

STRATEGIES TO INCREASE AND DIVERSIFY YOUR NON-PBM REVENUE STREAMS

Break Free From The Limitations Set By The PBMs And Take Control Of Your Pharmacy's Future By Tracking Critical KPIs



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PHARMACISTS HAVE BEEN DEVALUED

Our Payments Have Been Tied To
Products Not Services

You went to school to provide
health care to help patients improve
their lives and to make a meaningful
difference



THE ELEPHANT IN THE ROOM

We Are At The Mercy Of PBMs

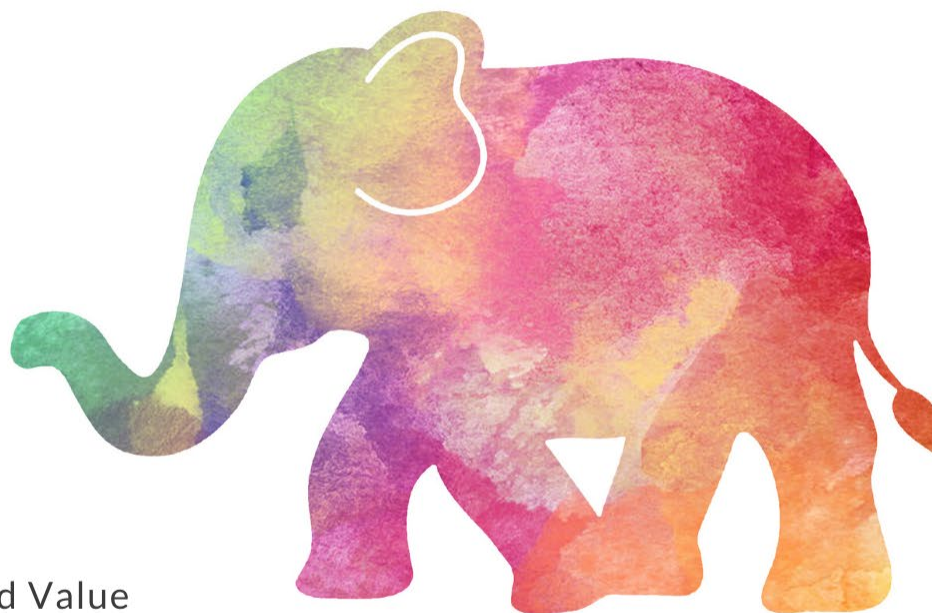
Their Rules

Their Unfair Practices

Their Blatant Abuses

Their Need for Profit

Their Devaluation of Our Services and Value



THE CURRENT STORY FOR PHARMACIES

>90%

of all revenue is from PBMs

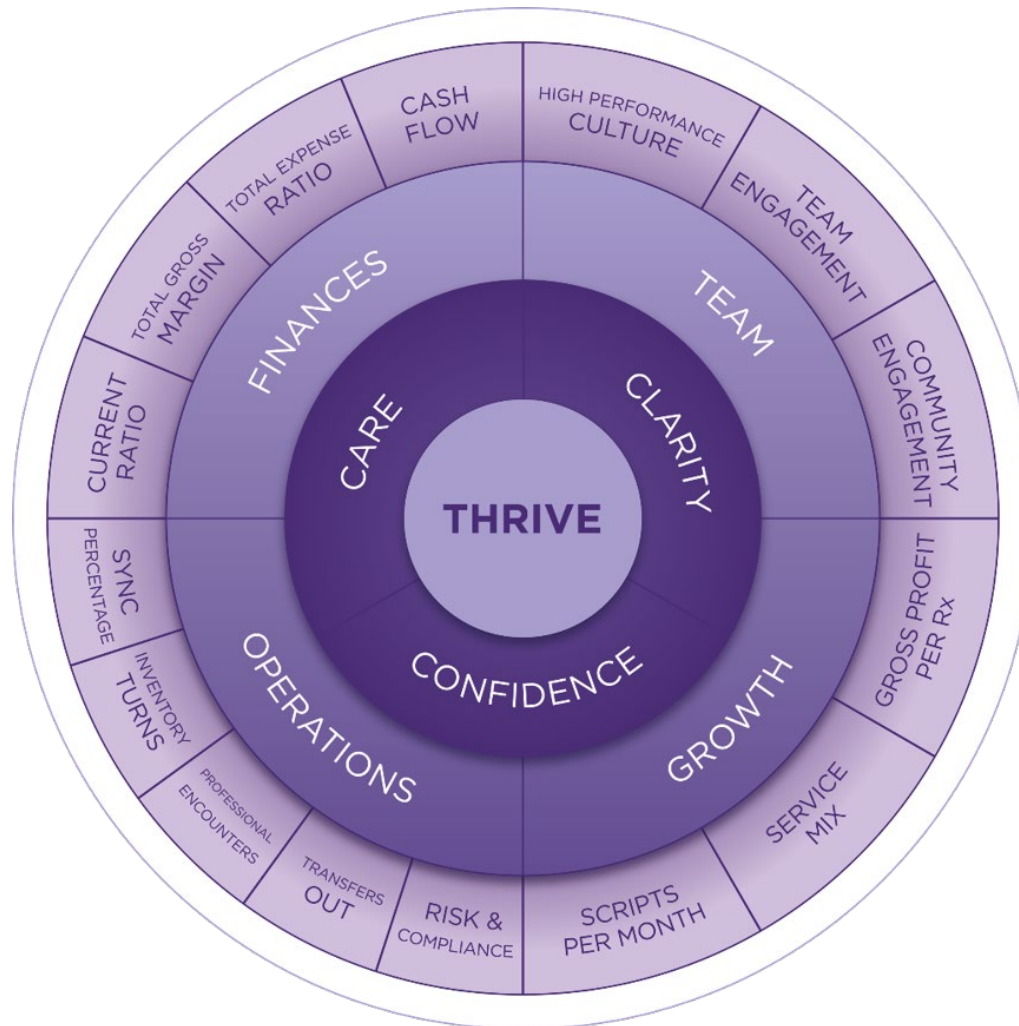
THE CURRENT STORY FOR PHARMACIES

- Low Margins
- Smoke and Mirror Games
- Uncertainty in Your Revenue
- High Risk for Clawbacks, Audits and Predatory Practices
- Continues to Devalue Pharmacists
- Feeling Out of Control
- No Win Scenario

THE IMPORTANCE OF DIVERSIFICATION

- Revenue from PBMs is typically very low margin
- Growing your revenue from sources outside of PBMs will lead to better profitability for your pharmacy
- Service-Based Pharmacy revenue from medical plans pays you for the professional services you provide to your patients
- Elevate your pharmacists to the top of their license and create a whole new revenue stream outside of the influence of PBMs

KPIs YOU SHOULD BE TRACKING



Top KPIs For Diversification

- Service Mix
- Professional Encounters
- Total Gross Margin
- Net Profit

LEAD MEASURES VS. LAG MEASURES

Lead Measures are the highest leverage actions or activities that can accomplish goals.

- The critical activities that drive the results we are looking for
- A predictive measurement
- An activity you think will be effective for achieving your goal

Lag measures track the success of your wildly important goal.

- Your achieved results
- The outcome your work resulted in
- The goal you are trying to achieve

Using Lag Measures without Lead Measures is dangerous

A measure can be both a lead measure and a lag measure

LEAD MEASURE KPI: PROFESSIONAL ENCOUNTERS

- It is the number of encounters that your pharmacists or other providers have with patients that could result in a billing opportunity
- In order to bill for an encounter you have to be able to generate a S.O.A.P. note or other care plan
- Examples of professional encounters include but are not limited to:
 - Immunizations
 - Consultations
 - Educational Classes
 - DME Product Dispensing
 - MTM
 - Medication Reconciliation
 - Medication Administration/Injection
 - Chart Reviews



LEAD MEASURE KPI: PROFESSIONAL ENCOUNTERS

- Service-Based Pharmacy revenue is more profitable than typical Rx's due to the lack of COGS for most encounters, typically about 80% margin
- Qualifies as a lead measure because if you have more professional encounters with your patients you should be able to create more billable opportunities that will increase your revenue and profits
- Goals for professional encounters
 - Starting off at 1 a day per RPh or other provider
 - Aim for 5 a day to maximize your revenue potential
- Focus on things you are already doing for your patients
- To grow you can consider adding new services for your patients
- Your professional encounters are billed to medical plans for networks you are credentialed with



LEAD & LAG MEASURE KPI: SERVICE MIX

- The percentage of PBM vs. non-PBM based revenue for your pharmacy
- Calculate it by taking the total amount of revenue from PBMs and divide it by your total revenue for the same time period, this will give you the percentage of revenue that is from PBMs
- Ideally a lower number is better as that means less of your revenue is controlled by the PBMs
- Goal is self-improvement not necessarily to reach a certain level
- Very profitable pharmacies often reach a level of reducing their PBM-based revenue to 60% or less
- Aim to improve in increments of 5%
- Service Mix is a lead measure for total gross margin and net profit because if improve this measure those should improve as well

LEAD & LAG MEASURE KPI: SERVICE MIX

- Service Mix is a lead measure for total gross margin and net profit because if you improve your Service Mix measure your margin and profit should improve as well
- Service Mix is also a lag measure for Professional Encounters because the outcome of more professional encounters should lead to more revenue through non-PBM sources thereby changing your Service Mix

LAG MEASURE KPI: GROSS MARGIN

- Every pharmacy owner knows that gross margins have been declining for several years due to PBMs
- You can calculate gross margin in terms of dollars or as a percentage of revenue
- Take your total gross margin dollars and divide it by your total revenue to get your GM percentage
- Both versions give you insight into your pharmacy's performance
- Goal for dollars is you want this as high as possible
- Goal for percentage is you want it higher than 80% of total revenue and the higher the better
- Since diversifying revenue successfully should lead to higher gross margins this is a lag measure

LAG MEASURE KPI: NET PROFIT

- Net profit is the ultimate lag measure & performance KPI for your pharmacy
- Everything you do in your pharmacy will feed into this number
- You can track and calculate this number as either dollars or as a percentage
- To calculate the percentage take your net profit dollars and divide it by your total revenue
- Service-Based Pharmacy revenue has a profound effect on net profits

LAG MEASURE KPI: NET PROFIT

Typical Pharmacy Without Service-Based Pharmacy

Total Revenue \$4,000,000

Total Margin \$800,000

Net Profit \$120,000

Add \$200,000 of Retail Revenue

Total Revenue \$4,200,000

Total Margin \$840,000

Net Profit \$126,000

Change of **\$6,000** Net Profit

Pharmacy With Service-Based Pharmacy Revenue

Total Revenue \$4,000,000

Total Margin \$800,000

Net Profit \$120,000

Add \$200,000 of SBP Revenue

Total Revenue \$4,200,000

Total Margin \$960,000

Net Profit \$290,000

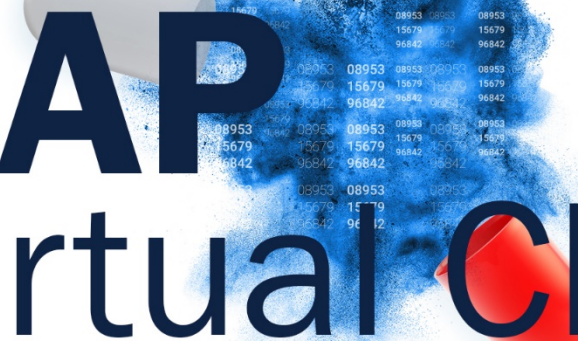
Change of **\$170,000** Net Profit

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A graphic showing a white capsule and a red capsule. The white capsule is positioned above the text 'AAP', and the red capsule is positioned below the text 'Virtual CEs'. Both capsules are surrounded by a cloud of blue powder. The text 'AAP' is in a large, dark blue, sans-serif font, and 'Virtual CEs' is in a smaller, dark blue, sans-serif font. The 'C' in 'Virtual CEs' is stylized with a red capsule inside it.

AAP
Virtual CEs