
Pharmacy Buyers: Drug Procurement, Cost Control and Inventory Management

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October 3, 2011

Objectives

At the completion of this program, the participant will be able to:

- Describe the role of the pharmacy buyer.
- Discuss drug and supply procurement.
- Explain methods to control pharmacy procurement costs.
- State ways to manage drug and supply inventory.

Buyer Role

Pharmacy Buyer Role

- Procures drugs and supplies appropriate to meet patient need
 - Orders appropriate drugs
 - Purchases from reputable vendors to ensure product quality and safety
 - Keeps current on and communicates supply issues and product recalls
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Pharmacy Buyer Role

- Controls procurement costs
 - Purchases contract products
 - Works with clinical pharmacists to determine generic and therapeutic opportunities
 - Utilizes other programs and opportunities to decrease costs
 - Manages drug inventory
 - Determines appropriate inventory levels and maintains inventory at these levels
 - Minimizes stock-outs and overstocks
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Drug Procurement

Order Appropriate Drugs

- Starts with formulary
 - Pharmacy & Therapeutics (P&T) Committee evaluates drugs based on safety, efficacy and cost and develops list of products approved for use in hospital
 - Determine what pharmacy is responsible for ordering
 - Does pharmacy order drugs and/or supplies for other departments?
 - Does Materials Management or Central Supply buy any items?
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Purchase from Reputable Vendors

- Primary drug wholesaler
 - Approximately 80% of drugs
 - Secondary wholesaler
 - Supplies drugs when unavailable from primary wholesaler or disruption in service
 - Suppliers
 - Immunoglobulin (IVIG)
 - Albumin
 - Blood products and factors
 - Intravenous (IV) solutions and supplies
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Purchase from Reputable Vendors

- ❑ Buyer responsible for determining vendor is “reputable”
 - Refer to ASHP Guidelines for Selecting Pharmaceutical Manufacturers and Suppliers at <http://www.ashp.org/DocLibrary/BestPractices/ProcureGdlSelecting.aspx>
 - ❑ Treat “gray market” vendors with suspicion
 - ❑ Determine all pedigree requirements met
 - Refer to <http://www.fda.gov> and state regulations
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Order Tools: Websites

- ❑ Most wholesalers and some suppliers offer websites for product orders
 - ❑ More efficient than phone or fax
 - ❑ Some order websites offer:
 - Real-time stock status
 - Ability to create templates for commonly ordered products
 - Discounts for online orders
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Order Tools: Order Schedule

- Place large orders twice weekly
 - Include high cost and fast movers
 - Set up schedule for ordering IV solutions and supplies, department orders, chemo drugs, blood products, etc
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Order Tools: Want Book

- Notebook or clipboard where pharmacy staff records needed products
 - Pharmacy buyer needs to evaluate need for product before ordering
 - Do not simply order because on want book
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Keep Current on Supply Issues

- Keep current on backorders
 - Websites
 - <http://www.ashp.org/shortages>
 - <http://www.fda.gov/drugs/drugsafety/drugshortages/ucm050792.htm>
 - Wholesaler
 - Customer Service department
 - Sales representative
 - Wholesaler ordering website
 - Third-party wholesalers and suppliers
 - Manufacturer
 - Drug representatives
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Keep Current on Supply Issues

- Once drug shortage has been identified, determine:
 - Duration of shortage or backorder
 - Inventory currently in stock
 - Availability of product for allocation or drop-ship
 - Possibility of using another strength or form of drug
 - Alternate sources where product can be obtained
 - Third-party wholesaler or supplier
 - Other hospitals and retail pharmacies
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Keep Current on Supply Issues

- If drug cannot be obtained, determine:
 - Product alternative(s)
 - Generic alternative
 - Therapeutic interchange
 - FDA Orange book has rating system to determine if generic or similar products are “equivalent”
 - <http://www.accessdata.fda.gov/scripts/cder/ob/default.cfm>
 - Work with clinical pharmacist
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Keep Current on Supply Issues

- Communicate supply issues with pharmacy and medical staff
 - Keep running list of backorders
 - Place suspended order in wholesaler ordering system
 - Check with wholesaler to determine if backordered products will be automatically shipped when available
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Handle Product Recalls

- ❑ Recalls can be from wholesaler, manufacturer, supplier, FDA or lay press
 - ❑ View and register for recall notice alerts from FDA at <http://www.fda.gov/opacom/7alerts.html>
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Handle Product Recalls

- Pharmacy must have policies and procedures in place around handling recalls
 - Notify pharmacy and medical staff about recall
 - Search for and remove products from all areas of pharmacy and hospital
 - Automated dispensing cabinets
 - Floorstock areas
 - Tackle boxes
 - Carts
 - Clinics/departments
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Handle Product Recalls

- Pharmacy must have policies and procedures in place around handling recalls
 - Segregate product from other products according to recall notice
 - Keep documentation of recall according to hospital's record retention policies
 - Copy of recall notice
 - List of products retrieved (location and quantity)
 - Copy of notification to staff
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Cost Control

Purchase Contract Products: GPO

- ❑ Group Purchasing Organization
 - ❑ Negotiates contracts for products and services for healthcare facilities
 - ❑ Offers members access to contract pricing for:
 - Pharmacy products
 - Medical/surgical products
 - Laboratory products
 - Dietary products
 - Capital equipment
 - ❑ Uses aggregate purchasing volume to negotiate discounts with manufacturers
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Purchase Contract Products

- Approximately 65% of drugs can be purchased on contract
 - Types of contracts
 - Base pricing
 - DSH/340b
 - Alliance (generic non-injectables, non-ophthalmics)
 - Market Share/Performance based
 - Approximately 15% of products
 - Examples
 - Hematopo/Aranesp/Procrit
 - Integrillin/Reopro
 - Levaquin
 - Primaxin
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Purchase Contract Products

- Hospital/system has individual agreement with manufacturers
 - LupronDepot®
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Contract Tools: Product Searches

- Know how to search for contract products within wholesaler ordering system
 - Before sending order, determine that all available contract products have been purchased
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Contract Tools: Compliance Report

- Run contract compliance report monthly
 - Run report from wholesaler ordering system
 - Identify savings opportunities on report
 - Make changes to purchasing – start buying contract product
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Contract Tools: GPO Website

- Obtain access to GPO website
 - News
 - Market share/performance program information
 - Contract pricing updates
 - Supply issue news
 - Bid book or contract catalog
 - Look up contract pricing online
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Control Costs: Generic and Therapeutic Alternatives

- Work with clinical pharmacist to determine generic and therapeutic alternatives
 - Buy generic when possible
 - FDA offers online Orange Book to evaluate similar products
 - <http://www.accessdata.fda.gov/scripts/cder/ob/default.cfm>
 - Significant cost savings
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Control Costs: Generic and Therapeutic Alternatives

- Stay updated on generic product launches
 - Check wholesaler ordering system for availability and pricing of new generics
 - Watch for communications from GPOs
 - Check available public websites
<http://www.drugpatentwatch.com/newsletter/>
 - Do not commit to buy prior to generic launch and get stuck with a higher price. Pricing tends to drop drastically with generic market
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Control Costs: Consignment Programs

- Some products can be procured using consignment programs
 - Blood products
 - Factors
 - Other high cost products
 - Products stored in pharmacy
 - Pharmacy invoiced after products dispensed
 - Products always have good dating
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Control Costs: Replacement Drug Programs

- Offered by some manufacturers for specific high cost drugs that are mixed for patient use but not administered
 - Activase[®]
 - LupronDepot[®]
 - Remicade[®]
 - Retavase[®]
 - Pharmacy must fill out manufacturer forms
 - Manufacturer does one-to-one replacement for drug
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Inventory Management

Manage Inventory: Min/Max System

- Identify top drugs driving 80% of pharmacy costs
 - Generally, 20% or less of drugs drive about 80% of costs
 - Run purchase history report for a 6 month – 1 year period to identify these drugs
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Manage Inventory: Min/Max System

- Set minimum and maximum quantities for pharmacy
 - Work with clinical pharmacist to determine min/max levels
 - Order min/max products twice weekly
 - Suggested days Mondays and Thursdays
 - Implement first on 20 – 25 drugs for a month
 - Adjust levels as needed
 - Depending on pharmacy size, set min/max levels on top 50 – 150 drugs over a period of several months
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Manage Inventory: Automation

- ❑ Identify 5 – 10 top drugs in automated dispensing cabinets
 - ❑ Evaluate quantities stored in automated dispensing cabinets to determine if levels appropriate
 - Are any of these drugs showing up on 90 Days Not Removed Report?
 - How often are these drugs being refilled in automation?
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Minimize Stock-outs

- Track and evaluate number of stock-outs in pharmacy
 - Why are these stock-outs occurring?
 - Should this drug be added to min/max list?
 - Are pharmacists and technicians communicating when drugs are needed on want book?
 - Are pharmacists communicating when utilization has increased for a specific drug?
 - Are you shifting buying patterns for months of higher acuity?

**Remember, the most expensive drug is the one you don't have
when a patient needs it!!!**

Minimize Overstocks

- Evaluate quantities of drugs, especially high cost drugs, in pharmacy and automation
 - How often are you ordering these drugs? If not weekly, may have too much in stock?
 - How many places are these drugs stored?
 - How many days of stock do you keep on hand?

Remember, drug inventory is money on the shelf. This is money the hospital is not able to invest in something else.

Q&A

Thank you!