

Case Study

Modoc Medical Center Retail Pharmacy

"We are the only hospital for over 20-miles with mountainous roads, that are often snow-covered. We have a large, national chain pharmacy in town and were looking for a way to keep healthcare-dollars local. Since opening our retail pharmacy, we have had a tremendous response from our patients and community, who are excited keep their business and healthcare-dollars in Modoc County. The town wants to ensure that our hospital stays viable and looks at our pharmacy as one avenue to make that happen ".

- Kevin Kramer, CEO Modoc Medical



CLIENT: Modoc Medical Center

TYPE: Critical Access Hospital

REGION: North-West California

CLIENT PROFILE

Modoc Medical Center(MMC) is a 16-bed, critical access hospital providing emergency services, family practice medicine, retail pharmacy, and a 51-bed skilled nursing facility, in addition to other ancillary services such as radiology, laboratory, physical therapy, and day surgery services to the residents of Alturas, California and Surrounding Areas.

Modoc Medical Center's CEO, Kevin Kramer, approached Q Consulting Services in early 2015 as he began to think about opening a retail pharmacy. There was already a Rite-Aid pharmacy in the town, and he wanted to ensure that a hospital-owned retail pharmacy would, at the very least, be self-sustaining from a financial perspective.

THE CHALLENGE

MMC wanted to establish a retail pharmacy, with a goal of keeping community health-related profits within the county, as well as a way to extend the continuum of care for patients.

The hospital needed to ensure that the pharmacy would be profitable within a reasonable time-frame, as it could not afford long period of losses to support the venture.

The determining objectives behind a decision to move forward with a retail pharmacy were:

1. Can MMC operate a self-sustaining retail pharmacy?
2. Will it provide a service to the community?
3. Will it improve patient care?

THE PROCESS

MMC hired *Q Consulting Services* to undertake a financial feasibility study of a hospital-owned retail pharmacy and, if it was financially viable, to develop a business plan for its implementation and operations. Q Consulting Services brought highly specific knowledge to MMC after years of working with Critical Access Hospitals, and hospital outpatient pharmacies, across the country.

The first step in developing the financial feasibility study was to determine the most significant opportunities, as well as those that were easily achievable.

Completion of the financial feasibility analysis required data gathering phase to determine how the pharmacy could maximize prescription capture from patients as well as benefit from other members of the Modoc community – including non-patients and local physicians.

Q Consulting began the project by gathering relevant data from the health system and analyzing things like patient visits, physician prescribing trends and community demographics; in order to determine the expected revenue of the pharmacy. One concern before beginning the project was that the hospital had lower than average prescription volume, due to the small size of both the hospital and community, its general remoteness, and having to compete with an established pharmacy in town.

The consulting team then looked at other important determinants of long-term viability, such as staffing needs, hours of operation, buildout costs and technology requirements. They were also able to show additional profits through better alignment between the employee prescription benefit plan and a hospital-owned retail pharmacy.

After the data gathering phase, the information was analyzed and combined into a five-year financial pro-forma, and the project's Return on Investment (ROI) was determined.

OUTCOME

The financial analysis showed an attractive ROI, which was boosted by the hospitals "Critical Access Hospital" status and its ability to utilize both GPO and 340B savings and received board approval.

The hospital reached profitability within 5-months and is now at a critical point of growth

ONGOING CHALLENGES

The hospital is at a phase of prescription volume where there will be a need to hire more staff, which can be a challenge in this small and remote county. For example, it took them almost a year to find its current pharmacist, who hailed from Alaska.

NEXT STEPS

1. Implement processes to drive savings through the employee prescription benefit plan by redesigning the healthcare benefit package to encourage employee utilization
2. Begin identifying opportunities within Specialty Pharmacy.