

# Growing Your Alternate Site Pharmacy Business through 340B

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Alternate site pharmacy participation in the 340B program has grown dramatically in the past year — an estimated 90% of specialty and alternate site 340B contract pharmacy relationships are less than one year old and only a third have been fully implemented. While contract pharmacy relationships with specialty and alternate site pharmacies represent less than 1% of all 340B contract pharmacy programs, interest is rapidly growing.

With this continuing growth in the 340B program, specialty and alternate site pharmacies exploring this space need to understand the key stakeholders, risks and benefits of the program in order to customize an approach to partnering effectively with a 340B hospital or clinic — referred to in 340B language as a “covered entity.” If your pharmacy is considering growing its business through partnering with a covered entity under the 340B program, the following are some basic recommendations and information that will help get you started.

## Why

### **Why would an alternate site pharmacy get involved in the 340B program?**

In a word, growth! This partnership opportunity is supported by the savings that is created for the covered entity when an alternate site pharmacy engages in a 340B relationship. The 340B program creates opportunities for alternate site pharmacies to expand their current scope, attract new customers,

and provide a greater breadth of services such as medication therapy management. Additionally, an alternate site pharmacy may negotiate an appropriate dispensing fee and experience increased margin on existing scripts. Oftentimes, the alternate site pharmacy can dictate their dispensing fee and choose a fee strategy that aligns with their overall 340B program strategy. Ultimately, as a contract pharmacy engaging in a 340B partnership, alternate site pharmacies may also see greater net new business as the covered entity has incentive to support care for uninsured and underinsured patients and to encourage patients to reach out to the contracted pharmacy.

## Who

### **Who can participate in 340B? Is it a better option for certain kinds of alternate site pharmacies?**

340B lends itself best to pharmacy/covered entity relationships where the pharmacy is already filling prescriptions for a significant portion of covered entity

patients with outpatient prescriptions, so that those prescriptions may be easily converted to 340B-eligible scripts. LTC pharmacies may be challenged by lack of outpatient/eligible scripts.

340B is a great option for infusion and specialty pharmacies because the 340B hospital or clinic has a long-term vested interest in quality of care and in pursuing low-cost treatment options. 340B discounts for infusion and specialty drugs are typically large enough to allow the covered entity to support the 340B relationship over a course of treatment. 340B providers serve uninsured and underinsured patients using their 340B proceeds and will generally view the 340B contract pharmacy relationship as an opportunity to underwrite their care. This expanded funding provides the potential for additional paying business for their partner infusion or specialty pharmacies as the covered entity expands access to care.

There is increasing interest in the corrections pharmacy community around specialty and other treatments. Although more complex to administer, the right clinic or hospital partner combined with software resources can support a corrections 340B program. Corrections pharmacies exploring 340B should connect with a consultant and discuss options and partners to optimize their situation.

## Key Stakeholders

**A covered entity** is a nonprofit healthcare organization that has certain federal designations or receives funding from specific federal programs. As a covered entity, an organization is eligible to register, be enrolled in, and purchase discounted drugs through the 340B program. Covered entities in the alternate site pharmacy relationship vary widely from Federally Qualified Health Centers Rural Critical Access Hospitals, to HIV, Oncology, and large safety-net “DSH” hospitals. You can find a full list of entities that can be sorted by type and location at [www.hrsa.gov/opa/eligibilityandregistration/index.html](http://www.hrsa.gov/opa/eligibilityandregistration/index.html). The website provides contact information.

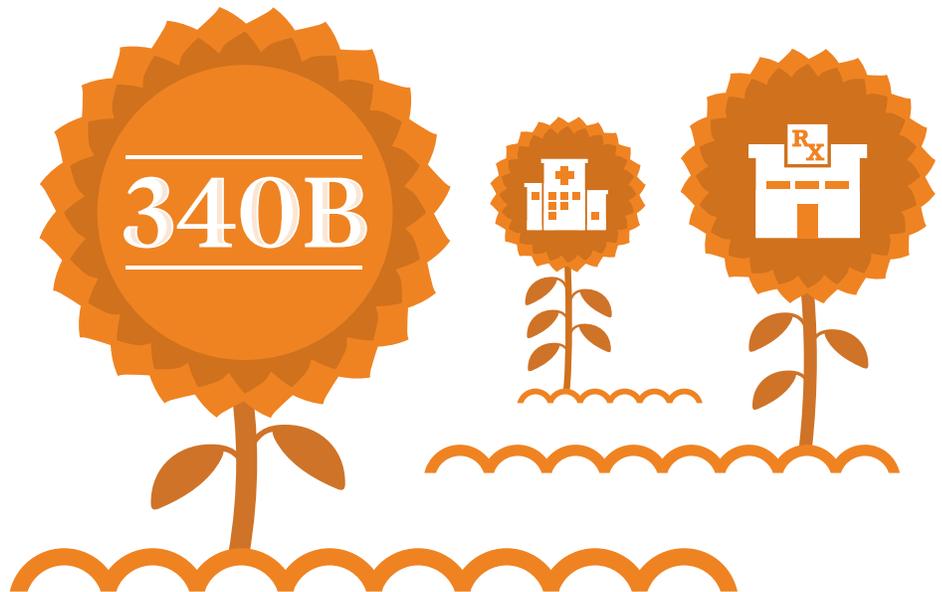
**A contract pharmacy** provides services to the covered entity’s patients, including dispensing the entity-owned 340B drugs. In order to engage in contract pharmacy services, the entity and the pharmacy must have a written contract that aligns with the compliance elements listed in government guidance, and must list the contract pharmacy in the 340B Database. Typically, a bill-to (entity)/ship-to (pharmacy) arrangement is used.

## What

### What are the key considerations for an alternate site pharmacy contemplating participation in 340B?

Pharmacies looking to engage in a 340B relationship should first consider whether or not they have any existing relationships with a 340B covered entity. A focus on the existing prescriptions and patient relationships are the basis for building a deeper relationship and demonstrating potential future value and support to a covered entity and its patients.

If a pharmacy already has a relationship with a covered entity, analysis should



be performed to better understand which of the prescriptions currently being filled by the pharmacy may be covered by the 340B arrangement under a contract relationship.

Pharmacies looking to engage should consider whether or not the covered entity is already contracted with a 340B software vendor, such as Macro Helix, CaptureRx, Wellpartner, SunRx, or others. Different 340B software vendors utilize unique methods of identifying 340B-eligible prescriptions. This can result in a different impact to both the pharmacy and the covered entity. Additionally, pharmacies should work to understand how financial and other business reconciliation processes work and how inventory may be impacted by replenishment orders that will take place on behalf of the covered entity.

Selecting the right 340B vendor is a process that the covered entity and pharmacy often engage in together. A vendor that works to understand and balance the needs of all parties has a greater likelihood of building a long-term 340B contract pharmacy relationship where both parties benefit and are able to serve the needs of the community by expanding access to care under 340B.

### Branding Your Alternate Site Pharmacy as a Contract Pharmacy

When entering the 340B contract pharmacy space, an alternate site pharmacy can choose how to brand its business through its decisions about what kinds of services and prices to choose from. Typically, the two routes contract pharmacies can choose for their strategy are high value or low cost. Choosing a strategy will dictate your 340B business relationships.

### Investment Required

If you plan to administer the program yourself, make sure you thoroughly investigate your software needs. Choosing the right technology can help you better manage inventory and handle reporting requirements in the event of an audit. Although participation in 340B does not require the use of a third-party 340B software vendor, nearly all participants prefer to do so with systems such as Macro Helix. A third-party software vendor assumes responsibility for identifying 340B-eligible scripts, tracking virtual inventory accumulations, managing financial reconciliation and providing detailed reports. Your covered entity partner’s focus on 340B compliance and auditable documentation is best supported by the services of a 340B vendor.

## High-value vs. low-cost programs

### What makes more sense for me?

#### High value

- The cost of program administration is transparent and reasonable.
- The 340B clinic utilizes professional and patient-care services of the alternate site pharmacy (e.g., medication therapy management, adherence programs, call center services), using 340B savings to support services for underinsured and uninsured patients.
- Scripts filled under the 340B relationship provide savings to the covered entity, supporting a higher return for the pharmacy than the same script if it were not 340B eligible.
- Reporting, inventory visibility and administrative aspects do not disrupt daily pharmacy or clinic workflow. Vendor reporting systems, such as the popular Macro Helix, are detailed, real-time, and patient- and prescription-specific.
- The timing of payment and inventory replenishment does not cause undue burden to pharmacy.

#### Low cost

- There is little or no upfront financial or 340B-specific inventory investment on behalf of the pharmacy.
- Referral relationships are clear under standard treatment protocols or a specific formulary.



## How

### How do I create a successful 340B relationship?

Success depends on communication between the covered entity and the pharmacy to ensure that both parties understand the 340B program and desired outcomes; have clear expectations around patient eligibility definition and responsibilities; agree on contractual terms regarding reimbursement, inventory, termination, and so on.

Additionally, in order to ensure success, it is critical to recognize the challenges of 340B. Key risks include understanding the complexity of the 340B regulation, inventory swell, lack of transparency, impact to existing wholesales contract, and negotiating an appropriate dispensing fee. Supporting

a transparent program that supports the risks of your 340B covered entity partner is a differentiator in building the broader patient-care services, care continuity and access relationships that are a part of both partners' strategies.

As you can see from this brief overview, entering the growing 340B program requires a thoughtful examination of your current relationships as well as a strong understanding of the key risks and rewards. The potential growth and strengthening of current relationships can benefit you, your partners, and your customers far into the future.

Although the 340B program appears complex from the outside, the opportunities to build your business to include 340B hospitals and clinics can benefit from your McKesson relationship.

## Where

### Where can I find out more?

Visit these online resources for more information about the opportunities available through participation in the 340B program:

#### General 340B information

<http://www.hrsa.gov/opa/index.html>

#### Requirements of the program

[www.hrsa.gov/opa/programrequirements/index.html](http://www.hrsa.gov/opa/programrequirements/index.html)

#### A high-level tutorial of 340B hosted by the 340B Prime Vendor Program

[www.340bpvp.com/resource-center/tutorials-and-webinars/](http://www.340bpvp.com/resource-center/tutorials-and-webinars/)

### *Do you want to learn more about how 340B can work for you?*

We'd be happy to provide answers to your questions.  
Contact us at [alternatesite@mckesson.com](mailto:alternatesite@mckesson.com).

#### About the authors:

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