

# Focus on Costs: Buying Better with Technology

**A**t most pharmacies, maintaining appropriate profit margins is a continuing challenge.

Managing the cost of a store's drug inventory effectively is a major component of success and also one of the more complex day-to-day business activities. One person who understands this is pharmacist Calvin Hunsicker, president and CEO of Emerlyn Technology. In this exclusive interview with *ComputerTalk's* Will Lockwood, Hunsicker outlines what he sees as the main issues facing pharmacists who want to make more cost-effective purchasing decisions, and talks about the Web-based product his company has developed to aid in this effort.

**CT:** Pharmacists are operating in a challenging business environment. What should they be looking at?

**Hunsicker:** Decreasing profit margins are causing pharmacies to look for ways to improve their bottom line. Since 75% of a pharmacy's expenses are drug purchases, one of the best ways to

improve profits is through better buying, particularly with generics. This is challenging, as the generic market is highly competitive and prices change daily, while the wholesalers have complex purchasing programs to drive generic purchases. Other factors

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that add to the complexity include fluctuating product usage, products out of stock at the wholesaler, and patients' desire for consistency in their generics. The result is that pharmacy owners and managers have to spend a lot of valuable time researching the best value or risk purchasing product without knowing the impact it has on the bottom line.

**CT:** You've come up with a solu-

tion to help, right? Tell us more about it.

**Hunsicker:**

Our company and our product, SureCost, are there to help pharmacists navigate their purchasing programs. What we offer is a Web-based ordering system that pharmacists use to make their daily purchases. Our system connects to a pharmacy's wholesaler and secondary vendors and evaluates each purchase based on usage, contracts, and any other custom filters a pharmacy applies, to ensure that product is purchased at the best price each and every time — while maintaining balance with the primary wholesaler. SureCost also has an optional automatic reorder feature, which is invoked whenever one or more of the products ordered aren't filled. Our system can be set to automatically order the next best priced product based on criteria the pharmacy selects, such as same product, same manufacturer, or any substitute. We have



**Calvin Hunsicker**

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many wholesalers, generic distributors, and group purchasing organizations that have seen value in our company and our product, and this allows us to provide seamless integration between our software and their systems.

**CT:** Tell us more about how automating purchasing works.

**Hunsicker:** Our system automates the selection based on price, usage, product, Medicaid coverage, and other filters. The ordering process is as easy or easier than using the ordering system from the wholesaler, yet our system is neutral and makes the best purchasing choice for the pharmacy, taking the vendor relationships into consideration. It is like having your own expert purchaser in the pharmacy, taking calls from generic distributors, reviewing specials, looking at the primary wholesaler agreements — without the cost of hiring someone to do this. If a pharmacy is large enough to have its own purchaser, SureCost is a tool that can help this person enhance his or her ability to manage in-house purchasing programs and monitor compliance by those placing daily orders.

**CT:** And what sort of cost improvements have customers found?

**Hunsicker:** We have averaged more than one percent in cost-of-goods improvement for our pharmacies that purchase anywhere between \$800,000 and \$30 million annually. Our typical customer receives a significant return on investment in SureCost and saves approximately \$30,000 per year, per pharmacy. In addition, there are no up-front costs in setting up SureCost.

**CT:** You mentioned offering value to the wholesaler earlier. How do you do this?

**Hunsicker:** SureCost is designed to represent the pharmacy while providing features that ensure compliance with the wholesaler contract. Most wholesaler contracts require a minimum purchasing volume and a commitment to a generic market basket or generic volume. SureCost helps ensure contract compliance while allowing the customer to monitor market pricing. There is a balance of capturing value outside the wholesaler, while maximizing your contract. The value to the wholesaler is to help the phar-

macy manage this balance and ensure compliance.

**CT:** So far we've talked about using this tool to lower purchasing costs. Is there a benefit for inventory management?

**Hunsicker:** Yes, Will, this is an important issue. Managing inventory effectively is another way to reduce costs and improve cash flow for a pharmacy. We have an inventory system that optimizes product selection and orders products based on need, using the pharmacy's dispensing data to determine what products should be ordered automatically on a daily basis. Our understanding of pharmacy operations has allowed us to design an inventory system that makes the complex task of managing inventory easy and effective. If the pharmacy already has an inventory system, SureCost can be integrated to automatically receive and place orders and provide acknowledgment data back to the pharmacy system.

**CT:** How did your background as a pharmacist come into play when developing this tool?

**Hunsicker:** I've owned and operated several pharmacies, so I know there are limited time, knowledge, and resources available for managing inventory and purchasing products. I've seen the need for technology that helps pharmacies monitor the marketplace and their compliance with wholesaler contracts. I've also been the vice president of a long-term care pharmacy chain, where I managed and eventually restructured the purchasing department for 75 pharmacies that were buying a combined \$500 million in product annually.

In both environments, I acquired an understanding of how important product management is to the integrity of a pharmacy's purchasing program. There are many competing interests between buying groups, wholesalers, and generic distributors that make it difficult for pharmacies to truly know what they are buying and at what cost. Our system was designed to provide transparency and accountability, while making the process easy and efficient.

**CT:** Thanks for sharing your views on this topic, Calvin. Is there a Web site pharmacists can visit for more information?

**Hunsicker:** Yes, Will. If anyone would like additional information, our Web site is [www.surecost.com](http://www.surecost.com). **CT**

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