



Is Point-of-Care Dispensing Right for Your Practice?

A White Paper

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Point-of-care drug dispensing is a fast-growing ancillary service providing both quality of care and financial benefits to an expanding number of medical practices nationwide. With the right vendor and fit for your practice, it can be a fairly straightforward path to additional value for your patients and improvement to your bottom line. However, several essential elements play an important role in the success or failure of a dispensing program — items that are not always readily apparent, and are not provided equally by all vendors. This paper helps you analyze each of these elements, and provides guidance on how to ensure that your vendor will be capable of delivering exactly what you need.

EXAMINING THE QUESTIONS

In today's increasingly challenging healthcare environment, many physicians are evaluating additional ancillary products and services that can complement their core practice to both enhance patient satisfaction and help bolster the bottom line. In-office pharmaceutical dispensing is a service that many physicians are aware of, but may have questions regarding potential fit and benefit for their practices.

From our experience over the past six years helping physicians evaluate and implement dispensing programs, the key questions that most frequently come up during the evaluation process fall into five main categories:

1. Legality and risk
2. Adoption trends
3. Impact on patients
4. Impact on staff
5. Financial benefits

In this paper, we will examine each of these questions and provide data and evaluation tools that may be helpful in reaching a decision regarding adoption of point-of-care dispensing in your practice.

1. LEGALITY AND RISK.

By far the most frequent question we field is simply, "Is this even legal?"

The short answer is that in 44 out of 50 states in the U.S., it is absolutely legal for physicians to do

point-of-care dispensing without restriction. In these states, licensed physicians have the legal right to dispense medicine to their patients, although state and Federal laws do require that dispensed drugs be properly labeled and packaged.

Point-of-Care dispensing is legal without restrictions in 44 states. Only Utah has legally banned the practice, and five other states impose limited restrictions.

Five states impose various restrictions on point-of-care dispensing, ranging from requiring separate licensing to limiting profit margins on medications dispensed. The five states carrying additional restrictions are:

- New Jersey
- New York
- Massachusetts
- Montana
- Texas

If your practice is in one of these states, you should check the legal restrictions that specifically apply. Only one state — Utah — has made physician dispensing illegal.

In summary, except as outlined above, a physician's medical license grants the right to dispense medications to patients.

Malpractice Risk

Another common risk-related question is, “Will Dispensing cause my malpractice insurance premiums to increase?”

In general, the insurance industry doesn't view medication dispensing as an increased risk of practicing medicine. The actual risk is in the decision regarding which medications, and combinations of medications to prescribe, not necessarily where the prescription is filled. For example, most physicians already dispense drug samples to patients, and many provide in-clinic treatments with various medications - all of which are accounted for under their existing malpractice insurance risk calculations.

While it may sound a bit ironic, some insurance underwriters are exploring the idea that dispensing may actually *decrease* physician malpractice risk. There is malpractice case history which includes defense points that hinge on patient compliance with physician's orders, including medications. Considering that on average about 33 percent of patients never fill their prescriptions,¹ there is an argument that if the patient walks out the door with the medications in hand, the probability of them complying with the physician's treatment plan is increased, thus lowering risk. Data is still being compiled on this subject, and insurance rates don't currently reflect this possibility, but it lends credence to the fact that adding dispensing is not likely to increase insurance premiums.

However, as in all legal and insurance-related matters, you should speak to your attorney or insurance broker with specific questions you may have.

2.ADOPTION TRENDS: GROWTH AND RATIONALE FOR OFFERING DISPENSING

While years ago most physicians dispensed their own medications, with the rise of modern pharmacies most moved away from it. However,

¹ Hayes RB. NCPIC prescription month. October 1989.

The three ancillary services that patients most frequently receive from their primary care physician are:

Lab services	38%
Drug dispensing	36%
Radiology	34%

Advanstar Research

with increasing pressures on reimbursements and costs and average generic co-payments between \$10 and \$20 today, more and more physicians are adopting additional ancillary services to enhance both patient satisfaction and practice profitability.

Many physicians ask us why they don't see more of their colleagues adopting dispensing programs for their practices. “Who else is doing this?” is a frequent question of those evaluating the dispensing option.

Point-of-care dispensing is actually growing quite rapidly, but the fact that it is still early in the adoption cycle may have kept it “under the radar” for many physicians.

According to a recent survey by Advanstar Research,² dispensing is one of the three ancillary services most frequently offered by primary care physicians in the U.S. (36 percent) along with lab services (38 percent) and radiology (34.2 percent).

This survey also discovered that according to those who are offering the service, point-of-care dispensing provides a balance of benefits to both patients and practices. Sixty-four percent of respondents said that they offer the service in order to increase patient convenience, 58 percent to improve consistency of care, and 53 percent to help increase revenue to the practice.

According to industry experts, it is estimated that approximately 10 percent of practicing physicians offered point-of-care dispensing at the beginning of 2010, and that the industry will grow by approximately 25 percent by 2015.

² 2008 Primary Care Ancillary Services Study, Advanstar Communications Research Services, NY, NY

3. IMPACT ON PATIENTS

In weighing the options regarding dispensing, many physicians are first concerned with the impact it will have on their patients, not only in the form of direct benefits, but also with regard to a patient's perception of the overall visit experience – the basis for those all-important word-of-mouth opinions.

The Convenience Factor

Patient convenience is one of the first and most obvious benefits of providing in-office dispensing. Patients appreciate receiving medications in the physician's office in order to avoid a trip to the pharmacy and waiting for their prescription to be filled. Besides travel time, wait times at many pharmacies can be 30-60 minutes. This is especially meaningful for patients who are suffering acute sickness or pain, or are dealing with young children or the elderly.

In our experience, practices that have optimized a full-featured online dispensing solution can dispense a patient's prescription in less than two minutes.

Many practices have told us after a few months on the program that, "Patients love this so much – I don't know why we didn't do this a long time ago." While every practice is different, you may be able to benefit from a significant boost in perceived visit experience if your practice fits the profile where convenience is valued by patients.

One of our most surprising discoveries is the number of practices who have told us that while the additional revenue is nice, the main objective and benefit of the program for them is patient satisfaction, period.

Compliance Benefits

Increased patient compliance is another benefit many practices appreciate. Researchers estimate that approximately 33 percent of all prescriptions in the US are never filled. Providing the medication

at checkout improves the odds of patient compliance with doctors' prescribed orders. On the clinic side, the high percentage of generic medications dispensed through point-of-care systems helps ensure that the practice stays in formulary compliance with payors. Also, for some patients who are sensitive about privacy of their illnesses and medications, the confidentiality of receiving their medication at the medical office is a major plus.

4. IMPACT ON STAFF

With increasing pressure on staffs, and the difficulty in finding and retaining highly qualified personnel, many physicians are concerned about adding services that will overtax an already fragile system. The biggest concern often centers on adding a service that requires significant extra effort around getting paid: claims, billing, follow-up, haggling with payors, contracts, credentialing, etc. These are all very valid concerns, as earlier dispensing systems suffered from many, if not all of these drawbacks.

The Key: Internet-based Technology

The key to low staff impact with today's dispensing solutions lies in technology: the Internet has changed everything in the point-of-care dispensing world over the past five years. Leading systems today are Internet-based and provide automated dispensing support through a simple, secure web browser on any Web-enabled computer in your office.

Internet technologies have dramatically improved management of point-of-care dispensing programs, particularly with regard to online claims adjudication. Make sure your vendor offers the latest Web-based system.

The most important feature of these new systems is real-time claim adjudication. This means the patients arrive at checkout with a script written minutes before (on paper, or

increasingly, electronically) during the visit with their physician and present their pharmacy or medical benefit information. The staff enters this information into the online system which goes out and checks the patient's eligibility and benefits. In seconds the system comes back with a completely adjudicated claim for that prescription: co-pay amount, patient pay amount and amount to be reimbursed to the practice for dispensing.

This type of immediate claim settlement is available regardless of type of coverage, be it private pay, Medicare, Medicaid, PIP, or Worker's Compensation.³ It is crucial that your dispensing vendor provide all of these options. Many who lack this sophisticated technology will try to convince you that simple "cash and carry" with no claim submission is "just as good."

Scrutinize Credentialing Costs

Besides technology, the other part of the puzzle required to make real-time adjudication work is credentialing and contracting on the back end with payors and Rx plans. This is something that your vendor should do for you after assessing the

group of payors used with the highest frequency by your panel of patients. Most vendors charge a fee for setting up these arrangements, but these fees can vary widely. Ask to see detailed estimates of setup charges from any potential vendor.

Also, make sure your vendor maintains a fully-staffed help line for resolving claims issues that may come up. Even with automated systems, a small percentage of claims will require some sort of human intervention to address specific questions. The best vendors can help you resolve these issues while patients are still in the office without placing the burden on your staff – and still have patients on their way with a filled prescription in a fraction of the time they would have spent waiting in line at the pharmacy.

Time-neutral Staff Impact

Adding point-of-care dispensing should be essentially time-neutral for your staff. Most practices spend many hours each week communicating with pharmacies on medication-related matters. By eliminating most of this activity, staff time is freed up for dispensing (see Figure 1.1).

FIGURE 1.1 GET PAID FOR WHAT YOU DO

ACTIVITY	WITHOUT DISPENSING	WITH DISPENSING
WRITE SCRIPTS	✓	✓
EXPLAIN TO PATIENT	✓	✓
CAPTURE IN EMR/CHART	✓	✓
PATIENT CALLS—RX-RELATED	✓	✓
REFILL CALLS—PATIENT	✓	✓
REFILL CALLS—PHARMACY	✓	✓
PHARMACY RX CALLS/FAX	✓	
ENTER PATIENT DATA, LABEL BOTTLE, HAND TO PATIENT		✓
RESTOCK MEDICATIONS		✓
FILE/TRACK CLAIMS		
ADDITIONAL REIMBURSEMENT	\$0	\$25,000-\$30,000

³ **Note:** Payor participation in point-of-care dispensing – both government and private pay – varies from plan to plan and state to state. Before signing on with a dispensing vendor, it is important to check coverage of plans most often used by your panel of patients.

With an automated, online system, dispensing to a patient at check-out can be completed in about two minutes, including adjudication of the claim.

The Medical Group Management Association (MGMA) estimates that each call to/from the pharmacy costs a practice approximately \$7. By eliminating this traffic and replacing it with a revenue-generating activity, you can start getting paid for all of the prescription work you already do.

5. FINANCIAL BENEFITS

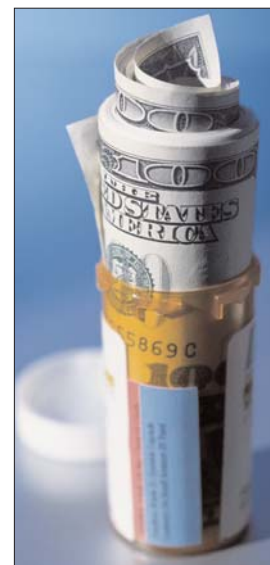
On average, a practice can plan on generating an additional \$25-30,000 in annual net revenue per *prescribing provider* with a point-of-care dispensing solution that is automated, optimized and well integrated with staff routines. The exact amount you will earn is dependent on factors such as the size and type of practice, the number of patients seen each day, formulary and the utilization rate of the program.

Here are a few general guidelines that will help you calculate the revenue potential for your particular practice.

- **Plan to stock for 80 percent of the scripts you write.** Your vendor should help you develop an ideal stocking formulary based on your specific prescribing patterns. Interestingly, in our experience, the 80/20 rule applies almost universally here: 80 percent of a physician's scripts are covered by 20 percent or less of the total medications prescribed, which usually translates to approximately 20-30 medications. This means that you will only be stocking around 30 medications in the office – not a full pharmacy with shelves and shelves of drugs. This dramatically reduces the cost and complexity of stocking and reordering medications.
- **Only work with pre-packaged medications.** In order to make a dispensing program work for your staff and your bottom line, you must work with medications pre-packaged in dosages you most frequently prescribe. Some vendors offer

programs in which the clinic stocks bulk medications and counts and bottles their own pills. Outside of very large groups who can afford full-time pharmacy personnel, these programs are prohibitively expensive and difficult to manage.

- **Set a goal of filling 80 percent of prescriptions in the office.** High utilization of the service is essential in order to realize the revenue numbers we've outlined here. A common scenario that undermines this potential is when things get busy or new staff members are working, they will simply check the patient out and send them to the pharmacy rather than spend the additional two minutes to dispense their prescription. Eighty percent target utilization of an 80 percent stocking formulary yields approximately 64 percent overall fill rate for all patients. This is a reasonable fill rate to achieve \$25-30,000 annually per physician.
- **Monitor results at least monthly and adjust accordingly.** A good vendor will provide you with online reporting that will track essential utilization and profitability results on an ongoing basis. You should plan to analyze these results at least on a monthly basis and make necessary modifications to the program. Even a well planned formulary will require tweaks to bring it more in line with your actual



prescribing patterns in order to optimize inventory, reorder scheduling and possible stock out situations. Also, utilization numbers will help identify areas where staff can increase the number of fills and discuss suggestions for streamlining the workflow.

Financial Impact Formula

Here is a simple formula that will help you evaluate the potential financial benefit of adding an optimized point-of-care dispensing program to your practice. Please keep in mind that these calculations are based on averages across practice size, specialty and geography. Your results may vary, and you should substitute your own data to obtain the most accurate estimate possible.

The calculations are based on these assumptions:

- Average number of patients seen per doctor per day = 20
- Average number of scripts per patient = 2
- 20 patients/day x 2 scripts/patient = 40 bottles/doc/day = ~8,000 bottles/doc/year
- Target percentage of patients dispensed at point of care in well-run program = 80%
- 80% of historically prescribed formulary stocked on site
- Average profit margin to the practice per bottle = \$5.80

Plugging these averages into the revenue formula yields:

$$\mathbf{8,000\ bottles\ x\ 80\%\ formulary\ x\ 80\%\ utilization\ x\ \$5.80\ profit\ =\ \$29,700}$$

CONCLUSION

Point-of-care dispensing offers your practice the opportunity to add an ancillary service that will improve patient satisfaction as well as practice profitability.

To ensure maximum benefit, make sure your vendor provides an Internet-based system with online claim adjudication through as broad a payor spectrum as possible, and that real-time claim processing help is available.

Multiple sources of supply are also essential in order to ensure an uninterrupted supply of inventory. Many vendors are sole-source repackagers who have no backup in the case of a stockout on a particular medication. Find a vendor who buys from multiple suppliers.

Good vendors will also work out an ideal stocking inventory covering approximately 80 percent of your total prescribing patterns, and they will complete credentialing and contracting with the payors most often utilized by your patient panel – at a reasonable cost.

Finally, before signing with a vendor of choice, double check with your attorney, broker or CPA for any legal or regulatory restrictions in your state.

About the Author

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With deep experience in both healthcare and technology, Mark Dayton's career spans management and consulting positions with organizations from Fortune 100 multi-nationals to high profile startups. He was a founder and CEO of Best Practices, Inc. an early pioneer in handheld tablet-based Electronic Healthcare Record (EHR) software. He has consulted with numerous healthcare-related companies in electronic records, biotechnology and genetics, and currently serves as Associate Director of the Forum on Personalized Health Care and The Summit on Personalized Health Care. Earlier experience includes executive positions with Novell and 3Com, and a variety of management roles with American Cyanamid, Inc.

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