

Gaining a Purchasing Edge

by John Becker

How three New England pharmacists use Web-based purchasing to control costs and increase productivity.

Besides being New England pharmacists, Charlie Fanaras, Brian Condon, and Janice Spinney have something else in common. All are happy users of a Web-based ordering service from Emerlyn Technology, located in North Conway, N.H.

Emerlyn's SureCost service lets pharmacists evaluate and place orders to multiple vendors from a single Web site. Emerlyn also offers two related products: Quantus, a Web-based perpetual inventory system, and OneScan, a scanning device for ordering, receiving, and inventory count applications.

Fanaras, Condon, and Spinney offer some interesting insights on how the products impact their businesses.

Empowered with Information

Charlie Fanaras owns four pharmacies in Concord, N.H. He describes his main store as "the typical small-box pharmacy" with a 3,800-square-foot front end and a significant medical supply business, plus a closed-door pharmacy upstairs. Fanaras's other locations include a pharmacy on the campus of a local hospital and an apothecary located inside a physician's practice. Fanaras uses SureCost to manage ordering for all locations and says going with the service is one of the best business decisions he's made.

He first learned of SureCost in early 2004, when Emerlyn CEO Calvin Hunsicker called to tell him about an ordering service he was developing. A self-described technology buff who believes automation equals efficiency, Fanaras was fascinated with the concept. Already a user of QS/I's perpetual inventory control system, he saw ordering through SureCost as a complement

to the benefits he was receiving from his QS/I system. Hunsicker called back a year later when the service was ready, and Fanaras became his second customer.

Fanaras saw generics as the real area of opportunity. Since branded products are typically ordered through a primary supplier to take advantage of preferential contract pricing, price differences from one supplier to the next are usually not significant. "Generics are the wild cards, though," says Fanaras.

"I was already getting the benefit of perpetual inventory control," he says, "but I didn't have the tools to efficiently identify the best product selection. SureCost does that for me automatically, and the results are delivered instantly — it's amazing!"

While the process of ordering through SureCost doesn't differ much from the way ordering was done previously, Fanaras says the information returned by the service is dramatically different. Before an order is sent, the system uses icons and flags to identify when a better price is available, or to suggest larger purchase quantities for faster-moving items. "The information is so empowering," Fanaras says, "we've retooled our purchasing process to make sure we're getting the most from the system."

Fanaras had one person at each of his locations who allocated time each day to ordering — but it wasn't a primary focus. Now he has an experienced purchasing person focused full-time on real-time information that can dramatically impact his bottom line.

The system is intuitive and easy to use, says Fanaras, and it's given him a more efficient tool to monitor GPO contract pricing. The system identifies situations where the

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contract says one thing and he's being billed another.

Fanaras says he's saved 1.2% on his overall pharmacy purchases in the first two months of 2009. And he likes that the service can tell him at any time exactly how much money he's saved for any period. Similarly, Fanaras can see savings that he's missed, showing him money he's left on the table.

Can this already valuable service be improved? Fanaras

thinks so. Data modeling — posing “what if” scenarios — would provide even greater ability to make informed purchasing decisions, he says. Fanaras likens it to the price modeling he can do with his QS/I system, and he offered the following application:

Facility A consistently orders a lot of a particular product; facility B, a moderate amount; facility C, hardly any. Each orders what it needs, when it needs it. He'd like to know the impact to his bottom line if he made a single, consolidated purchase for the three locations rather than letting each order individually. He also has the same question about taking advantage of wholesaler gift show pre-sales or generic buy-through

programs. He hasn't requested this functionality from Emerlyn yet, but plans to.

Fanaras knows he's the exception to the rule by having adopted perpetual inventory control more than 10 years ago.

“Implementing perpetual inventory control — both for the pharmacy and the front end — was far and away the most painful business process I've ever been through,” Fanaras says. “But the rewards for having done so have been huge! You just have to get past the pain.”

Reaping the Benefits

Messenger Valley Pharmacy (MVP) at Grace Cottage Hospital in Townshend, Vt., opened its doors in 1996. The pharmacy serves a community of roughly 6,000 and is located across the street from the medical center. The pharmacy averages 250 – 300 prescriptions per day, has a 1,250-square-foot front end and a DME business, and also services a few assisted-living facilities.

Two years ago — shortly after Brian Condon arrived as business manager — the pharmacy's management decided to change their existing primary wholesaler. As a member of the New Hampshire Independent Pharmacy Association,

the pharmacy was offered a group purchasing arrangement with H.D. Smith, bundled with SureCost and Quantus, that the management elected to use.

Condon describes their February 2008 conversion to SureCost and Quantus as “amazingly easy.” He was able to extract inventory information from his QS/I system and export it into Quantus.

“The system's very flexible,” Condon says, “and there are options to control when you order, from whom you order, what brand you order, and how much you order.”

Condon feels that switching generic manufacturers too often is something customers dislike, so he uses a threshold parameter that tells the system to switch only if the savings are over a predetermined dollar amount.

“In some cases I might be leaving a little money on the table in terms of product cost,” Condon says, “but what we gain in customer service is well worth the investment.”

Condon also likes how the system enables him to order product based on a rolling two-month average of his

actual usage and override the parameter if it finds a special buy for that product.

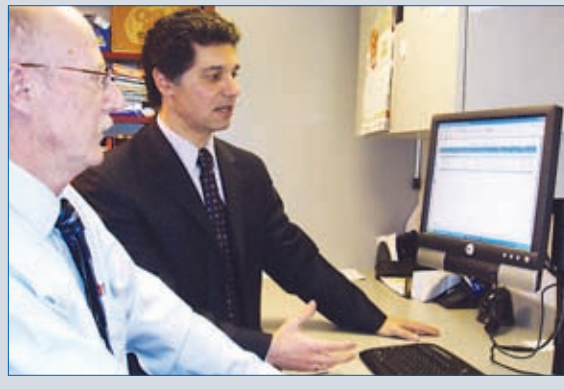
“Let's say we normally use 1,000 tablets of product A in a given month,” Condon says, “but when I go to order, the system finds a really good buy on a bottle of 1,500. The system flags these special buys and lets me decide whether I want to vary from my normal buying habits to take advantage of them.”

Condon says receiving with Quantus is a snap. Since supplier out-of-stocks were identified during the ordering process, it's rare that they're shorted on something.

Condon says the system's reporting package is robust. One of his favorites is a report that shows how he's complying with supplier contracts and how well he's taking advantage of rebate opportunities. Another report shows exactly how much he's saved for any given period.

Condon says that through better inventory management from Quantus, he has been able to reduce overall inventory cost by about \$50,000 in the year he's been on the service, and he's seen a positive impact on labor cost; Condon was able to avoid replacing an employee who left last year.

Fanaras (right), with Bob Richard, says he's saved 1.2% on his purchases in the first two months of 2009; the service can tell him at any time exactly how much money he's saved; and he can see savings that he'd missed, showing him money he's left on the table.



feature purchasing

Condon also places a high value on the customer service aspect of fewer out-of-stocks. "You have no idea how much money you're losing when customers leave your store because you're out of something," he says, "or don't come in at all because they're sure you won't have it."

Condon says Emerlyn's customer service is top notch. He describes one time when an order he'd sent got hung up during transmission and never reached the supplier. The error wasn't readily apparent on Condon's system, but someone at Emerlyn realized the problem, corrected it, and left a message about it for Condon. Condon still received his order that day, despite a technical problem he didn't know he had.

There are a couple of improvements he'd like to see made to Quantus. First, if a patient does not pick up a prescription, and the product is returned to stock, that return does not flow through to Quantus, creating an inventory discrepancy. Condon says he's reported the problem and been told they're actively working on it.

He'd also like Emerlyn to work with the company that removes damaged or outdated products for return



Brian Condon has found the conversion to Quantus to be "amazingly easy."

to manufacturers. That company doesn't currently provide him with item-level detail on what they're removing, so keeping quantities on hand straight for these items is difficult.

Condon wholeheartedly endorses both the ordering and inventory management services, but does have one caveat: For those going with Quantus who are not already on a perpetual inventory system, be prepared to invest time and/or money in making sure item counts are accurate before going live. If cost isn't an issue, Condon suggests paying an inventory company to scan the entire store to make sure the data's right before going live. "Bite the bullet now, and reap the benefits later," says Condon.

Back to Being a Pharmacist

Janice Spinney manages MWV Pharmacy, a 12-year-old apothecary in the main lobby of a small rural hospital in North Conway. In addition to outpatients, the pharmacy services the community at large. It averages 100 – 130 prescriptions per day and has a small front end. Spinney's been at MWV since it opened.

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Like Fanaras and Condon, she also uses QS/I as her pharmacy system and H.D. Smith as her primary supplier.

As with Fanaras, Emerlyn's CEO Calvin Hunsicker contacted Spinney in 2003 to see if she'd be interested in trying out the new ordering service he was developing.

"At the time I was getting countless faxes from generic suppliers and phone calls from salespeople letting me know about specials," Spinney says, "and I had no time for any of it. It sounded like using SureCost would let me go back to being a pharmacist. I thought: This could really help out in a smaller pharmacy where you don't have staff whose sole duty is to focus on purchasing."

In October 2004 Spinney became the company's first customer. She says some initial minor problems keeping item numbers straight were quickly resolved.

Spinney says there were immediate productivity gains. She estimates that she was spending at least 30 – 45 minutes at the end of each day producing orders. Now it takes 10 – 15 minutes.

"The increased productivity has given me much more time to counsel patients," Spinney says, "and to develop programs for the pharmacy by working with providers. It lets me worry less about the business side of things and be the best clinical pharmacist I can be."

Spinney especially likes the real-time in-stock verification the service provides. "You know within 10 minutes which items you're going to receive and which ones you have to find someplace else," she says. "This has really helped improve our customer service."

In 2008, Spinney figures she saved 2% to 3% on her overall pharmacy purchases; she says they held the line last year on the cost increase they normally experience from the prior year.

Spinney added the company's OneScan handheld scanning device in early 2007. "Investing in the scanner meant we didn't have to spend time running around looking for item stickers anymore," she says. "Now we can just scan the bar code on the product itself. It's been a real productivity boon and made us much more accurate."

Spinney also uses the device to scan the bar codes of OTC products. She uploads the collected information to Quantus prior to sending her daily combined order.

Before going on inventory control, Spinney would scan any stock bottle they used during the day and include that item in their daily order. Now she lets Quantus determine what to order and when.

OneScan helps with the two physical inventories Spinney's required to do each year. Last June she scanned the entire pharmacy in 12 hours over a weekend. That



Janice Spinney scanning inventory. She says SureCost "lets me worry less about the business side of things and be the best clinical pharmacist I can be."

"Given the economy and the competition, this service truly is the edge every independent pharmacy needs."

Janice Spinney

meant she saved the \$3,000 she used to pay an inventory company to do the same thing.

Spinney says she'd recommend the SureCost ordering service without hesitation to any of her peers, and that using OneScan is an excellent way to reduce the time and costs of doing physical inventories.

She hesitates a bit, though, when asked about the Quantus inventory control system.

"I can't honestly say we have 100% confidence in the system yet," she says. "I have to spend more time adjusting numbers than I would like, but it's their newest product, and they're working on it. So are we. Maybe by mid-summer I'll be able to

make a stronger recommendation. Perpetual inventory control has helped a lot of pharmacies, and I believe it can help us, too."

Spinney had praise for Emerlyn and its CEO, Calvin Hunsicker. "Calvin's a wonderful pharmacist-entrepreneur with tremendous vision for where he thinks this service can go," she says. "His staff is young, energetic, and eager to please. His service is truly one that every independent pharmacy can benefit from. Given the economy and the competition, this service truly is the edge every independent pharmacy needs." **CT**



After spending over 20 years as a sales and marketing professional in the pharmacy automation industry, John Becker is now an Atlanta-based freelance writer. His work has appeared in the Atlanta Journal-Constitution and other publications. He can be reached at jbecker715@yahoo.com.