GUIDE TO:

DRIVING PHARMACY GROWTH USING DATA - THREE KEY STRATEGIES

1010DATA
MORE POWER TO YOU

INSIDE YOU’LL FIND OUT:

- How to gain insights into medication adherence to optimize reimbursements
- Why you should scrutinize procurement for greater cost savings
- Ways to view the patient and the customer as one
A Unique Business Model with Unique Data Challenges

Unlike other retail businesses, pharmacies have to navigate frequent changes in government regulations and entitlement programs like Medicare and Medicaid, while simultaneously dealing with Pharmacy Benefits Managers (PBMs) or insurance companies when it comes to medication reimbursements. They serve patients who also happen to be customers of their “front-of-store” business, i.e. the non-pharmacy departments in the rest of the store. They must also manage daily operations such as procurement of supplies for both their front-of-store and pharmacy operations.

Across these multiple areas of business, pharmacies face challenges associated with the complexity of data generated by their unique line of business, such as a lack of transparency around reimbursements for medications or disjointed category management strategies. However, these challenges also present opportunities to maximize profit and create new revenue streams. The key is for pharmacies to gain a better understanding of their business, their customers and the broader retail landscape. Pharmacies can achieve this by organizing and analyzing the enterprise, behavioral and external data that impact their operations. There are three key areas where pharmacies can leverage more sophisticated data analytics to gain a competitive edge:

1. Gaining insights into medication adherence to optimize reimbursements
2. Scrutinizing procurement for greater cost savings
3. Viewing the patient and the customer as one

1. GAINING INSIGHTS INTO MEDICATION ADHERENCE TO OPTIMIZE REIMBURSEMENTS

Managing prescription fulfillment for patients means that pharmacies capture a lot of information about patients’ medication needs and prescription refill patterns. The data that is generated as a result presents both challenges and opportunities for pharmacy businesses.

One of the challenges that pharmacies face around prescriptions refills is medication adherence, i.e. whether patients are taking their medications as prescribed. More specifically, the challenge lies in pharmacies often not having a clear picture of whether patients are adhering to their medication regimen. Understanding medication adherence is important because it impacts the medication...
reimbursements that pharmacies are often contracted to receive from PBMs and insurance companies: the higher the medication adherence, the greater the reimbursement rates and incentives that pharmacies will be paid.

Tracking whether patients are getting their refills in a timely manner is an intensely manual process; in addition to tracking the time lapsed between refills, pharmacies must also be able to match which patient corresponds to which insurance plan per prescription. With recent regulatory and government changes impacting medication coverage associated with the expansion of Medicare and Medicaid, the complexity of information around prescription reimbursement rates is only exacerbated. Across millions of patients, multiple medications each and dozens of contracted reimbursement rates, this becomes an elaborate matrix that requires time-series analysis capabilities.

And yet it is imperative that pharmacies understand their patients’ rates of medication adherence in order to understand how reimbursements will be impacted. At the same time, given the well-known lack of transparency in this space, having the ability to track reimbursements properly is key to pharmacies being able to negotiate future contracts with PBMs and insurance companies.

The opportunity, therefore, lies in first being able to automate and scale the process to track medication adherence for patients even as the terms of coverage change year after year. Thereafter, the key is to track whether reimbursements are being properly paid out against contracted rates. With the right

**EXAMPLE: PDC EXPLAINED**

PDC (Proportion of Days Covered) is a significant measure of medication adherence that has become increasingly important in recent years. Providers pay incentives and/or higher reimbursement rates to pharmacies that demonstrate higher PDC rates. The higher the PDC rates, the lower the risk of health complications for patients and, for pharmacies, the better positioned they are to receive incentives or higher reimbursements from PBMs or insurance providers. How is PDC tracked? When a maintenance medication prescription is for 30 days, a patient that comes in on the 31st day to get their prescription filled will not have any coverage lapses – thus this patient’s PDC rate is high. If, however, that patient waits until the 45th day to get their prescription filled, it means that there was a 15-day lapse in medication coverage. The PDC rate for this patient drops.
analytical solution, it’s a matter of investing a bit of time upfront to load the contracts, the prescription information, and the coverage plans onto the right platform. This allows users to conduct time-series analysis efficiently in order to assess medication adherence at scale. The returns are huge: companies can monitor millions of prescriptions and make business decisions to improve PDC rates, resulting in millions of dollars of incentive payments and reimbursements. Even for pharmacies that do not have contracts due to lower volumes of prescriptions, there are enough cost savings to be had under state-mandated MAC (maximum allowable cost) levels by leveraging the same type of analysis.

2. SCRUTINIZE PROCUREMENT FOR GREATER COST SAVINGS

CPG manufacturers and retailers seek to leverage analytics-driven insights to not only drive incremental growth but also to reduce costs across their own internal operations. The same principle applies across pharmacies, and not just in the front-of-store. For pharmacies specifically, there are significant cost-savings opportunities that come with having a better understanding of the pharmacy procurement process and the options available across multiple pharmaceutical suppliers. Given that medications – both brand name and generic – can often be supplied by more than one distributor, there’s a good chance that most pharmacies could optimize the total cost of their medication purchases by leveraging multiple suppliers.

Applying analytics to the medication procurement process provides pharmacies the opportunity to optimize their spend and realize savings across the thousands of medications they purchase.

Comparing Medications Across Various Suppliers

Applying analytics to the medication procurement process provides pharmacies the opportunity to optimize their spend and realize savings across the thousands of medications they purchase. This opportunity comes with putting all of the data in one location to allow easy item-to-item and total portfolio comparisons. Using an inventory list, price lists across various suppliers, and a technology platform that easily intakes and enables analysis of this information, pharmacies can map out how much is being spent on each medication with their current supplier and compare against prices provided by a different supplier. With this type of analysis, pharmacies can be armed to make decisions about which supplier to use for which medications or groups of medications. A critical step in conducting this type of analysis is to ensure that the switching cost doesn’t outweigh the savings in the long term. Pharmacies that do this type of cost analysis can find the difference to be worth millions of incremental dollars annually to their business.

Being able to analyze procurement costs across medications is a great first step that can enable a pharmacy business to engage in more sophisticated analyses of a medication’s impact on the bottom line. These can include looking at customer lifetime value, the role that rebates play in total revenue calculations, and the profit impact of new generic drugs or shifts to OTC (Over the Counter) products. By starting with cost-analysis at the procurement stage, pharmacies can gain greater flexibility that allows them to implement category management strategies that may unlock further revenue opportunities.
3. VIEWING THE PATIENT AND THE CUSTOMER AS ONE

Over time, analysis across well-studied retail operations – such as traditional grocery – has shown that customers who go into a retail environment to make one purchase often make other seemingly unrelated purchases. These correlations often represent opportunities to increase sales or, when compared to the variety of products or prices offered by competitors, uncover weaker in-store or departmental performance. For pharmacies, the opportunities are no different and, in fact, may even be greater given the often-disconnected nature of the front-of-store operations from the pharmacy operations. In other words, the two areas of the store often function as though they are completely separate, with different hours of operation, different inventory challenges and different supplier models. With two retail areas that at best fail to reap the benefits of being more integrated and at worst create friction for customers as a result of such divergence, the opportunity to gain greater understanding of patients as customers is even more important.

Matching a patient’s pharmacy purchase data with their broader shopping behavior in the front-of-store requires access to broader data than is likely to exist within a pharmacy’s transaction logs. It also requires a certain level of analytic sophistication. With the right data and a HIPAA-compliant analytic solution, peering into the shopping basket becomes an easy task that yields rich insights about product affinities, price sensitivities, and other behaviors that can inform category management strategies across the entire store without sacrificing patient privacy. The analytic, revenue-oriented questions such as, “To what degree do front-of-store purchases affect pharmacy sales (or vice versa)?” and, “How might a pharmacy maximize revenue by factoring in front-of-store shopping behaviors?” can then be addressed. Additionally, areas where operations can be optimized for greater efficiency will likely also come to light. These can include everything from better use of employee resources to improved space planning as front-of-store and pharmacy begin to operate in greater alignment.

EXAMPLE: LEVERAGING MERCHANDISING OPPORTUNITIES IN PHARMACY

Say a certain division of a national pharmacy fills more prescriptions for cholesterol and heart disease medications than any other division. With this knowledge, the front-of-store department might decide to partner with the pharmacy department in this particular division to merchandise specific health and wellness products – such as heart monitoring systems or even oatmeal, which has heart health associations. Merchandising these types of products directly in pharmacy, particularly if they over-index with patients who take cholesterol and heart disease medications, can drive incremental sales at the total store level. Without this level of understanding at the store and product level, the opportunity to better serve these patients/customers – and generate incremental revenue – may go untapped.
Even with the ability to easily link internal data from the front-of-store to pharmacy, there are additional benefits to be gained from learning both about customers and the larger pharmacy landscape beyond what exists within the business. More and more, the retail landscape is made up of digitally-enabled transactions thanks to the rise of e-commerce and mobile devices. A better understanding of purchase patterns based on aggregated credit card transactions or electronic receipts, for example, can help complete the customer picture that begins with internal sales data. Looking beyond online purchase behavior, business leaders can use demographic, economic, and weather data to understand correlations and explore incremental opportunities in areas that may otherwise have been perceived as unrelated or out of reach.

For pharmacy businesses that have not tapped into the trends happening around them, the knowledge gap will only get wider as competitors take advantage of the data available beyond their existing enterprise and adjust their strategies accordingly.

The convergence of healthcare regulation changes and increased customer data due to the growth of e-commerce represents both challenges and opportunities for pharmacy businesses.

Pharmacies seeking to make better use of the data about patients or customers might fear putting patient privacy at risk. This is a concern especially when patient data is co-mingled with customer data or customer shopping preferences. Whatever analytical solution is employed, it must accommodate the various policies and regulations that govern patient information in the pharmacy and healthcare space. The good news is that such analytical platform solutions do exist; their data governance capabilities not only comply with federal regimes such as HIPAA but also allow pharmacies to implement their own policies to better protect the personal information of their patients.
Driving Pharmacy Growth Using Data - Three Key Strategies

EXAMPLE: HOW WEATHER CAN PREDICT FUTURE OTC MEDICATION SALES

External data sets can help pharmacies understand the larger retail environment, identify the opportunities to better meet customer demand, and improve their own operations. For example, an analysis conducted by 1010data about the weather’s relationship to the sale of antihistamines found that higher temperatures and lower levels of humidity were good predictors of future antihistamines demand. It might seem obvious that high temperatures and low humidity trigger an immediate increase in sales of antihistamines. However, what is not necessarily expected is that high temperatures are correlated with an increase in antihistamine demand 30 days later. Similarly, low humidity is also correlated with higher antihistamine sales 30 days later. With such data, pharmacies can be better prepared to not only order additional inventory of antihistamine four weeks in advance but also optimize their antihistamine-related promotional and merchandising activities.

Better Use of Data to Enable an Insights-Driven Pharmacy Business

The convergence of healthcare regulation changes and increased customer data due to the growth of e-commerce represents both challenges and opportunities for pharmacy businesses. Pharmacies have traditionally generated insights with a limited understanding of their base business – but this is no longer satisfactory. In addition, without understanding what’s happening outside of their enterprise, the full picture will remain incomplete for pharmacies, keeping them from effectively competing against better-informed rivals. Ultimately, a pharmacy needs to be much more insights-driven in today’s world in order to compete and grow.

This guide has explored three key areas where pharmacies can bring together all relevant data – both internal and external – in a single, HIPAA-compliant environment to start conducting more sophisticated ad hoc analyses and gain better insights into their procurement operations, reimbursements and patients/customers. With the right analytical solution, all of these business-driving opportunities can be undertaken quickly and methodically. For years, 1010data has provided this service to large and mid-size pharmacy businesses, enabling them via the cutting-edge technology platform, extensive data sets and analytical capabilities that help pharmacy businesses generate millions of dollars in savings and incremental revenue annually.
BECOMING AN INSIGHTS-DRIVEN PHARMACY BUSINESS WITH 1010DATA

1010data makes it possible for pharmacy businesses to gain a much better understanding of their operations and generate significant cost-savings as well as incremental revenue. The 1010data platform solution can help pharmacy businesses to:

- Monitor medication adherence across millions of prescriptions to help optimize reimbursements
- Maximize savings across pharmacy procurement and inventory management
- Conduct ad hoc analyses to aid decision-making across the entire pharmacy business
- Connect patient and customer information to drive smarter category management
- Leverage relevant external data sets to gain a more complete view of the retail industry

ABOUT 1010DATA

Gaining actionable insight requires the best analytical tools and access to all relevant data. 1010data is a complete solution that provides both. We provide the only out-of-the-box, self-service, cross-enterprise insights platform. More than 750 of the world’s largest companies trust 1010data to manage, share and analyze over 27 trillion rows of data because of our proven ability to deliver results more quickly, easily and accurately than any other solution. Please visit www.1010data.com for more information.

TO GET STARTED, CONTACT 1010DATA TODAY.