll patient in assistance program

Check the status of a prior authorization request to facilitate the billing and delivery of the specialty medication

Call doctors, follow up on PA forms  
Benefits verification and coupon searches

#### Other

Price of specialty drugs may increase with loss of rebates on specialty category of drugs through the wholesaler.

Many wholesalers have expanded their list of "specialty" drugs.

DIR fees; some insurance companies are changing their policy annually on DIR fees for specialty products. For example, in 2019, instead of charging a reasonable flat rate per prescription, they are going to a percentage of cost of the product. Huge difference in the total fee, makes it a smart exercise to check at least annually on what DIR's are actually costing the company.

Any administration supplies you furnish at no charge, such as alcohol swabs, cotton balls, needles & syringes

Line of Credit - the expense of establishing it and the additional expense of using it. These drugs can be extremely expensive and can negatively affect cash flow.

Professional memberships beyond what you may have now. NASP, Asembia  
Attending conferences/ CE

1) 2018-19 Economic Report on Pharmaceutical Wholesalers and Specialty Distributors. Adam J. Fein, Ph.D.

Drug Channels Institute - October 2018

2) 2018-19 Economic Report on Pharmaceutical Wholesalers and Specialty Distributors. Adam J. Fein, Ph.D.

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3) 2018-19 Economic Report on Pharmaceutical Wholesalers and Specialty Distributors. Adam J. Fein, Ph.D.

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4) 2018 NCPA Digest

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