



NATIONAL HEALTH SYSTEM IN SOUTHERN CA

One of the nation's leading for profit healthcare systems based in southern California operating 45 hospitals in 14 states, with 45,000 employees and physicians.



CASE STUDY

STRATEGIC ALIGNMENT

THE CHALLENGE

After acquiring multiple distressed hospitals as part of a planned expansion, the health system was faced with the task of standardizing pharmacy operations across disparate facilities. This was especially pressing due to rapidly increasing expenses driven by broad inefficiencies and lack of uniformity. There was no system-level Pharmacy & Therapeutics (P&T) committee structure, so there was little oversight or strategic direction for pharmacy at the system level. Furthermore, the health system did not recognize the opportunity to generate substantial revenue through pharmacy and instead focused solely on covering costs. Having quickly grown from 17 to 45 hospitals, the health system now had tremendous buying power, which could only be utilized through a unified approach that included every facility. Executives saw the need for a new vision that would challenge the status quo and use the pharmacy system to increase overall revenue and efficiency.

THE APPROACH

Extensive Redesign

A comprehensive review of pharmacy infrastructure revealed opportunities to streamline operations, fix billing, and improve processes to enhance revenue. GPO and wholesaler arrangements were renegotiated, and all pharmacy contracts were assessed for revenue potential.

Opportunities to increase site participation emerged after conducting a careful review of 340B eligibility, which showed that many sites were eligible but not participating. Full scale redesign of infusion services included all aspects of day-to-day operations, such as billing, front office operations, prior authorization, product fit, and contracts.

A corporate P&T committee was established, which led to common processes across the multiple entities and purchasing through a buying group matrix, which further reduced costs.

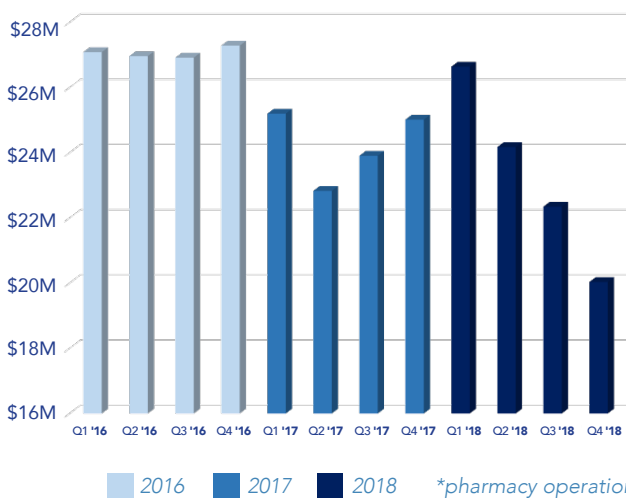
Combining pricing and product management strategies with operational efficiencies led to reduced pharmacy expenses and maximized productivity. The comprehensive approach included formulary management, inventory process redesign, and staffing optimization.

THE RESULTS

Targeted Solutions

- An all-inclusive 340B enrollment and compliance program was established, which included TPA implementation and a contract pharmacy strategy, reducing costs by \$10M and increasing revenue by \$3M.
- Grew 340B program participation from 1 to 13 facilities.
- Expanded from 5 retail pharmacy sites to 15, created a cohesive network to improve employee access, and balanced costs leading to a pharmacy benefits management design.
- Engaged stakeholders in a RFP process that resulted in selection of a new GPO and wholesaler. Full implementation led to \$45M in savings for the health system.
- Established a corporate P&T structure which led to common processes across multiple entities and created synergy and efficiency.
- Standardized management and real-time inventory evaluation which reduced costs by \$11M.
- Pharmacy solutions helped the system grow from \$300M to \$500M annually in profit as opportunities were realized across pharmacy, supply chain operations and other departments.

QUARTERLY SPEND*



ANNUAL SPEND*

