

HOW CRITICAL ACCESS HOSPITALS SUCCEED WITH SPECIALTY PHARMACY

Pella Regional Health Center is a non-profit, private health care provider that has been serving the residents of Pella, IA and its surrounding communities since 1960. With continuous growth over time the hospital expanded to also include outpatient services, numerous medical clinics, two outpatient pharmacies, and it now also provides a specialty pharmacy.

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In 2017, Mindi Chamberlain the Director of Pharmacy & Infusion Center at Pella Regional Health Center, began the task of transforming the 340B drug pricing program and looking for new revenues and service lines that complemented the hospital and the pharmacy operations. She decided it was important to find ways to enhance patient management and care whilst growing the pharmacy business, saving the hospital money and remaining compliant with federal regulations.

Understanding the challenges faced by small regional hospitals, it was clear that significant benefits could be gained by expanding their 340B program to provide specialty medications and to better support Pella Health's patients.

As a Critical Access Hospital, Pella have the benefit of being able to purchase outpatient medications at both Group Purchasing Organization (GPO) and 340B prices and are not bound by the GPO exclusion. A Specialty Pharmacy would allow the hospital to better integrate services to care for their Neurology/MS patients as well as their many Rheumatology patients, who require medications like Humira and Enbrel. This also allowed them to improve service for patients visiting their onsite infusion suite and needing oral oncology.

The Specialty Pharmacy Project

Ms. Chamberlain engaged Q Consulting Services to evaluate the prospect of building a specialty pharmacy at Pella Health and to develop a Specialty Pharmacy Business Plan that would outline how to successfully launch this service. Based on Pella's unique requirements, Q Consulting Services undertook a comprehensive review to determine:

- Financial feasibility of the project.
- Operational requirements for staff, space, workflows and technology.
- A timeframe for development.

Ms. Chamberlain was surprised by how easily they could expand their existing pharmacy services to incorporate the specialty pharmacy. She originally thought they would need to build an entirely new, complicated, and heavily staffed business.

Q Consulting Services recommended that Pella expand their "First Fill" pharmacy, which was one of two outpatient pharmacies that the hospital operated, to support more services, and include specialty pharmacy, which would substantially increase their profits

5-Year Financial Proforma is outlined below:

	Year 1	Year 2	Year 3	Year 4	Year 5
Specialty Volume	281	345	465	515	569
Average Price Per Rx	\$6,833	\$7,941	\$8,782	\$10,468	\$12,408
Revenue	\$1,932,039	\$2,738,885	\$4,083,053	\$5,395,230	\$7,055,744
Cost of Drugs	\$1,738,835	\$2,464,997	\$3,674,748	\$4,855,707	\$6,350,169
Gross Profit	\$193,204	\$273,889	\$408,305	\$539,523	\$705,574
Operating Expenses	\$57,421	\$64,761	\$76,168	\$87,376	\$101,237
EBITDA	\$135,783	\$209,128	\$332,137	\$452,147	\$604,337

The Specialty Pharmacy was able to immediately dispense specialty medications to Medicare patients due to Federal “Any Willing Pharmacy Laws”. Further, the “First Fill Pharmacy” had the immediate capacity to support increased prescription volumes, without needing to employ additional staff. Q Consulting Services developed a staffing plan that would ensure that the pharmacy staff were fully trained and supported throughout the implementation process.

Specialty Pharmacy Software Decision

In consultation with Ms. Chamberlain and Kent Breems, Pella Health’s Pharmacy Manager, Q Consulting Services recommended several Specialty Pharmacy Technology options. After evaluating, and considering each on, the hospital decided to purchase Therigy due to its seamless integration into Newleaf, their dispensing software.

As part of the onboarding process, Q Consulting Services prepared employees with the knowledge and skills required to manage and operate a specialty pharmacy. The hospital created a new position for an assistant who would act as a patient advocate, conduct prior authorizations and help to manage patient and insurance workflows.

Limited Distribution Medications

A hurdle that most specialty pharmacies face, including Pella Health, was accessing a small, but important number of Limited Distribution Specialty Medications. However, with insight from Q

Consulting Services, the pharmacy overcame this challenge, and was recently granted access to nine Pfizer limited distribution medications.

Other Hurdles

A slower than expected start was encountered from the Oncology business. After an examination into why Pella Health’s specialty pharmacy was not seeing these prescriptions, it was found that the Oncologists, who were privately contracted through a regional Oncology Practice, were sending all of their prescriptions to a Specialty Pharmacy that was owned by the physician group. After discussions with the physicians, and explanations of Iowa’s patient choice laws, oncology prescription volume has picked up.

The new specialty pharmacy is now fully operational and has delivered Pella Health with improved and more coordinated outpatient care, enhanced patient support and the “First Fill” Pharmacy recorded its first year of profits.

Next Steps:

1. Maximize employee pharmacy benefit savings w a 340B eligibility program
2. Become URAC Accredited in order to:
 - ◆ Access the specialty pharmacy networks of private payers who require accreditation
 - ◆ Increase Limited Distribution medication access from several manufacturers with this requirement.

