

# Thinking Outside the Box

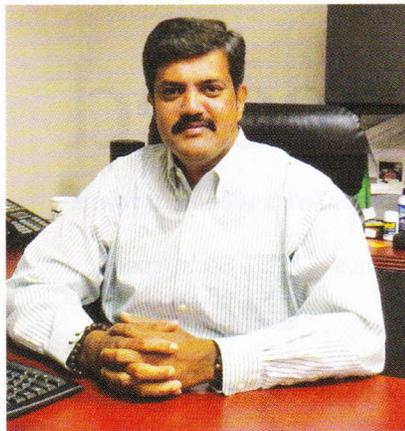
by Maggie Lockwood

*Fear of the unknown can stop many owners from implementing new business services. At Citrus Pharmacy in Redlands, Calif., owner Prasad Reddy tried pricing services from PharmSaver on a small scale and now says he wishes he had started using it sooner.*

In the purely long-term care pharmacy, Reddy takes pride in the pharmacy's consistent medication service to the 3,000-plus long-term care, assisted-living, and hospice beds it services. Over the past 18 years that Reddy's been in the pharmacy business, he's been conservative in the drug-purchasing habits for Citrus, maintaining a good relationship with his primary wholesaler, in this case McKesson, to minimize the work involved with comparison shopping and providing a safe product to his patients.

Not that Reddy isn't willing to explore a good business option when it's presented; he just does it with caution. This was the case when his colleague Phil Idziak, founder of PharmSaver, approached Reddy and asked him to try the service, which connects the pharmacy to a marketplace of pharmaceutical wholesalers. Reddy had never comparison-shopped among wholesalers; since margins are what they are, he wanted to have a reliable system for sourcing and to be able to track the medications to the source. "That's the reason we limited ourselves on our ordering," Reddy says. "We had our primary wholesaler, and PharmSaver likes that. They say, 'Keep your wholesaler and use our service as an extra resource.'"

The best way to describe PharmSaver, says Reddy, is as "the Amazon of the pharmacy." Staff can look up a drug



**Prasad Reddy, Citrus Pharmacy owner, has seen results with PharmSaver, which he describes as "the Amazon of the pharmacy" for drug purchasing.**

name; sort by color scheme and expiration dates, and see any number of suppliers and the price they are offering. "I was cautious that the service was really going to work, but I was pleasantly surprised as we ordered more and more," says Reddy, whose pharmacy's

monthly drug spend is \$1 million-plus. To get his feet wet using the service when Citrus Pharmacy first implemented PharmSaver about two years ago, Reddy started with just a few items of his inventory. "Being in the business for 18 years, this was the first time I went beyond my wholesaler. I don't like shopping, as we are a 24-hour, seven-days-a-week operation and I was afraid it was going to be

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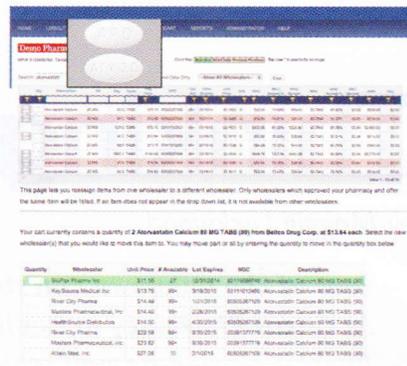
time-consuming to comparison shop for my purchasing department,” he says

Another concern was drug recalls. It’s vital for Citrus staff to track a drug by lot with their automation system. All lot numbers and expiration dates are entered into the Prodigy pharmacy system. If there’s a recall, the pharmacy has to track the exact medication to the patient and to the wholesaler the pharmacy purchased it from.

Gradually, Reddy says, Citrus implemented PharmSaver over a several-month period, ordering just two items to begin with. In just a few months, Reddy says, Citrus staff, particularly the purchasing department, gained confidence in the process. “We wanted good product with good dating,” he says. “All the suppliers are there; there may be five that offer the product but only three that meet my criteria.” Reddy says that Citrus is now purchasing about \$100,000 a month through the marketplace, without changing its relationship with its



**Above, the pharmacy operation at Citrus that services 3,000-plus long-term care, assisted-living, and hospice beds. At right, a screen shot from PharmSaver that shows how pharmacists can reassign items from one wholesaler to a different wholesaler.**



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primary wholesaler. “PharmSaver has really helped us,” Reddy says. “We didn’t want to interrupt the existing relationships with our wholesaler, but we did want the option to look at what others had to offer to see if there is better pricing.”

### Part of the Workflow

Using PharmSaver to shop for the lowest price is now standard operating procedure at Citrus, where orders are placed twice a day. There are 24 standard items that Citrus orders, and they are loaded into the PharmSaver system to constantly compare pricing based on what manufacturers are offering. Since orders are kept open throughout the night, if an order isn’t placed in time for delivery, PharmSaver will send a reminder email if the items are in the cart but haven’t been checked out. The consumer-friendly interface is typical of most online shopping experiences today, says Reddy, and that makes PharmSaver easy to adopt. The moment the order ships, there is an invoice sent from the wholesaler showing what’s been ordered and the estimated delivery time.

Another area about which Reddy was concerned was the billing with multiple suppliers. “I was concerned about dealing with more payables,” he says. “Also, how do I return the product with multiple suppliers?” Each supplier communicates directly with Citrus concerning the billing,

and PharmSaver requires wholesalers to have a legitimate DEA number. The suppliers keep Citrus informed of any delivery delays via email and sends the invoicing to the purchasing department. Adding the purchasing tool to his pharmacy's workflow was easy, and eventually he will have it interface with his Prodigy pharmacy system. Right now the purchasing staff accesses PharmSaver via a Web browser, and can download reports to track drug spending over a period of time or go back to a manufacturer if there is a problem (there haven't been many).

One useful report through PharmSaver is the gross margin report as part of the reimbursement alert. Reddy can look at all items ordered against the MAC for the product. PharmSaver shows the real-time warnings of potential negative margin situations, while highlighting the opportunities for a positive margin. This information puts Citrus in a powerful position. "We are checking the wholesalers, and we can see if the costs are much lower than what we are paying," Reddy says.

### Purchasing with Patient in Mind

Ease-of-use was important to keep staff from being bogged down in dealing with multiple vendors and invoicing, but the game changer for Reddy was product consistency and safety. In the 18 years he's been practicing pharmacy, he's only purchased medications from his primary wholesaler. "With PharmSaver, you get all the information about the drug, the NDC, the bottle size — the information is in one place. I see the consistency."

The consistency is Reddy's goal when it comes to executing Citrus Pharmacy's medication synchronization program. Patients expect to see the same pill each month, which means purchasing the same product each time, eliminating patient confusion and educating the patient each time the medication looks different. From an automation standpoint, Citrus' Pharmacy's Dosis robots are calibrated to a specific drug NDC. If the drugs changed with each order, it would mean lost counting and staff time recalibrating the robots. By purchasing based on specific criteria, rather than based on specific wholesaler, Reddy's drug purchases are not influenced by any changes at the corporate level at the wholesaler or by possible billing issues with insurance companies. "We stick to certain items; PharmSaver gives us access to those items, and we stick to those items religiously," says Reddy. "We haven't had any issues, and we've been using it for almost two years."

### Evolving to Meet Challenges

As pressure mounts on pharmacy, Reddy says owners

## PharmSaver Highlights

- Maintain current ordering system if so desired.
- Pharmacy-specific rule set.
- Track up to 10 rebate tiers.
- Differentiate "source" versus nongenerics or contract generics.
- True "dead net" cost comparison.
- Competitive pricing with or without NDC/vendor switching.
- Daily highlighted specials and "Deal of the Day."

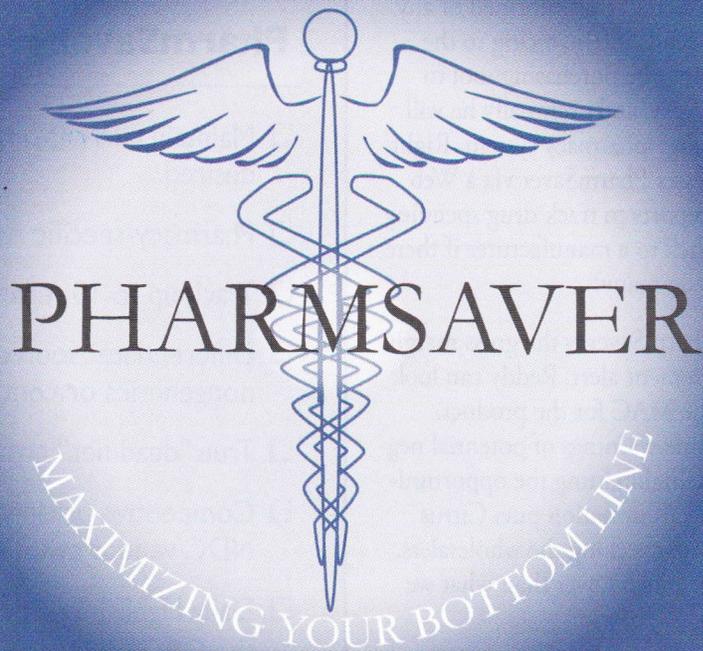
Read more about the PharmSaver service in the 2016 Retail Buyers Guide. Download the company profile and detailed product information at [www.computertalk.com/smart-purchasing](http://www.computertalk.com/smart-purchasing).

should consider trying services like PharmSaver. "It doesn't cost anything, directly. There is no cost for me to buy through PharmSaver," he says. There is no minimum or maximum order amount, and no need to change wholesalers. "You have a choice," says Reddy. "You can call all the manufacturers one by one, or would you rather go and just punch in the NDC number and see what's out there. That's how I see it."

The best way for Reddy was to use the service and see how the process worked so he could have his concerns around billing and payment answered by how well they were executed. Reddy says the average savings is 30%. He did not want to sign up his purchasing department for a program that disrupted their routines. "It's been a smooth process for us," he says, "but every pharmacy has to figure out what makes sense for certain products they order regularly." **CT**



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