2016 Managers’ Boot Camp
Developed by the Section of Pharmacy Practice Managers

Fostering Management Skills and Effective Leadership

The Section of Pharmacy Practice Managers (SPPM) dedicates itself to enabling its members to be successful in effectively managing pharmacy resources, maximizing the safety of medication use systems, developing staff and future leaders, and promoting the pharmacist’s role in patient care.

Managers’ Boot Camp
Program Overview

Robert P. Granko, Pharm.D., M.B.A.
Director of Pharmacy
Moses H. Cone Memorial Hospital
Greensboro, North Carolina

Faculty Introductions

Stephen J. Davis, Pharm.D., M.S., Pharmacy Operations Manager, Director, Health System Pharmacy Administration Residency Program, Texas Children’s Hospital, Houston, Texas
Robert P. Granko, Pharm.D., M.B.A., Director of Pharmacy Services, Moses Cone Hospital, Residency Program Director PGY-2 Health System Pharmacy Administration/MS Program, Cone Health, Greensboro, North Carolina
Adam Orsborn, Pharm.D., M.S., Partner, Veldt Community, Winston-Salem, North Carolina
Melissa Ortega, Pharm.D., M.S., Director, Pediatrics and Inpatient Pharmacy Operations, Tufts Medical Center and Floating Hospital for Children, Boston, Massachusetts

Kate Schaafsma, Pharm.D., M.S., M.B.A., BCPS, Pharmacy Manager, Froedtert & The Medical College of Wisconsin, Milwaukee, Wis.
Mark Sullivan, Pharm.D., M.B.A., BCPS, Executive Director, Pharmacy Operations, Vanderbilt University Hospital, Nashville, Tenn.
Rebecca A. Taylor, Pharm.D., M.B.A., BCPS, Director, Pharmacy Services, Cleveland Clinic Marymount Hospital, Cleveland, Ohio
Learning Objectives

- Analyze the impact of health-care reform and how it will change necessary financial skills that pharmacy leaders will need to measure and communicate business outcomes.
- How do pharmacy managers effectively lead in the evolving pharmacy enterprise.
- List key financial and quality indicators that influence health-system administrators’ decisions and how pharmacy leaders can align strategic planning to impact institutional goals.
- Develop and apply strategies for advancing pharmacy services through staff engagement and effective personnel management.
- Identify the steps required to communicate the value of pharmacy to senior leadership and other key stakeholders in the hospital and health system.
- Demonstrate the steps to successfully organize and implement a business plan for new or expanded services.

Who’s in the Audience?

- Is this your first boot camp?
- Your leadership role:
  - Is it formal or informal?
  - Director, manager, clinical coordinator, other?
  - Length in current leadership role?
  - Desire to move up?

Pharmacy Leadership – An Evolving Paradigm

- Health Payment Reform & Shifting Reimbursement Targets
- Sustained pressure to contain costs, ensure clinical and operational efficiencies and search for new revenue sources
- Increasing number and size of multi-hospital health systems
- Care Delivery Transformation
- Workforce shifts with increasing number of pharmacists with residency training
- Broad scale EMR implementation
- Challenges and costs of HIT
- The growing complexity and brand management of the pharmacy enterprise

Relevant Financial Disclosure Information

- The faculty and planners report no financial relationships relevant to the content of this continuing education activity.

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Pharmacy Leadership

- New managers and directors can be promoted based on clinical leadership abilities
  - May not have formal advanced management training
- Skill set necessary to be an outstanding clinician differs from that needed to succeed as a clinical leader or manager
- New clinical leaders often struggle building and selling their ideas from an administrative perspective
  - Leads to frustration and eventual demise

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Influencing Change

- Establish a sense of urgency
- Form a guiding coalition
- Develop a compelling vision
- Produce short term results
- Prepare for and remove obstacles
  - Abandon old ways of doing things when they no longer add value
- Institutionalize change

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Pharmacy Leadership

“A lack of leadership will mean that health-system pharmacy will no longer be in a position to enhance patient safety, to optimize medication therapies across the continuum of care, to make a real difference in the lives of the patients that we serve”

—Mick Hunt (ASHP Past President)

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Focus of this Boot Camp

- Achieving Service Excellence – Defining Success in Today’s New Health Care Paradigm
- Accountability: Understanding Key Financial Management Tools and Principles. How to Manage And Measure to Promote Practice Advancement Your Stakeholders Will Recognize and Your Patients Will Appreciate
- Action Oriented Strategic Planning: Methods for Managers to Turn Environmental Changes into Sustainable Services and Outcomes
- Alignment of Skills And Strengths: Building Your Team to Meet the Demands of Tomorrow
Managers’ Boot Camp

Series of didactic and workshop programming to help pharmacy managers build practical skills in the following areas:

- Promoting value through pharmacy services
- Leadership qualities and business acumen
- Financial management principles
- Effectively leading teams and change
- Developing relationships with key stakeholders
- Leveraging quality and safety mandates to advance services
- Business planning for new services
- Project management and implementation
- Strategic planning principles

Program Overview

Greetings and Boot Camp Overview

Part 1

- Achieving service excellence – Defining success in today’s new health care paradigm
- Action Oriented Strategic Planning: Methods for Managers to Turn Environmental Changes into Sustainable Services and Outcomes
- Break

Part 2

- Workshop #1 (interactive case study)
- Accountability: Understanding key financial management tools and principles. How to manage and measure to promote practice advancement your stakeholders will recognize and your patients will appreciate
- Workshop #2 (interactive case study, continued)
- Lunch

Part 3

- Alignment of skills and strengths – Building your team to meet the demands of tomorrow
- Role Play Case Study - Human Resources
- Case Study Part Three
- Break

Part 4

- Group presentations
- Facilitated discussion of presentations
- Wrap-up
Achieving Service Excellence:
Defining Success in Today’s New Health Care Paradigm

Adam Orsborn, Pharm.D., M.S.
Co-founder - Veldt Community, LLC
Co-founder - WilesBolt, LLC
Winston-Salem, NC

Objectives
- Define Service Excellence in terms of the role of a pharmacy leader
- Describe where to get your next “Big Idea”
- Analyze the impact of healthcare reform and how it affects finances so that pharmacy leaders develop appropriate measures to communicate business outcomes.
- Discuss methods for making innovation happen in your department

What are you doing here?

IMPACT
Patients
Peers
Organization
Employees
Achieving Excellence is...

BIG idea × Make it Happen

Innovation Part 1

The Big Idea

Where do you get your Big Idea?

The Patient’s Point of View

1. Use your smartphone
2. Play Doctor
3. Crayons for the table paper
4. Bring pipe cleaners
5. Have a freeze-dance party

10 Activities for waiting at the Doctor’s Office

http://www.yourmodernfamily.com/waiting/

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Boss: What is Important to CEOs

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<th>Issue</th>
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<td>4.7</td>
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<td>5.3</td>
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<td>5.7</td>
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<td>7.9</td>
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<tr>
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http://www.ache.org/pubs/research/ceoissues.cfm

Clinical Service Leaders

1. Organize care into sub-populations with more specific needs

2. Create strategies to improve specific outcomes and financial issues for each
   • What can Pharmacy Services impact?

Blue Ocean Strategy

The Four Actions Framework

❖ What aspect of your services are taken for granted, but not adding value? These should be eliminated
❖ What aspect of your services should be greatly reduced?
❖ What aspect of your services should be raised well above current standards?
❖ What has never been offered before that should be created?

Not only is it valuable to consider this for your own pharmacy services, but which industry partners are already doing this?

IHI “Triple Aim”

Safe Effective Patient Centered

Quality ↔ Access

Timely Equitable Localized

Efficient use of resources

Cost

Value

Publicly Reported Outcomes

http://www.medicare.gov/hospitalcompare/search.html

Value Based Payment

The Old System
- Fee for service model
- Patients “discharged”
- Disease Management focus
- Addressing Sickness
- Measuring Mortality/Harm

The New System
- Value-based payment
- Patients “transitioned”
- Care Coordination & Navigation
- Addressing Health
- Measuring Risk of Harm

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Quality Metrics:
FY2017 Value-Based Purchasing Domain Weighing (10/1/2016-09/30/2017)

Best Practice

<table>
<thead>
<tr>
<th>Financial</th>
<th>Access</th>
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<tr>
<td>Specialty Pharmacy Growth</td>
<td>Ambulatory Pharmacist Clinical Practice</td>
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<tr>
<td>Service Line Medication Utilization Reduction</td>
<td>Specialty Clinic Medication Prior Authorizations</td>
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<tr>
<td>Ambulatory Medication Net Revenue</td>
<td>Key Performance Indicators Related to Pharmacy Systems (medication delivery time, medication related readmissions)</td>
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<tr>
<td></td>
<td>Decentralization and Expansion of Pharmacist Clinical Services</td>
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<tr>
<td>Quality</td>
<td></td>
</tr>
<tr>
<td>Identify and prioritize OUTCOMES for each Service Line that pharmacy services can impact</td>
<td>Pharmacy Services at Discharge</td>
</tr>
<tr>
<td></td>
<td>Sterile Production Automation (IV Robotics)</td>
</tr>
<tr>
<td></td>
<td>Medication Distribution Automation</td>
</tr>
</tbody>
</table>

Innovation Part 2

Making it Happen

Intrapreneur

Your Story Part 1: The Lean Canvas

PROBLEM
- Describe the problem that you are addressing

SOLUTION
- Describe your Big Idea and how it will solve your problem
- Key Metrics
  - How will you define success?
  - Other key performance indicators

PATIENT/CUSTOMER SEGMENTS
- Describe who you are focusing on and why

UNIQUE VALUE PROP
- Why is your department uniquely positioned to solve this problem compared to internal and external options
- Unfair Advantage
  - For new revenue generating business models,
  - describe why you will be the most successful in your market

REVENUE / COST SAVINGS
pharmacy financial basics

COST OF THE SOLUTION

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October 16, 2016  
Rosemont, Illinois

Early Steps
- Start small and expand when pharmacy impact has proven valuable
- Find the right executive champion
- Casually test ideas with those you trust and peers outside your organization
- Do not advertise until you are fully ready to tell your story
- Lean on your natural leadership ability as you develop your idea

Upping the Ante
- Persevere through practical challenges
- Keep ideas away from those who will oppose
- Go above and beyond your normal job for your Big Idea
- Find a way around the bureaucracy
- Believe that the idea is more important than your job

Fostering the Environment
- Alignment of skills and strengths
- Celebrate milestones
- Encourage risk by celebrating acceptable failures
- Build an autonomous supportive team
- Create opportunities for new ideas and critical feedback

Your Story Part 2: The Pitch
1. Desire  
2. Great Ideas  
3. Impact  
4. Within Organization  
5. Intrapreneurship

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success is more ATTITUDE than APTITUDE

Intrapreneur in 4 steps:
- Harness a desire
- Know what you are willing to invest
- Build a team
- Just do it already

Act as if it were impossible to fail

Well done is better than well said

Diplomacy is the art of letting someone else get your way

Failing to prepare, we prepare to fail
Failing to prepare, we prepare to fail

Act as if it were impossible to fail
Act as if it were impossible to fail

Well done is better than well said

Diplomacy is the art of letting someone else get your way

More Thinking

More Doing

More Doing

References

- Disruptive Strategies: Transformation of Pharmacy Practice From a Dispensing Model to a Patient Care Model, 2012 NCPO Annual Meeting; January 2012; : Pharmacy Today; May 2012

Objectives

- Define key terminology
- Know why strategic planning is critical to success
- Develop a framework for strategic management
- Review a case of pharmacy strategic planning
- Reflect on secrets of success
Definitions

- **Strategic management** is the continuous process to maintain on target
- **Strategic planning** is an activity that is used to set priorities
- **Strategic plan** is a document with goals, objectives, and tactics

Where does Strategy Fit?

- Mission
- Values
- Vision
- Strategy
- Goals, Objectives & Tactics
- Performance Measures

Benefits of Strategic Planning

- Clearly defines the purpose
- Establishes practical goals and objectives
- Launches a communication platform
- Develops a sense of ownership of the plan
- Ensures the most effective use of resources
- Provides a baseline and progress measurement
- Establishes a mechanism for informed change
- Increases effectiveness and productivity
- Solves major problems in the organization

Strategic Planning Process: BEST-IQ

- Background
- Quality Management
- Environmental Assessment
- Implementation
- Strategy
- Tactics
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Rosemont, Illinois

Strategic Planning Process: BEST-IQ

- **Background**
  - Form a planning team
  - Develop a timeline
  - Prepare background information
  - Familiarize the team to the organization’s strategic plan
  - Develop communication and change management plan

- **Quality Management**
- **Environmental Assessment**
- **Implementation**
- **Strategy**
- **Tactics**

Getting Started

- Mission – purpose, reason for existence
- Vision – desired end state
- Values – what you stand for

Mission

- Mission statement – purpose, reason for existence
  - **Uber**: Transportation as reliable as running water, everywhere, for everyone
  - **Make-A-Wish**: We grant the wishes of children with life-threatening medical conditions to enrich the human experience with hope, strength and joy
  - **Feeding America**: To feed America’s hungry through a nationwide network of member food banks and engage our country in the fight to end hunger
  - **Mayo Clinic**: To inspire hope and contribute to health and well-being by providing the best care to every patient through integrated clinical practice, education and research
  - **CVS**: We will be the easiest pharmacy retailer for customers to use
  - **TED**: Spreading Ideas

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Vision

Vision statement – aspirational description of what you want to achieve

- Make-A-Wish: People everywhere will share the power of a wish
- Cleveland Clinic: Striving to be the world’s leader in patient experience, clinical outcomes, research and education
- Habitat for Humanity: A world where everyone has a decent place to live
- Alzheimer’s Association: Our vision is a world without Alzheimer’s
- Feeding America: A hunger-free America

http://onstrategyhq.com/resources/developing-your-strategy/

Values

- Values – guiding principles dictating behavior and action
  - Recreational Equipment Incorporated (REI)
    - Authenticity: We are true to the outdoors
    - Quality: We provide trustworthy products and services
    - Service: We serve others with expertise and enthusiasm
    - Respect: We listen and learn from each other
    - Integrity: We live by a code of rock-solid ethics, honesty, and decency
    - Balance: We encourage each other to enjoy all aspects of life

http://onstrategyhq.com/resources/developing-your-strategy/

Values

- Values – guiding principles dictating behavior and action
  - Uber
    - Be an owner, not a renter
    - Take big bold bets
    - The best idea wins

Values

- Values – guiding principles dictating behavior and action
  - Disney
    - Safety
      - I practice safe behaviors in everything I do
      - I take action to always put safety first
      - I speak up to ensure the safety of Others
    - Courtesy
      - I project a positive image and energy
      - I am courteous and respectful to Guests of all ages
      - I go above and beyond to exceed Guest expectations
    - Show
      - I stay in character and perform my role in the show
      - I ensure my area is show-ready at all times
    - Efficiency
      - I perform my role efficiently so Guests get the most out of their visit
      - I use my time and resources wisely
**Tips for Success**

**Mission, Vision Values**

- Involve everyone in development
- Clear and easily understood
- Specific, short, and memorable
- Keep it simple – realistic – practical
- Focus on the customer
- Reflect core competencies

[http://onstrategyhq.com/resources/developing-your-strategy/](http://onstrategyhq.com/resources/developing-your-strategy/)

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**Strategic Planning Process: BEST-IQ**

- Background
- Quality Management
- Implementation
- Environmental Assessment
- Strategy
- Tactics

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**Environmental Assessment**

- Complete SWOT analyses
  - Internal environment analysis
  - External environment analysis
- Gather input from all stakeholders
- Consider organizational and political implications
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Rosemont, Illinois

Internal Assessment
- Seek out strengths and weaknesses
- Resources, people, culture and information systems
  - Best practices
  - Department structure and facilities
  - Partnerships
  - Employee competency
  - Teaching environment
  - Med use process
  - Clinical services
  - Automation and technology

External Assessment
- Seek out opportunities and threats
  - Identify key industry trends
    - ASHP Pharmacy Forecast
    - Advisory Board
    - Marketplace competition
  - Identify changes at a local and national level
    - Board of Pharmacy
    - Regulating bodies - The Joint Commission
    - Payers - Centers for Medicare and Medicaid Services

Strategic Planning Process: BEST-IQ

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Strategy Formulation
- Define strategic priorities based on **risk and reward**
- Align with the **mission, vision and values**
- Identify what external factors need to be addressed
- Prioritize focus areas
- Develop goal statements and specific objectives

Force Field Analysis

Structural Tension

Strategic Planning Process: BEST-IQ

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Develop Tactics
- Develop strategic plan tactics
- Identify measurable imperatives
- Develop action plans (SMART goals)

SMART Tactics
- SPECIFIC
  - State what is to be achieved, clear and well defined
- MEASURABLE
  - Capable of measurement, progress is monitored and definitive
- ACHIEVABLE
  - Realistic given the circumstances in which it is set and the resources available to the business
- RELEVANT
  - Relevant to the people responsible for achieving them
- TIMELY
  - Detailed timeline with milestones

Determine Metrics
- Operational metrics
- Process metrics
- Fiscal metrics
- Quality or safety metrics
- Visual summary of metrics

Strategic Planning Process: BEST-IQ
- Background
- Quality Management
- Environmental Assessment
- Implementation
- Strategy
- Tactics

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Strategic Implementation
- Establish a specific timeline
- Monitor implementation with milestones
- Enlist support and change agents
- Communicate the plan to champions and stakeholders
- Execute the strategic plan
- Celebrate progress and short term wins

Keys to a Successful Implementation
Must Do's
- Leadership presence
- Employee competency, knowledge and experience
- Resources
- Results oriented structure

Pitfalls
- No one knows who is in charge
- Last minute or lack of communication
- Ill-defined goals
- Lack of accountability
- Lack of tracking progress

Strategic Planning Process: BEST-IQ

Quality Management
- Strategic Control, Evaluation, or Quality Management
  - Develop a monitoring plan to measure progress
  - Monitor, evaluate, and adjust the plan as needed
  - Set-up annual review to determine progress
  - Taking corrective action, if necessary
Quality Management = PDCA

Levels of Evaluation
- Strategic level
  - Does the consistency of the strategy align with the environment?
- Operational level
  - How well is the organization doing in pursuit of strategy?

Tools to Assist in Evaluation
- Dashboards
- Balanced scorecard
- Scheduled meetings
- Software packages
- Project progress reports
  - Charter
  - Gantt chart

Strategic Planning Process: BEST-IQ

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**Project Evaluation Tools**

**Example Strategic Planning Scorecard**

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<th>Sponsor</th>
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**Example Operational Project Tracker**

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<th>Action Step</th>
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<th>Assist</th>
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<th>Complete Date</th>
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<tr>
<td>1</td>
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<td>Erick</td>
<td>Matt</td>
<td>8/15</td>
<td>8/15</td>
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<td>On Schedule</td>
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<td>2</td>
<td>Member invitation to join taskforce</td>
<td>Erick</td>
<td>--</td>
<td>8/20</td>
<td>8/20</td>
<td>8/20</td>
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<td>Ken</td>
<td>Phil, Erick</td>
<td>8/22</td>
<td>9/1</td>
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<td>Erick</td>
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<td>9/7</td>
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**Case Study**

**Pharmacy Enterprise Strategic Planning**
Strategic Planning Kickoff

- Planning team of pharmacy leaders, residents, and lean facilitator
- Strategic timeline defined – July 2015 to June 2016
- Planning team and additional pharmacy leaders prepared background information
- Familiarize the team to the organization’s strategic plan
- Communication and change management plan defined

Froedtert Pharmacy Strategic Planning

- July 2015 – Strategic Planning Kickoff
- August 2015 – Environmental Assessment
- September 2015 – Strategy Development
- October 2016 – Tactic Development
- Spring 2016 – Implementation
- Summer 2016 – Strategic Quality Management

Froedtert & MCW Mission & Vision

Our Mission Statement
Froedtert & the Medical College of Wisconsin advance the health of the communities we serve through exceptional care enhanced by innovation and discovery.

Our Vision Statement
Froedtert & the Medical College of Wisconsin will be the region’s premier health system by demonstrating superior value through an academic-community partnership and aligning health care delivery across the region.
Froedtert & MCW Core Values

Our Values

- **Partnership**
  Partnering with patients, families and other organizations; collaborating with co-workers and colleagues

- **Responsiveness**
  Meeting the needs of the community in prevention, wellness and providing integrated care for all ages

- **Integrity**
  Using resources wisely; building trust

- **Dignity and Respect**
  Creating an inclusive and compassionate environment for all people

- **Excellence**
  Demonstrating excellence in all we do

Froedtert & MCW Strategic Priorities

- Patient Centered Care
- Clinical Effectiveness
- Financial Strength
- Population Health
- Workplace of Choice
- Three Million Lives

Froedtert & MCW Pharmacy Enterprise Mission

- High quality, cost effective, comprehensive, patient-centered care in an atmosphere of communication and shared respect
- Life-long learning through the education of patients, students, residents, staff and other health care professionals
- Research and investigation designed to enhance the quality and safety of medication use

Environmental Assessment

- SWOT analysis was completed across Froedtert Pharmacy Enterprise
  - What does good look like to our internal and external customers?
Strategy Development

- Optimize resources to ensure reliable services for safe and dependable medication use
- Strive to exceed targeted clinical quality and safety outcomes
- Develop relationships with our patients to support lifelong wellness
- Create infrastructure to provide highly reliable clinical and operational processes
- Cultivate an environment that promotes staff growth and development
- Embrace innovative services that align with the evolving health care environment
- Develop mechanisms to provide real-time decision making through the utilization of data
- Expand pharmacy’s contributions to the organization’s operating margin
- Partner with key stakeholders to achieve shared goals

Tactic Development

- Strategic initiatives distributed to all pharmacy leaders
- Each pharmacy leader asked to develop tactics to achieve strategic initiatives
- Applied impact/effort analysis to identify targeted tactics

Tactic Development

- 70 tactics were identified to achieve 9 strategic initiatives
- Tactics were distributed to all pharmacy staff and leaders
- Applied impact/effort analysis to further identify tactics
  - Drilled down to 37 actionable tactics

Strategic & Tactic Development
Strategic Plan Implementation

- Spring 2016 - Assignment of project sponsors, owners, and timelines

Strategic Quality Management

- Planning
  - Annual Plan Update and Strategy Review
  - Strategic Planning Steering Committee
  - 6-month Strategy Review

- Execution
  - Pharmacy Directors
  - Intuitive Team
  - Intuitive Team
  - Intuitive Team

Lessons Learned

- Don’t forget about fundamental best practices and the resources required to provide basic services
- Use the strategic plan as a guidance tool
- Ask provocative questions
- Look towards the future, step away from the present
- Focus on the organization, not individual actions
- Remove fancy language
- Get front-line staff involved

Key Takeaways

- Failure to plan is planning to fail!
  - Strategic planning and strategic management will allow you to define clear goals, use your resources in the best way possible, and solve big problems.

- Move your strategy into action!
  - A variety of methods exist to complete strategic planning – find one that works for your department and culture – then, move to action.
  - Don’t forget your change management skills.
  - Utilize strategic quality management and communication tools to track progress and establish accountability.
Pharmacy Finance Basics Objectives

1. Describe the current financial opportunities and challenges facing Hospitals and Health-Systems Pharmacy leaders.
2. Provide an overview of basic finance terms related to accounting and budgeting.
3. Review concepts for navigating example revenue cycle and financial reports.
4. Provide an overview of developing budgets and monitoring performance.
5. Identify the necessary elements of a successful business plan and ways to promote Pharmacy’s brand.

Questions?

References

- https://www.mindtools.com/
6 Areas of Focus

- Assessment of Pharmacy Strengths, Weaknesses, Opportunities, and Threats
- Defining Pharmacy Productivity
- Pharmacy Financial Reports
- Budgeting
- Value Based Care
- Appendix – Key Terminology

Overview of Pharmacy Financial Opportunities and Challenges

$162,741,664

$161,460,153

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Generate sufficient operating margin to support our clinical, education and research mission in alignment with system goals (quality, people, innovation, growth, finance).

Clinical integration and care delivery transformation across systems
Keeping pace with evolving population health landscape (in multiple locations)
Sustained pressure to contain costs and search for new revenue sources across inpatient and ambulatory practice

Supported by the appropriate organizational structure and leadership at the executive level (short and long term planning as part of a regular departmental review process)

Overview of Pharmacy Financial Opportunities and Challenges
- 2015/6 Outlook – US Not-for-Profit Hospitals – Moody’s
  - Changed outlook to stable for 2016
    - First change since 2008
  - Cash flows moderating to 3-4%
  - Gains unlikely to continue past 12-18 months
- Long term pressures
  - Population health; continued consolidation
  - Increased exposure to government payors

How drugs get to the pharmacy and to the patient

Revenue Cycle Flow chart

Overview of Pharmacy Financial Opportunities and Challenges

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### Overview of Pharmacy Financial Opportunities and Challenges

**MACRA Medicare Access and CHIP Act of 2015**
- Payments begin 2019
- Genesis: Begins conversion of fee for service to value based programs
- Four weighted components for reimbursement
  - Quality 50%
  - Advancing Care Information 25%
  - Clinical Practice Improvement 15%
  - Cost 10%
- Eliminates Sustainable Growth Rate formula
- Overhauls CMS quality programs into the Merit Based Incentive Payment System
  - +/- 4% in 2019
  - +/- 9% in 2022


### Overview of Pharmacy Financial Opportunities and Challenges

- Measuring Revenues and Expenses with Accrual Accounting
- Accountants measure profit or loss by applying a concept called accrual accounting.
- Accrual accounting entails deciding when patients have received services for which the organization is entitled to income, as well as how and when the cost of these services is measured.
  - Income (revenue) is earned when services are provided. A patient in a bed is receiving a service.
  - Expenses are the costs of providing material and service to the parties that receive the service, when the service is being provided.


### Overview of Pharmacy Financial Opportunities and Challenges

- The timing of when an organization gets paid for the services it renders, or when it pays for the materials and services it purchases.
  - The accurate measurement of profits or losses depends upon the correct matching of services provided and the costs of providing these services.
- Payment for services and materials that have been provided may occur long after they have been received and consumed.

Kaufman F. A Primer on Hospital Accounting and Finance. 5th edition

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Overview of Pharmacy Financial Opportunities and Challenges

Payer types:
- Private - BCBS
- Government – Medicaid – indigent or low income
- Self-pay
- Charity Care - Care rendered without the expectation of payment

Bad Debt
- Amount not recoverable from a patient or entity
- Payers negotiate contracts with healthcare organizations based on
  - Quality, Service, and Outcomes

MS-DRGs are based upon acuity and are “weighted,” according to the severity of the patient's illness, which can indicate the intensity of care or services needed.
- Sicker patients require more of the hospital's care and resources
- Patient or “case” with a weight of 2.0 is deemed to be double the intensity and hence require double the costs (and payment) of a case with a weight of 1.0, which is the baseline weight.
- Each hospital has a unique MS-DRG distribution.

Revenue Codes – Sample Guidance

Revenue Codes and CPT/HCPCS Coding by Payer

Payers negotiate contracts with healthcare organizations based on
- Quality, Service, and Outcomes

Overview of Pharmacy Financial Opportunities and Challenges

If the MS-DRG weight is 2.0
And the base rate or the value of a case with a weight of 1.0 is $5,000
Then the value of a specific case is $10,000
Reimbursement Types

- Fee For Service
  - Paid according to the volume of services that are provided
  - Traditional model – still common today
  - Disadvantages: Overutilization of services
- Pay for Performance
  - Also known as Incentive Payments
  - Eligible to additional payments by meeting or exceeding negotiated criteria
  - Demonstrated lower cost of care
- Shared Risk
  - Established benchmark of medical expenses
- Bundled Payment
  - Hospitals receive one payment for a discrete set of services
- Capitation
  - Hospital receives specific payment per patient, per month and must provide necessary services
  - What if hospitals cost of care exceed payments?

Revenue Routine –Dispensing is Pharmacy’s Cost Center

- Pharmacy revenue is routed to the dispensing pharmacy’s cost center. For example:
  - Medications dispensed from pharmacy A will have charges routed to “PHARMACY A”
  - Medications dispensed from another pharmacy (B) will have charges routed to “PHARMACY B.”
- Cost Center Defined
  - E.g., 10500, 10501, respectively – Inpatient Operations, Sterile Products
  - Drug Master file and cost maintenance requires constant oversight
  - Vasopressin, Isoproternol, EpiPen costs

Possible Pharmacy Cost Center Exceptions

- Investigational Drugs:
  - Any investigational medications that have a billing type of “investigational drug”.
  - The revenue for these meds will be routed to the “INVEST DRUGS” cost center, regardless of where they are dispensed from.
  - IDS studies using standard of care therapy as a comparator may bill normally.

Possible Pharmacy Cost Center Exceptions

- Contrast Media/Radiopharmaceuticals:
  - Contrast and Radiopharmaceuticals may follow a different logic.
  - Their cost center routing is not based off of the pharmacy that they are dispensed from, but the department that the user is logged into. i.e. Radiology
  - If a user is logged into one of the imaging departments or other departments that buy and dispense their own medications, the revenue will be routed to that department’s cost center.
  - If a user is logged into one of the other hospital departments or the pharmacy department, the revenue will be routed to the “PHARMACY INPATIENT OPERATIONS” cost center.
Keys to Revenue Cycle Management

- Health System Pharmacy seen as a margin generator thanks to ambulatory, specialty and mail order services.
- 340B program monitoring for duplicate discounts
- Under coding of key diseases can negatively impact reimbursement
- 60% RAC appeals found not to have an overpayment

http://www.beckershospitalreview.com/finance/25‐things‐to‐know‐in‐revenue‐cycle‐management.html

Pharmacy Management of Denials

- Freeline staff performs initial review of all accounts in the PIC until recovery efforts are exhausted
- Accounts are sent to PIC for review by specialized recovery staff
- Reimbursement specialists use PIC workflow to identify key underpayments by major payers
- Reimbursement specialists perform key analyses of account distribution and leverage PIC reporting to identify payer trends for bulk appeal opportunities

https://www.advisory.com/-/media/Advisory‐com/Technology/Payment‐Integrity‐Compass/Case‐studies/2016/PICBellinRecovery2016.pdf

Overview of Pharmacy Revenue Cycle Challenges

Productivity and Benchmarking

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**Productivity Analysis for Department of Pharmacy Cost Centers**

- The pre-assigned workload statistic for each cost center in the Department of Pharmacy can be either daily Average Adjusted Patient Days (APD) or Calendar Days (CD). APD is a variable metric while CD is a fixed metric.
  - APD is a Decision Support endorsed organizational metric that often considers gross revenue, inpatient revenue, and volume of inpatient days.
  - This figure is selected for a large number of organizational departments. While APD or CD may not be an exact match to determine volume in your area, it is the standard, in most cases. E.g. FY 14, the budgeted daily Average Adjusted Patient Days is 1245.5.
- In reviewing your Cost Center’s most recent Productivity for the Pay Period, please note the following:
  1. Budgeted Hours = Budgeted FTE’s x 80 Hours (# of hours per FTE in a pay period).
  2. For the costs centers who are on CD, the budgeted workload is 14.

---

**Productivity Analysis for Department of Pharmacy Cost Centers**

- To calculate your productivity %, you can take your Targeted Worked FTE (Budget)/Actual Worked FTE. This will closely approximate your Productivity Index.
  - To calculate the number of worked FTEs for the pay period, simply take your Total Worked Hours/80 (80 hrs in a pay period)
- To calculate how much the addition (or reduction) of an FTE in a given pay period can be accomplished by adding or subtracting 80 hours (# of hours a FTE would work in a PP, regardless of position) to Actual Hours Worked. To re-calculate your NEW productivity %, you can take your Budgeted Hours/Actual Hours.
  - FTE (1.0)/PP = FTE across the pay period
Building Productivity Reports

- Determining what to measure
  - What current benchmarks are in place in your facility?
  - Commonly used facility based benchmarks include:
    - Patient Days, Admissions, Discharges, Clinic Visits
  - Commonly used pharmacy based benchmarks include:
    - Drug expense, doses dispensed, worked hours
    - Lazarus Report; Vizient Report; Corporate Benchmarks
  - Limitations
    - Variability in regulations, patient mix, staff skill mix, patient acuity, facility 340B status, use of technology

- Determining how to compare
  - Who is your peer group?
    - Similar size?
    - Similar technology?
      - The EPIC® factor
    - Similar mission?
    - Similar service line?
    - Similar patient population?
  - What is your target?
    - 50th, 75th, 90th percentile?

Outputs

- Doses / worked hours
- Flex productivity seeks to manage FTE’s to volume adjusted budget
- (Budgeted FTE / Budgets volume) – (Paid FTE / Actual volume) * Actual volume
  - Paid FTE includes nonproductive time (PTO, Float pool, etc)
  - DOESN’T account for Clinical, Regulatory, or Organizational work not directly associated with a unit of service

Outputs

- All doses not equal
  - Start with most basic dispense and assess each value added step
  - Creates basic definition of relative value unit (RVU)
  - Allows more complex doses to be differentiated
  - Quotas are easy to apply problematic to manage (verification)
    - Interventions vs. normal pharmaceutical care

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Productivity Formulas

- Inputs
  - All inputs not equal
    - Fixed inputs – management, regulatory, clinical?
    - FTE based
    - Cost of FTE based on pt day/adj pt day/discharge/other?

Productivity Formulas

- Application of RVU for productivity
  - RVU to dispense 1 dose = 15 minutes
  - Pharmacy dispensed 950 doses in a week
  - Staff worked 240 hours in a week
    - Total production focus – no nonproductive activities included

  \[
  950 \text{ doses} \times \frac{15 \text{ min}}{1 \text{ dose}} \times \frac{1 \text{ hr}}{60 \text{ min}} = 237 \text{ hrs} \\
  237 \text{ hrs} / 240 \text{ target hours} = 98.95\% \text{ productivity} \\
  240 \text{ hrs} – 237 \text{ hrs} \times \frac{1 \text{ FTE}}{40 \text{ hrs}} = 0.075 \text{ FTE variance}
  \]

Productivity Formulas

- Defining the day
  - Calendar day – 24 hr period used in financial reporting
  - Adjusted Patient Day – considers total gross revenue, volume of inpatient days
- Defining the FTE
  - Budgeted FTE’s x # hrs per FTE in a pay period
  - If 5.75 FTE are budgeted in a 40 hr pay period; then 5.75 x 40 = 230 hrs were budgeted in the previous example.

Productivity Formulas

- Modeling new services
  - Productivity models can be used to estimate impact of new services on reporting
    - Add or reduce # of FTE hours to total hours and model impact on productivity
    - Use to set administrative expectations on impacts that non dose producing activities will have.
  - Consider to document expansion of pharmacy into more direct patient care activities.
  - Consider inclusion of non productive time for training and acclimation to new processes as well as use of benefit time.
**Financial Summary Steps**

- Get access to some data – Departmental or Cost Summary Data
  - Ask someone
  - Go back and make sure you understand the embedded assumptions and caveats
- Build out your data in Excel – Understand what you are building out and what is says
- Place graphs in a PowerPoint slide 8x11
- Shop it!
Bootcamp Hospital Pharmacy 2016 Financials

<table>
<thead>
<tr>
<th>Periods</th>
<th>Budget</th>
<th>Actual</th>
<th>Variance</th>
<th>Variance %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb</td>
<td>$161,460,153</td>
<td>$162,741,664</td>
<td>($1,281,511)</td>
<td>-0.76%</td>
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</tbody>
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Bootcamp Hospital Pharmacy 2016 Budget

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Current Month (CM) Explanations

- Net Patient Service Revenue (10-500):
  - CM (Current Month) is $XXX favorable and YTD gross revenue is $XXXX favorable.
  - OP gross revenue continues to be a driver for the YTD revenue variations. (Revenue budget is based on total patient discharges.)
  - For the CM, we have observed a decline in 12/32 (38%) visits/cases for OP volume
- Other Operating Revenue:
  - CM is $XXX favorable and YTD is $XXXX favorable - driven by increase in pharmacy purchases by XXX.

---

Current Month (CM) Explanations

- Total Operating Expense w/o Allocations (10-500):
  - CM is $6K favorable and $XXK unfavorable YTD.
  - Pharmaceuticals remains YTD on-budget with a total budget of $XXM – (0.49% - 40K)
  - Salaries and Wages: CM is $XXX favorable and YTD is $XXK unfavorable.
  - $XXM budget; (0.26%, $8K) variance
- Other Operating Expense:
  - CM is at budget
  - Income from Operations:
    - CM/YTD is $XXX with $XXXX favorable variance to the budget
    - Driver is favorable net inpatient revenue.

---

Bootcamp Hospital Pharmacy

- Net Patient Service Revenue is unfavorable and YTD gross revenue is unfavorable. Loss of key physicians in oncology and cardiology resulting in less than projected surgical and cath lab cases.
- Remaining oncology physicians prescribing non-formulary medications for patients without approved indications, resulting in revenue loss due to write offs.
- Total Operating Expense is unfavorable and YTD expense is unfavorable.
- Drug Expense unfavorable – Cardiac surgery use of nitropress and isuprel as well as blood factors contributed.
- Salaries unfavorable due to extensive PTO due to medical leave.
- Supply expense unfavorable Transition by Supply Chain of Sterile products supply vendor presented opportunity to purchase remaining supply (3-4 mo) in warehouse of current vendor

Drug Price Increases continue
- 2015 Nitropress Valeant 525%
- 2015 Isuprel Valeant 212%
- 2015 PCSK9 for cholesterol $144K/y
- 2015 Daraprin-Turing 500%
- 2016 EpiPen Mylan 500%

FY 16 Financial Summary

Retail Pharmacy average Revenue per Rx:
- Brand name: $250
- Generics: $15
- Specialty: varies
- Average prescriptions Filled per yr: 50,000

---

Developing the Budget and Monitoring Performance
### Fiscal Year Budget Calendar

- Finance populates department budgets into system
  - **This is a KEY date!**
- Program changes due to Finance
  - 30 days after above
- Division Presidents, VPs, and Directors review budgets with their designated Finance Director as needed
  - 45-60 days after above
- Budget updates/revisions approved by EVPs
  - 60 to 75 days after above
- Budget document delivered to Board Finance Committee
  - 90 days after above

### Three Financial Profiles within Pharmacy

<table>
<thead>
<tr>
<th>Clinical Operations Production &amp; Distribution</th>
<th>Hospital Owned Clinic Administered Medications</th>
<th>Ambulatory Clinical Operations</th>
<th>Community Pharmacies Specialty Pharmacies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inpatient HR Exp 27% Gen Op Exp 70%</td>
<td>Inpatient HR Exp 3% Gen Op Exp 95%</td>
<td>Inpatient HR Exp 5% Gen Op Exp 95%</td>
<td>Inpatient HR Exp 22% Gen Op Exp 78%</td>
</tr>
<tr>
<td>Ambulatory HR Exp 22% Gen Op Exp 78%</td>
<td>Community &amp; Specialty HR Exp 3% Gen Op Exp 97%</td>
<td>Community &amp; Specialty HR Exp 22% Gen Op Exp 78%</td>
<td></td>
</tr>
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### Bootcamp Hospital Pharmacy 2016 Budget

<table>
<thead>
<tr>
<th>Inpatient Hospital Pharmacy</th>
<th>Budget FY 2016</th>
<th>Budget FY 2017</th>
<th>Budget FY 2018</th>
<th>Budget FY 2019</th>
<th>Budget FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$13,559,559.00</td>
<td>$13,075,559.56</td>
<td>$13,185,559.56</td>
<td>$13,549,559.56</td>
<td>$13,195,559.56</td>
</tr>
<tr>
<td>Expenses</td>
<td>$12,891,559.56</td>
<td>$12,875,559.56</td>
<td>$12,875,559.56</td>
<td>$12,875,559.56</td>
<td>$12,875,559.56</td>
</tr>
<tr>
<td>Balance</td>
<td>$668,000.00</td>
<td>$268,000.00</td>
<td>$368,000.00</td>
<td>$670,000.00</td>
<td>$320,000.00</td>
</tr>
</tbody>
</table>

### Annual Budgeting

- Goal of the budget: forecast of revenue and expenses
  - Describes the hospital’s/department’s specific financial goals for each account for the fiscal year (July-June or October-September)
- Adherence to the budget is a predictor of financial stability – cost of money
- Timeline – 1 year horizon and reflects planned objectives in the “short-term”
- Integration of planning and budgeting
  - Volume trends, payment arrangements, new ventures/business opportunities
- Timely, considerable involvement in staff from all levels – careful attention and planning

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Annual Budgeting

- Budgets are always changing depending on the environment
- Annual budgets “may be” changed in the beginning part of the year, if ever, but can be fixed once finalized
- Often, we are left explaining variances throughout the year
  - Variance analysis – positive and negative
    - Quantifies the difference between actual and budgeted values for resources, revenues or expenses
- Larger the variance – the greater the attention
  - Also need to look at trending as well

Supplements to Annual Budgeting

- Flexible Budgeting
  - Used on a monthly basis
  - Effectively measures budget to actual variances
  - Expense categories are based of estimated activity from month to month
    - Retroactive change as each month is finalized
    - Allows leaders to see the results that reflect the actual level of department activity for each line item
    - E.g., Patient days, Outpatient visits, etc.

- Rolling Forecasting
  - Helps identify gaps in performance
  - Often a quarterly process
  - Used from for budget planning – long range (3-5 years)
  - Compares quarters of projections to the strategic financial plan assumptions and expected trajectory
  - Focuses on forecast grouping rather that line item variances

Budget Process

- Know your defined Fiscal Year
- Know the date of the Budget upload
- Current FY financial data used to project upcoming FY budget
- Annualized data
  - Start with
    - Commonly 9 months, but not always
    - Convert a rate of any length into a rate that reflects the rate on an annual (yearly) basis
      - (9 month total/9 * 3) + 9 month total

Operating Budget (Expenses)

- Key Pharmacy Expense Classes:
  - Drugs Chargeable – TOTAL DRUGS 80% total budget
    - FY16 ~$75M
    - Drugs, blood products (Albumin, Factors)
      - Blood Factors(FY16) ~ $1M
    - Fluids – Expense Increase
    - Solutions and Sets (CSTD, IV Sets)
    - Anesthesia Gases
    - Lease and Rental

- Labor 20% total budget
  - People (Salaries and Wages) – FY16 $9M
    - Productive Time – worked hours
    - Non Productive Time – PTO/PAL
    - Employee benefits
  - Other
    - Travel, Software, Drug Information References and Subscriptions
FY Drug Budget Drivers

- Patient volumes
  - Seasonality
- Contracts
- IV Fluids
- Inflation - First to go
  - 4-8%

- New Entities
  - 340B/Specialty Rx
  - Biologic and oncology agents
  - Antifungals
  - Other key items (CV drugs)
- Generics
- Projecting Future Drug Expenditures – Annual

Pharmacy Financial Basics

Budget Tactics and Takeaways

- Start preparing early
  - You and your staff
  - Learners
- Don’t pad
  - Lose credibility
- Use data & be accurate
  - National benchmarks
  - Organizational historical data

- If you take a risk, make it known
  - Transparent
  - If changes made, document!
  - Specialty budget

Financial Reporting Tools

- Return on investment
  - Ratio of net benefit to total amount of the investment
    - Generally modeled over a 5 year time frame
    - Allows comparison between resource use options
  - ROI = Gain from investment – Cost of investment
  - Cost of investment

Harvard Business Review templates recommended by Bob Granko

Financial Reporting Tools

- Return on Investment
  - Medical Return on Investment
  - Definition of the target population
  - Program costs
  - Utilization changes
  - Sensitivity analysis
  - Baseline costs
  - Post Intervention Costs
  - Program Costs

### ROI Calculations

<table>
<thead>
<tr>
<th>Method</th>
<th>Question</th>
<th>Units</th>
<th>What for</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breakeven Analysis</td>
<td>How many units required to return the investment</td>
<td>Units sold</td>
<td>Product development, new clinical programs</td>
</tr>
<tr>
<td>Payback Period</td>
<td>Time needed to return the investment</td>
<td>Months/Years</td>
<td>Projects with high barriers to entry; Productivity projects over time</td>
</tr>
<tr>
<td>Net Present Value</td>
<td>What a project returns to the business</td>
<td>Dollars</td>
<td>Projects with large capital outlays</td>
</tr>
<tr>
<td>Internal Rate of Return</td>
<td>Project lifecycle rate of return</td>
<td>Percentage</td>
<td>Externally reported projects requiring external funding</td>
</tr>
</tbody>
</table>

### Financial Reporting Pearls

- C-suite prioritizes investments based on return
- Partner with Finance, analytics, and other ancillary leaders to know expectations
- Understand differences between hard and soft dollar savings
  - Cost avoidance use may have revenue impacts

---

### Building a Business Plan

- **Executive Summary**
  - Document that should be written to the level of the audience (administration vs. clinical) - SBAR or other format; risk/benefit
  - **Business Need Statement**
    - Why is this important
    - Document outlining the external services you are trying to provide for a potential “business” partner (stakeholder)
    - Market analysis, Options, Timelines, Financials
    - Stakeholders
    - References
The Impact of an Emerging New Business Model - Elements of Change in the Old/New Business Model

- Healthcare industry has started a transition to a value-based business model from an activity or volume-based, fee-for-service model that has been in place since the 1960s.
- The new model is profoundly different than the traditional model in almost every respect.
- The value-based model will shift how providers deliver and are paid for services, as described in this section.

Pharmacy Financial Basics

- Cost reduction (elimination of direct expense)
  - Drug costs
  - Personnel/FTE removed from budget
  - Reducing cost of harmful medication errors
  - Reduction in agency nurse use
- Cost avoidance (avoiding future expense)
  - Slowing the drug cost trend curve
  - Preventing inappropriate use of a new drug
  - Adding robotic dispensing technology that will enable you to grow volume without adding new personnel
  - Preventing cost of harmful medication errors

Pharmacy Financial Basics

- Patient safety
  - Reduced error, preventing cost of harmful medication errors
  - Improved operational efficiency
  - Improved throughput
  - MD efficiency
- Saved nurse/physician time
- Reallocation of FTE
  - More nurse time at the bedside
Creating Value for Our Patients

Defining Value

Health outcomes
Costs of delivering the outcomes

- Health outcomes = the full set of patient health results over the care cycle
- Costs of delivering outcomes = the total costs of care for a patient’s condition over the care cycle
  - Better health is the goal, not more treatment
  - Better health is inherently less expensive than poor health

Source: Value-Based Health Care Delivery; Michael E. Porter, June 22, 2011: Slide courtesy of Andy Nelson UNC Medical Center

Value-Based Care

Pharmacy Financial Basics

- Common Hard Saving
  - Reduction in unit cost of operations
  - Reduction in unit cost of production
  - Reduction in transaction cost
  - Reduction in overhead cost
  - Reduction in transportation cost
  - Reduction in manpower
  - Increased throughput, resulting in increased sales or revenue

- Common Soft Savings
  - Reduction in cash flow
  - Reduction in need for working capital
  - Avoidance of capacity enhancement
  - Conformation to changes in the law
  - Increased safety in the workplace
  - Increased employee satisfaction
  - Increased customer satisfaction

Pharmacy Financial Basics

- Metrics that matter
  - Transitions of Care/Readmission Reduction
  - Core Measure Compliance
    - Value-Based Purchasing
    - HCAHPS / Patient Satisfaction
  - Cost Reduction
    - Yes, that you’ll take out of your budget
  - Employee Engagement
  - NEW Revenue Streams
    - Clinic Revenue
  - Add expense to your budget
  - Medication Error and Quality Metrics

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Pharmacy Financial Basics – References

- Financial Intelligence by Karen Berman and Joe Knight
- Journals:
  - Healthcare Financial Management
  - Harvard Business Review

Key Takeaways

- Enhance your financial vocabulary
  - References
- Work to understand the breadth and depth of your Pharmacy's business
  - Acquire different types of pharmacy reports
  - Understand and work to implement fundamental concepts of budgeting and its process
- Build up more efficient clinical operations and improve quality of patient care
  - Sustainable modeling for now and the future

Key Takeaways

- Domain knowledge in financial management improves your communication with financial team
  - In and outside of your Department - Finance and Non-Finance staff
  - Educate others
- Use these tools to build and further promote the brand of pharmacy
  - Dashboards and Department Operating Reviews

Acknowledgments and Questions

- Bob Granko
- David Chen
- Rick Couldry
- John Pastor
- Steve Rough
- Scott Kneer
- Past Boot Camp Contributors and Faculty
- ASHP

Mark Sullivan, Pharm.D., M.B.A., BCPS, FASHP
mark.sullivan@vanderbilt.edu

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Key Terminology

Case Basis
- Also called prospective payment - common
- Paid a set fee for the care of a patient who has a certain condition (MS-DRG)
- Regardless of how long the patient stays or number of resources consumed

Bundled Care
- This arrangement is where the provider is paid a fixed amount during an entire care episode and may include multiple care sites such as post-acute care facilities

Per Diem
- Agreed amount per patient day
- Contractual per diem – payer sets the price

Key Terminology - Summary

Revenue – expense
Many organizations‘ goal is 4-6%

Costs
- Supplies and labor (are there others?)

Key Terminology

Three main financial statements
- Balance sheet
  - Summary of all account balances, including assets, liabilities and equity – as of a specific date (e.g. quarterly or year end)
- Income statement
  - Cash flow statement

Profit/Contribution Margin
- Net income divided by net sales
- Also known as contribution margin

Key Terminology - Summary

Inventories
Future services of economic benefit arising from present obligations to transfer assets or provide services to others as a result of past transactions or events

Charity of Uncompensated Care
Care rendered to patients without the expectation of compensation for such services

Contract Allowance
Accounting adjustment required to reflect unreasonable differences between established charges for services rendered and allowed amounts and rates payable under contracts with third-party payers

Bad Debt
Uncollectible accounts receivable

Recovery Audit
Program created through the Medicare Modernization Act of 2003 to identify and recover improper Medicare payments paid to healthcare providers

DRG Codes
Diagnosis-related groups. The resource unit value remains relatively constant but whose aggregate value changes, usually proportionally to changes in volume

Multiple Arrangements
Type of cost that has none of the characteristics of any other type of cost.

Medicaid
Federally aided, state-operated and administered program which provides medical benefits for certain indigent or low-income persons in need of health and medical care; benefits, program eligibility, rates of payment for providers, and methods of administration of membership and payment to providers

Triple-Adj Case Classification System
Cost reimbursement system that relates demographic, diagnostic, and therapeutic characteristics of patients to length of inpatient stay and amount of services consumed; provides a framework for specifying hospital case mix
### Leadership Framework in a Changing Environment

- **Lead with Authenticity**
- **Lead Change**
- **Drive Agility**
- **Embed Sustainability**
- **Maximize Talent**
- **Empower Others**


### It Begins with YOU

- Leadership style alignment
- Enterprise knowledge
- Strategic focus
- Stakeholder relations
- Authenticity
- Building a high performing team
- Flexibility and versatility in the face of change

### Objectives

- Describe the difference between change and transition
- Identify strategies to manage change and transitions
- Describe methods to maintain employee engagement during change
Definitions

- Change – situational
  - Focus on the outcomes
- Transition – psychological
  - Process that people go through as they come to terms with a change
- Sustainability - Balance results with the greater good
  - Looking beyond short term results to consider longer term implications

Phases of Transition

- Getting people through the three phases is essential to achieving change

<table>
<thead>
<tr>
<th>ENDINGS</th>
<th>NEUTRAL ZONE</th>
<th>BEGINNINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Loss</td>
<td>- In-between time</td>
<td>- Being “with it”</td>
</tr>
<tr>
<td>- Letting go</td>
<td>- Chaos</td>
<td>- The new chapter</td>
</tr>
<tr>
<td>- Getting closure</td>
<td>- Clean slate</td>
<td>- Renewal</td>
</tr>
<tr>
<td>- Saying goodbye</td>
<td></td>
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</tr>
</tbody>
</table>

Mutual Dependence

Badly planned or implemented change creates painful transitions

Unmanaged transition makes change less likely to work

Create A Sense of Urgency

- Build an emotional and rational case for change
- Identify and discuss major crises or opportunities
- Make the status quo seem more dangerous than launching into the unknown
  - Burning Platform
Lead Change

- Change is a process and a journey that takes time
- Change models can help you manage and understand the change process
- Look at your role in the change process and apply the appropriate leadership technique
- Appreciate what happens to individuals during transitions

Strategies to Manage Endings

- Don’t argue with what you hear
- Don’t be surprised by overreaction
- Acknowledge loss openly and sympathetically
- Expect and accept signs of grieving

Process of Personal Change

- Who am I?
- Change? What Change?
- Disruption
  - In Denial
  - Provide Information
  - Fearful
  - Provide Support
  - Acceptance
  - Provide Direction
  - Exploration
  - Rebuild
  - Committed/moving forward
  - Provide Encouragement

How do you get people to let go?

- Identify who’s losing what
  - Describe the change in as much detail as possible
  - What are the secondary changes that will result
  - Is there something that will be over for everyone

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**Resistance**
- It’s the transition, not the change that people often resist
  - Loss of their identity and their world
  - Disorientation in the neutral zone
  - Risk of failing in the new paradigm

**Leading through the Neutral Zone**
- Anxiety rises and motivation falls
- Productivity suffers
- Old weaknesses may reemerge
- Overcome disruptions and promote exploration
  - Consider different implementation strategies
    - Pilot, in phases, simulate, demonstrate

**Top 5 Drivers of Employee Engagement through Change**
1. Involvement in decision making
2. Teamwork
3. Alignment with career goals
4. Encouragement/development
5. Communication/two way dialogue

**Form a Guiding Coalition**
- Engage your informal leaders
- Small/medium group that believes in the change
- Work as a team with formal leaders to move change forward
- Ensure formal leaders role model the change
Provide a Vision

- A picture of the future
- Appeals to the end users
  - Should be able to communicate in 5 minutes
  - Over communicate information
  - Use all vehicles possible
  - Define what is and what isn’t
- Treat the past with respect

Drive Agility

- Cut through avoidance
- Address your own and others’ resistance
- Vow not to say “I can’t” - not even to yourself
- Take calculated risk and move forward
- Take accountability for results
- Encourage others

Empower Others to Act on the Vision

- Enhancing the neutral zone
- Capitalize on doing things differently
- Encourage experimentation
- Brainstorm new answers to old ideas
- Listen more, speak less

Drive Engagement through Teamwork

- Seek team participation to manage change
  - Explore an idea with a group
  - Get team feedback and suggestions
  - Create a process for collecting ideas
  - Share experiences and voice concerns
- Ask team for their communication preferences
Leadership Styles during Change

- Authoritative, participative, democratic
  - Anchor your style in participative and use the others to help find balance in the process
- Be articulate and comprehensive
- Set goals and measure results tightly
- Allow the team to figure it out

Prepare for New Beginnings

- Empower others by reshaping teams
  - Create new work systems
  - Roles and responsibilities
  - Skills, knowledge, behaviors
  - Development opportunities
- Talent management


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Harshak, A. Making change happen, and making it stick: Delivering sustainable organizational change. Booz and Company. October 2010

Build a High Performing Team

- Clear objectives, roles, and accountabilities
- Tailored participation and maximizing individuals skills
- Tangible incentives and outcomes
- Effective means of communication
- Conflict resolution procedures

Talent Management Matrix

- NOT Delivering Quality Results
  - Develop
  - Manage and Support
- Delivering Quality Results
  - Stretch and Develop
  - Develop
  - Manage and Support
- Leverage to Maximize Results
  - Develop and Promote
  - Stretch and Develop
  - Develop and Support


Leverage and Maximize Talent

- Identify individuals with potential
- Proactively develop talent
- Adjust your leadership style based on the individual...
  - Attentively develop, engage, and motivate
  - Goal is to move from directing to delegating

Managing Performance for New Beginnings

- Performance in current role is not the sole indicator of performance in new role
- Align strengths and talents with the right position
- Evaluate performance on goals and challenges
- Identify gaps and develop a plan to narrow

Remove Obstacles

- Letting negative situations ‘go’ without change
  - Negative employees and leaders
  - Infuriates team members (affecting morale)
  - Demotivating and sets the wrong tone
- Competency vs. commitment assessment
- Organizational process and documentation should be followed

A New Beginning

- Will take place only when individuals are ready to make an emotional commitment to do things a new way
- Provide direction and encouragement
- Resistance
  - Reminds them the old way is ending
  - Possibility that new way won’t work

Create Short Term Wins

- Build momentum
- Keeps the urgency level up for long term projects
- Plan for visible performance improvements
- Recognize and reward employees
- Begins the “hard wiring” of new processes

Reinforce the New Beginning

- Provide consistency and serve as a role model for the change
- Hire, promote, and develop employees who can implement the vision
- Celebrate success
- Anchor the change and measure
- Maintain engagement

Maintain Engagement by Constant Communication

- Build trust through communication
  - Proactive, timely and transparent
  - Be specific - include “what,” “why,” and “how” details
  - Repeat via multiple communication channels
  - Be positive
- Two way dialogue
- Have crucial conversations

Crucial Conversations

- What makes a conversation “crucial” vs. typical?
  - First, opinions vary
  - Second, the stakes are high
  - Third, emotions run strong
- When you don’t talk it out, you act it out

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Crucial Conversations

- How do we typically handle crucial conversations:
  - We can avoid them
  - We can face them and handle them poorly
  - We can face them and handle them well

Crucial Conversations

- Why don’t crucial conversations tend to go well?
  - Emotions tend to rule
  - Your body physically reacts
  - We are under pressure
  - We are stumped
  - We act in self-defeating ways

The Principles of Crucial Conversations

- Content and Conditions
  - Get unstuck
  - Start from the heart
  - Learn to look
  - Make it Safe

- Skills
  - Master my stories
  - State my path
  - Explore others’ path

- Implementation
  - Move to action

Self Reflection

- What conversations am I not holding or not holding well
- Learn to look for your own style under stress
- Understand what you want out of a conversation
**Dialogue**

- Free flow of meaning between two or more people

**Dialogue Framework**

<table>
<thead>
<tr>
<th>Starting point</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>“When you…”</td>
<td>Just state the facts.</td>
</tr>
<tr>
<td>“I feel…”</td>
<td>Tell how their behavior affects you</td>
</tr>
<tr>
<td>“Because I…”</td>
<td>Describe the connection between the facts you observed and the feelings they provoke you.</td>
</tr>
<tr>
<td>Pause for discussion</td>
<td>Let the other person respond.</td>
</tr>
<tr>
<td>“I would like…”</td>
<td>Describe the change you want the other person to consider.</td>
</tr>
<tr>
<td>“Because…”</td>
<td>…and why you think the change will alleviate the problem</td>
</tr>
<tr>
<td>“What do you think?”</td>
<td>Listen to the other person’s response</td>
</tr>
</tbody>
</table>

**Master My Stories**

- Begin discussions with the right motives
- Separate facts from story
- Stay in dialogue when you’re angry, scared, hurt
  - The stories we create generate our emotions
- Say the right words, right words with the right tone and nonverbal actions
- Identify someone to role-play

**Move to Action**

- Dialogue is not decision making
- Describe how decisions will be made
- Commit to action steps and a timeline
  - Who does what by when
  - Follow up
- Document, document, document
Post Transformation: New Beginnings

 Use problem solving skills to deal with change and conflict
 Gauge the appropriate timing and course of actions
 Practice leadership techniques
  • Motivate and recognize others
  • Embrace and enjoy change
  • Show your weaknesses and empathize passionately
  • Communicate effectively

Embed Sustainability

 Show commitment and focus from on the ongoing effort
 Acknowledge the lessons learned
 Investigate how to engage and involve employees over the long term

It Ends with YOU

 Display Serving Leadership qualities
 “Own” the decisions
 Balance empathy with channeling energy
 Be visible and have a consistent presence in your areas
 Adaption rate of change is a reflection of your leadership techniques

Key Takeaways

 Achieving change is dependent on how well you can lead people through the three phases of transition
 New beginnings occur when individuals are emotionally ready to commit
 Use employee engagement drivers to motivate team members through change
 New beginning must be enforced, maximize talent and remove obstacles