

Making Smarter Purchasing Decisions: It Starts with Data



Rising drug costs and declining reimbursements significantly impact profits, and pharmacies today have to do more with less. Most pharmacies spend a significant portion of their total budget on drug acquisition, so it's no surprise that a core component of success revolves around making the right purchasing decisions.

By analyzing data from reports generated off routine purchasing decisions, you can gain valuable insights to identify potential savings and opportunities for new revenue streams. Change your daily business operations from reaction to action — by making educated decisions, based on the facts.

Review the four following steps to help you better understand your purchasing decisions, the impact of industry trends and how data can increase your bottom line and strengthen relationships with your customers and staff.

1 Understand the generics landscape.

You have undoubtedly experienced the continuing rise in generic prices and lagging reimbursements. An awareness of the generics landscape and how it impacts your business is critical to maximizing your opportunities and promoting growth. An advanced, intuitive reporting system can be a big asset in predicting real savings for your pharmacy.

Start with the powerful data generated through your online reporting system to collect the information you need. For example, a Contract Compliance report would indicate non-contract purchases versus contract purchases and help identify non-contract purchases that can be directed to contract items. A Lost Opportunity report would display price differentials between generics associated with these non-contract items that could help you make better decisions in the overall purchasing process.

Are you receiving notifications of generic changes or current industry reports? If you monitor generic launches and the number of generic suppliers at launch, you can better predict pricing in the coming months. Comparing industry reports against your internal data can help you gain control and navigate the ever-changing generics landscape.

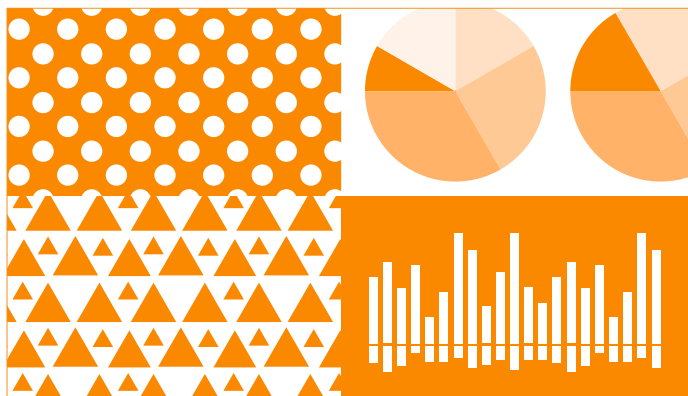
2 Review your purchases and look for patterns.

Watch for patterns in your overall purchases. You may be paying too much attention to the details, and not enough to the larger picture. Ask questions when evaluating your purchasing habits and reviewing your reports, such as:

- What drugs are your facilities requesting the most?
- Are you purchasing the right packaging sizes?

If you review spend reports by Therapeutic Class or Generic Code Number (GCN), you can identify purchasing trends that are unique to your customer base and that would help predict future needs. These reports can also help you determine whether or not expanding into a specialty or other new market may help increase revenue.

Generating data on your fastest-moving and in-demand drugs can provide you with valuable insights. If you compare last month's purchases to monthly averages via a Time Series report, you can better grasp how your purchasing decisions aggregate over time. Do sales increase during certain months? Do they decline? Do you have a month of high expenditures? A month-over-month or year-over-year report can provide a more holistic look at purchasing and a better gauge to recalibrate your overall strategy.



3 Evaluate your data in parallel with industry trends.

With the fast pace of healthcare reform and frequent market and regulation changes, revisiting monthly and weekly reports is the smart thing to do. Understanding market share and contract compliance issues is a critical component of growth. External resources from reputable pharmacy organizations are often the first to publish breaking industry news. How are you receiving these reports? Staying informed can be a time-consuming task. A pharmacy-management system that presents readily accessible, newsworthy data can play a big part in helping you determine what to buy, and when to buy.

Run a Cost-Change report to identify products that have undergone a price change during a specific time frame, and to determine the cause, based on the information you've collected. As stated above, review your Contract Compliance report to see what non-contract items have been purchased that can be directed to generic equivalents on-contract for cost savings.

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4 Foster relationships with customers and keep your staff aligned.

When you analyze available reports, you gain powerful knowledge that can be shared. Your customers and staff members will appreciate you keeping them informed of important updates, such as industry price changes and brand-to-generic conversions. By sharing this information, not only internally with your team but also externally with your customers, you become a strategic partner.

The ultimate goal is to inform existing and potential customers that you understand their specific business needs and assure them that your business strategy is consistent with theirs. This is particularly important with long-term care pharmacies, given the Medicare Part A capitated rates. In order to successfully help their customers manage the bottom line, long-term care pharmacies need to demonstrate measurable cost savings. Using reporting and data to support these cost-savings claims, the long-term care pharmacy can transform the relationship with the facility from one as a vendor to a strategic partner.

In addition to communicating with your customers, internal communication among pharmacy staff is essential. In order to align the pharmacy and to ensure success, all staff members need to understand your purchasing strategy. Weekly or monthly check-in meetings with all involved in purchasing and a review of reports by executives and managers can keep your team aligned and ensure that purchasing is evaluated on a regular basis.

Conclusion: It Starts with Data

Pharmacies today are being forced to take a closer look at the bottom line, and to identify ways to operate more profitably. Paying greater attention to the industry at large and your pharmacy's performance is crucial, though it's hard to make sound decisions without good data. If you are searching for ways to increase efficiencies, promote growth and transform your pharmacy, start with data generated from your business operations. Look for reports that can help you analyze past decisions, understand industry trends and provide the foundation you need to make improvements over time.