

CASE STUDY

Retail Pharmacy, Eaton Apothecary

CHALLENGE

Create an improved and accurate process to analyze and monitor product pricing data to examine margins.

SOLUTION

Predictive Acquisition Cost (PAC) by Elsevier

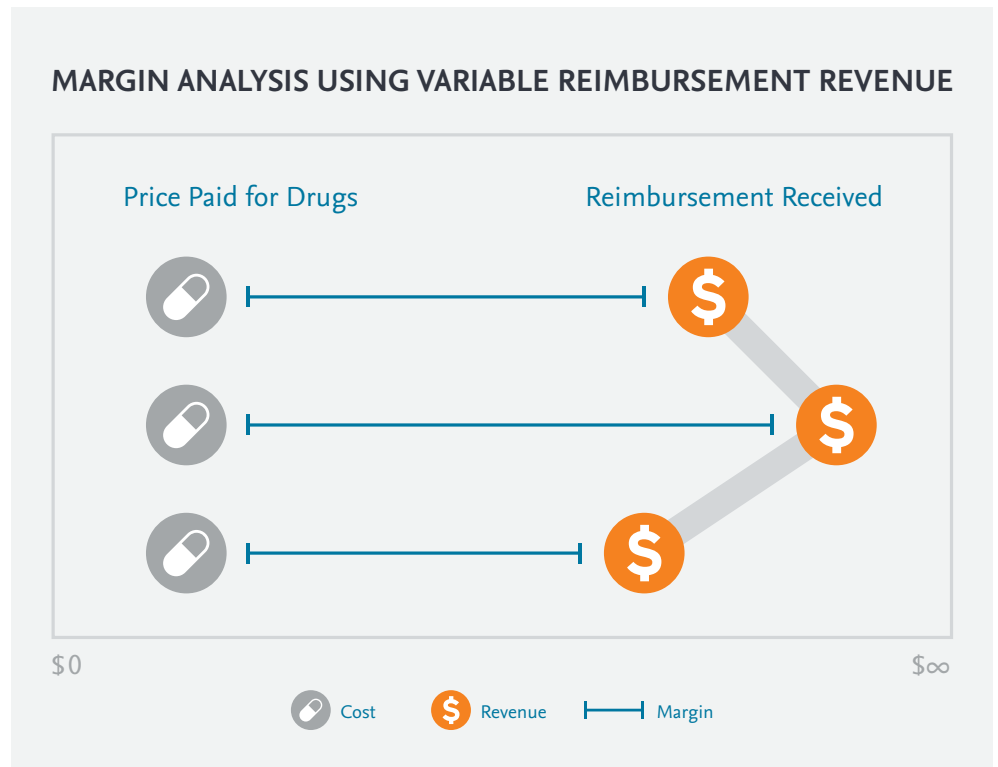
RESULTS

Eaton Apothecary is now able to run analysis to determine where reimbursement and procurements significantly deviate from the norm.



The Challenge

Eaton Apothecary has 18 pharmacies in the greater Boston area. The organization's focus is on niche pharmacy services including adherence packaging, home delivery, 340B pharmacy management, and PACE plans.



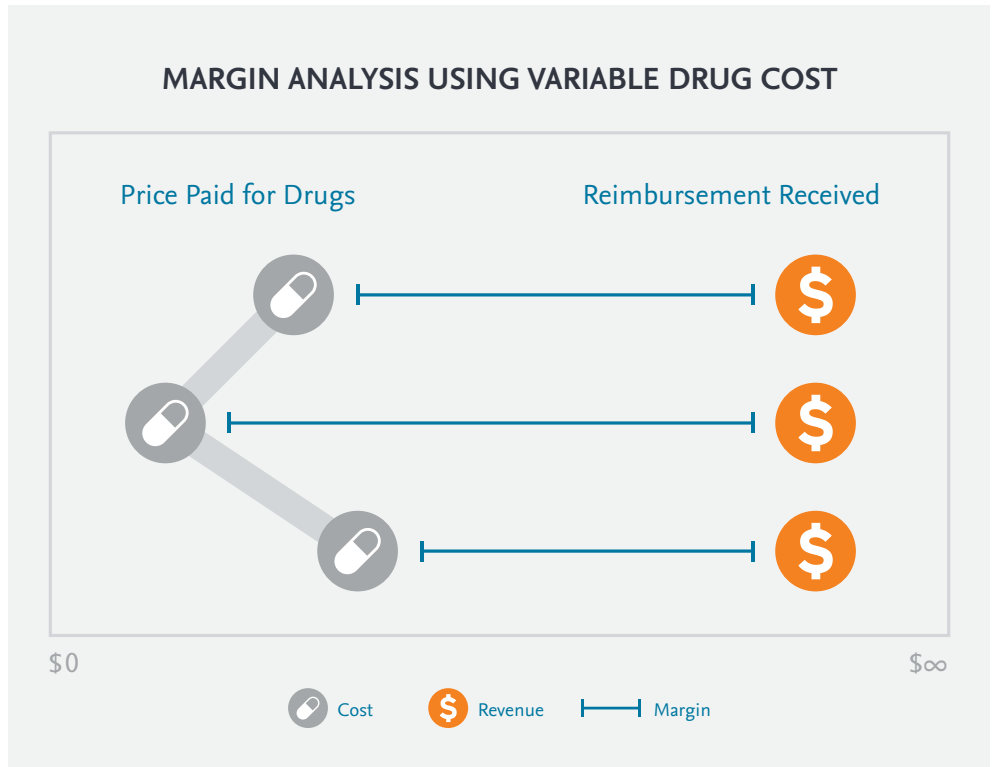
Eaton Apothecary sought to create an improved and accurate process to analyze and monitor product pricing data in order to examine its margins.

Because prices are largely set unilaterally, Eaton Apothecary wanted to accurately analyze what they paid for a drug during procurement and what they received in payment during reimbursement. The organization found that gauging the market for reimbursement was also a challenge. In a single month, Eaton

Apothecary pharmacies may dispense nearly 9,000 unique SKUs with every pharmacy ordering five days per week. Price changes occur every day and claims are adjudicated every day.

“Margins lie in the delta between cost and revenue, but both points can move,” said John Lynch, Vice President of Operating Policy at Eaton Apothecary.

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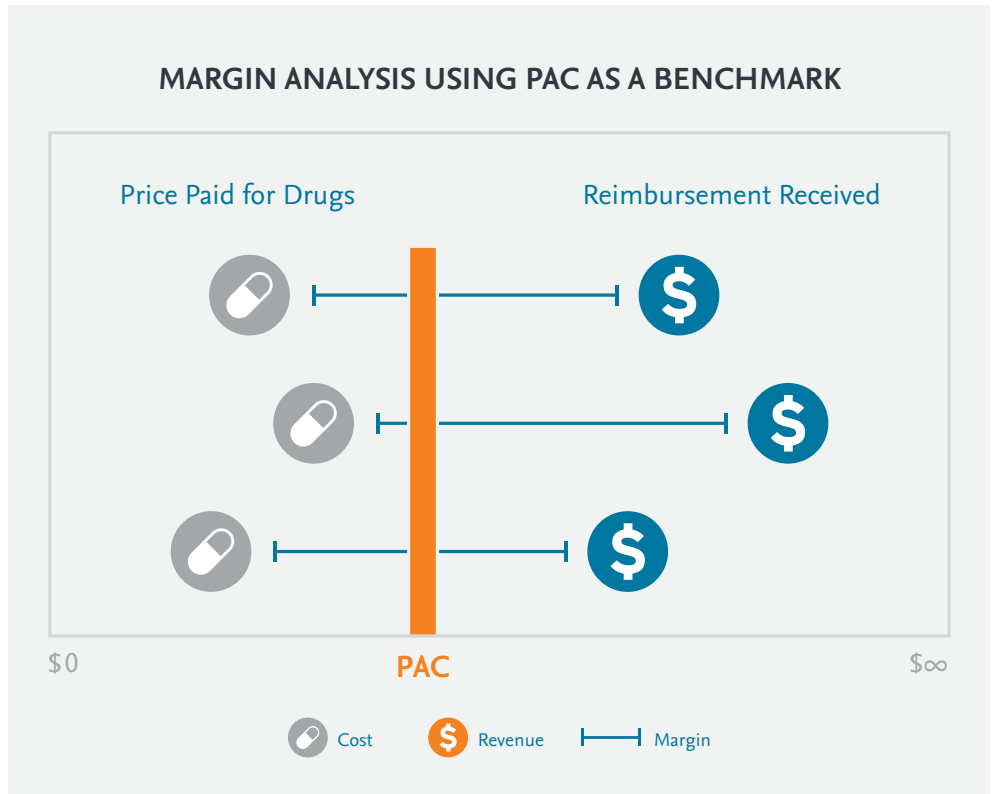
In determining a good point for analysis, Eaton Apothecary attempted to scrutinize its margins by instead trying to look at fixed revenue from reimbursements, but variable prices from multiple wholesalers.

Wholesalers can be ranked against each other on each item/class but this requires access to their pricing data.

Eaton Apothecary's goal was to find deviations from the market norm in order to judge whether prices and reimbursements are in line — fair and profitable. Payers can be ranked against each other to find outliers, but this requires a valid sample size — on every item.

Performance

PAC finds outliers quickly and indicates when a contract should be renegotiated or a reimbursement appealed.



Eaton Apothecary found that PAC predicts the market using the many available inputs. PAC makes it possible to evaluate each side of the house against a constant, rather than trying to compare wholesalers and insurers to one another. PAC finds outliers quickly and indicates when a contract should be renegotiated or a reimbursement appealed.

Results

Eaton Apothecary is now able to run analysis to determine where reimbursement and procurements significantly deviate from the norm. When outliers are revealed, Eaton Apothecary performs research to first determine whether any internal opportunities exist, or if errors occurred in purchase or billing. If the research indicates that the outlier is an external problem, a payer/wholesaler pricing appeal may be filed with the appropriate external party.

Eaton Apothecary's goal is to continue moving forward with its vendors and partners in a consistent and transparent fashion, being clear on their value propositions and using PAC as an analysis on their payers, vendors, and non-insured cash customers. The organization recognizes that when there is a deviation from PAC, such does not directly equate to a deviation in the market. Each outlier must be evaluated individually as it is a predicted acquisition cost. PAC will identify the outliers; often the research concludes that the outliers are simply outliers and not indicative of a deviation from the market.

Eaton Apothecary recently went through a wholesaler procurement process and required participants to agree formally to adopt PAC in the resulting agreement. The requirement was to incorporate PAC at a high-level, monitoring portfolio-based generic pricing. Eaton Apothecary also uses

PAC for MAC pricing with small and paper-based, offline local health plans, as well as for its own retail cash pricing. When asked how much Eaton Apothecary was saving or gaining by using PAC, John Lynch replied, "Significantly more than we pay for it."

Predictive Acquisition Cost (PAC)

PAC employs predictive analytics to estimate acquisition cost by considering various factors, including industry MAC benchmarks, published price lists, existing price benchmarks, drug dispensation, supply-demand measures, and survey-based acquisition costs. PAC meets the criteria defined by the pharmacy industry for a successful new drug price benchmark.

PAC establishes a pricing range to determine the performance of pricing contracts, to control cost and pricing challenges, and to guide reimbursement rates which leads to fair and balanced pricing, improved negotiations, and enhanced industry relationships.

Elsevier publishes the PAC as reported by Glass Box Analytics and is the exclusive distributor of the PAC price type.

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