



Enhancing Patient Care & System Revenue: The Case for Onsite Specialty Pharmacies

IN 340B HOSPITALS

OVERVIEW

Why a Specialty Pharmacy?

As chronic illnesses become increasingly common in the United States, the number of specialty medications for managing these conditions has skyrocketed. According to [a report](#) by The American Hospital Association, the number of Americans with chronic medical conditions will grow by a projected 9% between 2020 and 2030, an increase of 14 million people.

Some disease states are projected to experience even higher increases in patient volume. Which is why, according to some online reports, nearly 80% of new drug introductions are now specialty medications.

Streamlining 340B Patient Care

Onsite specialty pharmacies in 340B hospitals offer a seamlessly efficient approach to caring for the “sickest of the sick” patients they serve. These pharmacies are uniquely equipped to dispense medications tailored to specific medical conditions, such as cancer, chronic diseases, and rare disorders.

With specialized expertise, pharmacists at your onsite specialty pharmacy can collaborate closely with your health system’s providers — ensuring that those patients receive personalized treatment plans and appropriate drug therapies.

By streamlining care delivery, 340B hospitals’ onsite specialty pharmacies can effectively manage complex medication regimens — while minimizing the risk of medication errors. This integrated approach fosters a coordinated continuum of care, ultimately leading to improved patient outcomes.

As Pharmacy Times noted in a 2022 article, Not only can health-system pharmacists from both the inpatient and outpatient sides view patient-specific information to verify prescription accuracy prior to dispensing, but nurse coordinators and case managers who may be assisting with insurance coverage or patient assistance programs can also see the same data. Optimizing visibility allows for clinicians to avoid duplication of efforts, and ensure safety and efficacy — with full laboratory data, and other relevant information (i.e., allergies, medication history, etc), easily available.

Enhancing Medication Adherence Among 340B Patients

Medication non-adherence is not only a persistent challenge in healthcare (particularly among patients with chronic conditions), it's the number one cause of unnecessary patient readmissions. According to the World Health Organization (WHO), half of all patients in developed countries do not adhere to their medication treatment protocols.

Onsite pharmacies (particularly when supported by robust Meds To Beds programs) can play a pivotal role in improving medication adherence among patients at the greatest risk of burdening hospitals with costly, unnecessary, compliance-related readmissions.

Working in tandem with its retail pharmacy, a hospital's specialty pharmacy can help manage prescription loads. Consider, for instance, the oral chemo Revlimid: Traditionally, patients would get that from a specialty pharmacy — but would have to fill their nausea-drug prescriptions at a retail pharmacy. In hospitals with retail and specialty pharmacies, patients can now get both on-site — as long as the prescribing MD is part of that health system.

Think about how much easier it is for MDs, when they can work directly with pharmacist colleagues within their health systems — instead of faceless professionals hundreds of miles away — and how much more effective they can be in serving their patients.

Onsite Specialty Pharmacists can engage patients in one-on-one counseling, providing them with essential information about their medications' purposes, potential side effects, and proper administration. This personalized education empowers and incentivizes patients to take a much more active role in managing their health.

Expanding 340B Patients' Access to Specialty Medications

The number one reason for patient noncompliance with medication protocols is the prohibitive cost of their prescriptions, followed closely by the limited availability of those prescriptions. Onsite specialty pharmacies in 340B hospitals can significantly reduce these barriers to patient compliance, by procuring specialty drugs at discounted prices through the 340B program.

By offering specialty medications at reduced costs, 340B hospitals with onsite specialty pharmacies can significantly improve affordable access to these essential drugs for a broad spectrum of patients — particularly those with limited financial resources. This ensures that vulnerable populations can receive the treatments they need, leveling the healthcare playing field for all patient demographics — while promoting greater health equity in 340B hospitals' communities.

Cost Savings and Financial Sustainability

Congress created the 340B program to ensure that hospitals serving the most vulnerable and underserved communities have the supplementary financial support needed to sustain their business models — often their very existence. Onsite specialty pharmacies can contribute significantly to this sustainability by generating revenue streams that offset operational costs. In fact, some covered entities generate as much as 600% in revenue from 340B specialty drugs as they do in traditional retail / outpatient pharmacy 340B prescriptions.

By establishing an onsite specialty pharmacy, your hospital can capture a greater proportion of the pharmacy revenue that would otherwise be lost to outside pharmacies. These increased revenues not only support your hospital's financial stability, but also enable you to invest in additional healthcare services and infrastructure improvements in serving their communities.

Improving Patient Satisfaction

As the United States moves toward a value-based care model, patient satisfaction is an increasingly essential aspect of the Quality Ratings that directly impact reimbursement rates for many 340B health systems.

Onsite specialty pharmacies can contribute to higher patient satisfaction in several ways. By reducing wait times and offering tailored medication services, patients enjoy enhanced levels of care and attention. Moreover, affording patients access to specialty medications at reduced costs improves their confidence in their treatment plans — leading to greater trust in the healthcare system and, again, greater levels of compliance.

Facilitating Clinical Research and Innovation

Onsite specialty pharmacies can serve as valuable resources for 340B hospitals that conduct clinical research — promoting medical innovation. With access to a wide range of specialty drugs and patient populations, these pharmacies can participate in drug trials — contributing to the advancement of medical knowledge, and the development of new treatment options.

By collaborating with pharmaceutical companies and academic institutions, onsite specialty pharmacies can participate in research initiatives that ultimately benefit patient care for everyone.

Leveraging Data Analytics and Patient Outcomes

The integration of onsite specialty pharmacies within 340B hospitals enables the collection and analysis of comprehensive patient data. Pharmacists can leverage data analytics to monitor medication adherence, identify potential drug interactions, and assess treatment efficacy.

By harnessing the power of data-driven insights, 340B hospitals can continually improve their patient care protocols and optimize treatment outcomes. This evidence-based approach enhances the quality of care provided by the hospital, benefiting both patients and the overall healthcare system.

Overcoming 340B ESP and drug manufacturer restrictions

We've reported, in multiple blog posts, the myriad abuses of the 340B law perpetrated by the drug manufacturers since the June 2020 introduction of the [340B ESP](#) website. It's no coincidence that the overwhelming majority of 340B-eligible medications under access-restrictions are the most expensive and profitable drugs (translation: Specialty Drugs) in the restricting manufacturers' product lines.

In October, 2022, the 340B advocacy group Ryan White Clinics For 340B Access reported:

By letter dated October 30, 2020, Novartis is notifying covered entities that are federal grantees that they will continue to receive 340B discounts at contract pharmacies and, beginning November 16, 2020, Novartis will honor contract pharmacy arrangements only for pharmacies located within a 40-mile radius of the parent site for all other covered entities."

In other words, Novartis informed 340B health systems that they would soon allow them to use only pharmacies within a 40-mile radius of their primary campuses.

Other manufacturers have followed Novartis's lead

As we reported on February 15, 2023 Johnson & Johnson took Novartis's 40-mile restriction one step further, informing 340B covered entities that — starting March 7, 2023 — they would be allowed to designate only one pharmacy in their networks as a contract pharmacy, AND that the pharmacy would have to be located within 40 miles of the health systems' campuses. Essentially, J&J was forcing 340B Covered Entities to choose between a retail pharmacy and a specialty pharmacy as their sole designated contract pharmacy.

J&J isn't the only drug manufacturer with a "single pharmacy" or a "40-mile" restriction. By August, 2023, there were 24 manufacturers imposing unlawful restrictions — either through 340B ESP, or independent of the website.

The good news for many 340B-eligible hospitals with specialty pharmacies.

There is a workaround for 340B hospitals forced to select a single pharmacy for manufacturers' 340B pricing — and it's legal in many states. Hospitals can operate specialty pharmacies alongside their retail pharmacies. As long as the two operations are physically in their own spaces (working under separate Pharmacists-In-Charge), and there is no procedural, functional or personnel overlap between the two.

Regardless of prevailing state laws, ProxsysRx can help health systems navigate the best options for dealing with state guidelines, maximizing available space, and meeting patient needs.

That said, opening a specialty pharmacy is extremely challenging — particularly given the effort required just to get access to purchase specialty meds, and then to get "In Network" with PBMs. Payers and manufacturers control the players in Specialty, so newcomers need significant support and guidance navigating the process. That doesn't even account for how hard it is accrediting and running a Specialty Pharmacy.

The organizational challenge for 340B hospitals opening specialty pharmacies

ProxsysRx is currently in the process of opening a specialty pharmacy for a major Southeastern regional health system. The key problem we're facing is that the unique requirements of planning, building, stocking, hiring and managing a specialty pharmacy often run counter to that health system's corporate procedures and policies. And so, in the process of launching its specialty pharmacy, we've learned how to work within the hospital's system — aligning our team's culture with their culture, and streamlining our processes without cutting corners.

Building a Specialty Pharmacy requires a relationship built on mutual trust, and we're genuinely proud of the work our team has done on that front.

Owning a successful 340B specialty pharmacy starts with optimizing your 340B program

In the typical health system, the majority of specialty prescriptions are written by the following clinics: Dermatology, gastroenterology, rheumatology, endocrinology, neurology and oncology.

Medications dispensed through these clinics have high utilization rates, and yield equally high 340B savings. Which is why the first, and most important, step in planning a successful onsite specialty pharmacy is to ensure that the clinics writing the most specialty prescriptions in your system are eligible and registered with your 340B program.

Establishing your 340B specialty network

When you're developing a specialty pharmacy tailored to your covered entity's needs, consider the following:

340B therapies

You'll need to make sure your specialty pharmacy product mix accommodates the therapies that your covered entity utilizes.

340B qualification rule sets

For your 340B specialty pharmacy, you'll want to do the following

- Work with your third-party administrator (TPA) to identify your high-volume specialty prescribers.
- Extend eligible-date windows to account for longer timelines associated with prior authorizations and medical benefit eligibility checks.
- Ensure that your prescribers are adhering to your defined workflows, and meeting all charting requirements.
- Make sure your qualifications account for all delivery-channels through which prescriptions are sent to your specialty pharmacy — including fax, EMR and pharmacy hub.

Owning a successful 340B specialty pharmacy starts with optimizing your 340B program (**continued**)

Complex 340B specialty workflows

Custom rulesets bring more complex workflows, which increases the likelihood for claims to fall through the cracks. Be sure to identify those situations, and create partial matching rules — such as by therapy or prescriber — then thoroughly review them for qualification.

Current 340B replenishment-savings rates

It's been estimated that up to 10% of all 340B specialty catalog pricing is inaccurate. Which is why it's so important to routinely audit catalog pricing, to ensure that your pharmacy always had current 340B pricing for specialty drugs.

How ProxsysRx makes it easier for 340B hospitals

We guide the health systems we serve through the process steps that they're required to participate in. Fortunately, those steps tend to be the least burdensome in the process. We handle the rest of the process — painstakingly documenting everything we do, and reporting back to the health systems at every critical step.

Starting A Specialty Pharmacy: What does the process look like?

Specialty pharmacies require accreditation that's costly, both monetarily and in terms of the time involved to get it.

You have to contract with payers, and securing each of those contracts takes considerable time and effort. You have to provide an extraordinary amount of data and analytics to PBMs and manufacturers, in order to prove to them you'll be providing the high level of quality patient care that's expected of Specialty Pharmacies. Essentially everything you do, and plan to do, must be measured and reported to them.

We seek inclusion from all PBMs in a health system's area.

Internal operations are only part of the formula for a specialty pharmacy's success. We go in-network, securing cooperation and approval from all the major local insurers, for the PBMs that their patients are covered by. What's more, we seek access from the drug manufacturers for what they're prescribing — even the most egregiously restrictive manufacturers.

Stocking your specialty pharmacy.

Once you've gained access to buy specialty meds, you can expect to spend roughly \$1 million for your startup inventory.

Staffing

Specialty Pharmacies require the hiring of at least one [Certified](#) Specialty Pharmacist.

Operations

Once you open your specialty pharmacy, you still have to work (under real-life operating conditions) to align all of your practices, policies and procedures for accreditation. Legal standards governing specialty pharmacies are different from state to state, and they are all very complicated.

Paying for your own specialty pharmacy

ProxsysRx works with the hospitals we serve; first to improve their 340B programs' revenues, and then to implement strategies for funding specialty pharmacies from that improved revenue. The goal is that the hospitals ultimately pay nothing out of pocket to build and manage their own specialty pharmacies.

Altogether, ProxsysRx has generated more than \$435 million in 340B revenue for the health systems we serve — and yes, we've even managed to work successfully with 340B ESP and other manufacturer restrictions. We've dealt with restrictions on a manufacturer-by-manufacturer basis, developing the best possible solutions.

Use your hospital's retail pharmacy to build a specialty pharmacy

A well-managed retail / outpatient pharmacy can, and should, generate significant revenue and profits for your health system. ProxsysRx currently owns or manages 22 in-house retail / outpatient pharmacies, and — on average — those pharmacies generate \$750 to \$1000 in net profit per bed, per month. Which means, for instance, that a 200-bed hospital can expect to generate \$150,000 to \$200,000 in monthly net profit from its in-house retail pharmacy.

Consider setting-aside some of the retail-prescription savings from 340B drugs. If you earmark them for funding the project, you can build-out your specialty pharmacy capabilities over time — while analyzing your clinics and workflows — without committing a large capital expenditure from your budget. A "retail first" strategy complements and enables a specialty strategy.

Consider making ProxsysRx your retail pharmacy partner

If you choose ProxsysRx to build-and-own or manage your retail pharmacy, we take the responsibility for generating revenue at our own risk. Which means our clients are never exposed to even the potential for loss.

Moreover, when we build, own and manage the pharmacy ourselves, we become a tenant in your facility — generating additional revenue through the rent payments we make to you for our space.

ProxsysRx is here to help, if you have questions.

This article offers just a brief overview of the benefits, and challenges, of having an onsite specialty pharmacy. For more information on how we can help your health system, contact Howard Hall. C: 205.588.0946 | howard.hall@proxsysrx.com