

COMMENTARY

Another Cost Savings Consultant?

Five Key Qualities to Expect from a Hospital Pharmacy Cost Savings Partner

By Amanda Reed, Owner & Pharmacy Consultant, GapLink Solutions

ABOUT GAPLINK SOLUTIONS

GapLink provides hospitals with customized cost containment and drug formulary management solutions with a built-in 100% return on investment. GapLink values Integrity, Flexibility, Transparency, Hard Work, Quality, and Customer Service.

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ANOTHER COST SAVINGS CONSULTANT?

Five Key Qualities to Expect from a Hospital Pharmacy Cost Savings Partner

- ✓ Guarantees Performance
- ✓ Transparent
- ✓ Valuable
- ✓ Provides Customized Support
- ✓ Experienced

“They took credit for ideas and initiatives that we were already working on. They didn’t really bring new ideas to the table.”

-Anonymous Pharmacy Director

“The resources provided were not very helpful with getting cost savings initiatives approved and implemented.”

-Anonymous Pharmacy Director

“I spent hours verifying and correcting the amount of cost savings calculated.”

-Anonymous Pharmacy Business Manager

“Half of the cost savings ideas paid for were never implemented.”

-Anonymous Pharmacy Administrator

“I don’t think that I could handle having another consultant evaluate the pharmacy.”

-Anonymous Pharmacy Manager

Financial challenges again ranks No. 1 on the list of hospital CEO’s top concerns in 2013.¹ Government funding cuts, Medicaid/Medicare reimbursement changes, bad debt, decreasing inpatient volume, increasing costs for staff and supplies, and competition from other providers are a few of the specific financial challenges for today’s CEOs. Healthcare reform implementation and government mandates are also top on the list. Despite these challenges, their desire to provide the highest quality, most cost-effective patient care possible is unwavering.

In light of this environment, more hospital and health system administrators are utilizing consultants to find improvement opportunities in various departments and processes throughout their organizations. The Pharmacy Department is often part of this review process. Consultant recommendations may focus on drug inventory, revenue management, pharmacy efficiency and skill mix, services provided, and/or reducing drug expense. The primary lure of most consultant services is the provision of cost savings to the organization.

A common theme has emerged among Pharmacy Administrators, Directors, and Clinical Managers who have been given the opportunity to work with cost savings consultants. Most are not excited about the possibility of working with future consultants and have specific reasons as to why. This commentary provides hospital pharmacy leaders with five (5) key qualities that can change the perceived consultant into a welcomed partner. Pharmacy is often not directly involved with the selection of a consulting company, especially if that company offers services beyond the pharmacy. However, this information can be used to pre-emptively prepare the C-suite with qualities desired in a cost savings partner.

GUARANTEES PERFORMANCE

A COST SAVINGS PARTNER GETS PAID ONLY FOR RESULTS. A performance guarantee helps to ensure that hospitals pay only for results. It is a percentage of the realized cost savings built into a risk-share agreement that incentivizes a cost savings partner to perform. Ideally, the performance guarantee is based on actual hard-dollar cost savings. Soft-dollars are difficult to accurately reflect the impact to a hospital’s bottom line.

TRANSPARENT

A COST SAVINGS PARTNER HAS NOTHING TO HIDE. Transparency breeds trust, and trust is the foundation of a great partnership. How actual cost savings are calculated should not become an area for concern. A cost savings partner should be able to clearly and concisely account for every dollar of the calculated cost savings using a mutually agreed upon methodology. This agreed upon calculation methodology should be specified in advance for each implemented initiative.

¹American College of Healthcare Executives. Top Issues Confronting Hospitals: 2013 Survey. www.ache.org/pubs/research/ceoissues.cfm

VALUABLE

A COST SAVINGS PARTNER BRINGS NEW VALUE TO THE TABLE. Identified cost savings opportunities should not overlap with current efforts of the Pharmacy Department. One exception would be initiatives in which the hospital desires to have access to additional resources. New opportunities should be specific on what type of change can be expected to bring about cost savings for the hospital. The associated projected annual cost savings should also be defined for each opportunity. Be cautious of value defined in terms of a percentage reduction in pharmaceutical spend that is not accounted for by specific cost savings solutions.

PROVIDES CUSTOMIZED SUPPORT

A COST SAVINGS PARTNER CUSTOMIZES AND SUPPORTS RECOMMENDATIONS. Successful pharmacy cost savings solutions need to be vetted using a multidisciplinary approach. The resulting feedback should then be incorporated into customized recommendations that meet the needs of the individual hospital environment. Lastly and before implementation, most cost savings solution must be approved by the medical staff. A great cost savings partner is able to facilitate multiple cost savings opportunities through this process and create concise customized recommendations for change. They become a small part of the pharmacy team and continue to support the team until results are realized. The ability to customize support tools and approaches requires the cost savings partner to have personal flexibility and a strong work ethic. Don't underestimate the value of customized support.

EXPERIENCED

A COST SAVINGS PARTNER FOR PHARMACY NEEDS EXPERIENCE IN PHARMACY. Experience becomes evident in the ability to lead people, manage projects, and bring out-of-the box ideas to light. However, experience in pharmacy is necessary to effectively deliver cost savings results for the Pharmacy Department. Each hospital offers a unique environment to learn and further develop skills in finding and implementing pharmacy cost savings. An experienced cost savings partner is able to apply that wealth of knowledge for each unique hospital environment.

SUMMARY. Many pharmacy leaders do not have a great perception of cost savings consultants. This commentary describes five key qualities that hospital and health system administrators should learn to expect from consultant services that focus on delivering cost savings. Hospital leaders should 1) expect to pay only for results, 2) expect clear and concise answers regarding the basis of cost savings calculations, 3) expect new value and not a summary of what departments are currently working on, 4) expect effective support through the vetting, approval and implementation of cost savings solutions, and 5) expect experience to be added to the wealth of knowledge already found in their Pharmacy Department. In fact, one could argue that expecting these five qualities are key to turning mere cost savings consultants into valued partners.

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