Self-Contracting for Pharmaceuticals
Duke University Health System Procurement and Supply Chain Management

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Disclosures

• Nothing to disclose concerning possible financial or personal relationships with commercial entities that may have a direct or indirect interest in the subject matter of this presentation

• The views expressed in this presentation are those of the author.
Learning Objectives

• Describe the Role of the Self-Contracting Model to Source Pharmaceuticals
• Identify the Keys to Successful Self-Contracting for Pharmaceuticals
• Discuss the Benefits of Supply Chain and Pharmacy Collaboration
— Duke University Hospital —
— Duke Regional Hospital —
Duke University Health System

**Hospitals**
- Duke University Hospital
  - Academic Medicine Center
  - 957 licensed beds
- Duke Regional Hospital
  - Full service community hospital
  - 369 licensed beds
- Duke Raleigh Hospital
  - Specialty community hospital
  - 186 licensed beds

**Ambulatory Care**
- Private Diagnostic Clinics
- Duke Primary Care
- Outpatient Specialty Clinics
- Duke HomeCare & Hospice
- Duke Health & Wellness
- Departmental Labs
- Duke Ambulatory Surgery Center
- Davis E. Ambulatory Surgery Center

**Duke HomeCare & Hospice**
- Home Infusion Services
- Hospice Services
- Home Health Services
- Community Bereavement Services

**Support Services**
- Patient Revenue Management Organization
- DUHS Corporate Services
- DUHS Clinical Laboratories

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*Map showing locations of Duke University Hospital, Duke Regional Hospital, and Duke Raleigh Hospital.*
DUHS Supply Chain Journey

- **1998**: Supply Chain Team
- **1999**: Single materials management system
- **2001**: Corporate model for purchasing and contracting
- **2002**: Value Analysis Teams
- **2003**: Comprehensive contract portfolio
- **2005**:
Journey continues…

- Centralized recall management
- Material items linked to Charge Master
- Online Bidding Tool and 1st Comprehensive Pharmacy BID
- Contract Management system
- e-Procurement Marketplace
Supply Chain & Procurement

MEDICAL

NON-MEDICAL

MATERIALS MGMT & SUPPLY CHAIN OPS
Supply Chain & Procurement

• Health System and University
• Sourcing and Contracting
  – Medical
    • Cardiology, Radiology, Neurosurgery, Patient Care, Lab, Pharmacy, etc.
  – Non-Medical
    • Professional Services, IT, office supplies, Print Programs, Athletics, etc.
– Materials Mgmt. / Supply Chain
  • End-to-End Supply Chain flow
Supply Chain & Procurement

- Manage
  - Purchase Orders
    - SAP, Buy@Duke, requisitions
  - Health System recalls
    - RASMAS
  - Vendor / Manufacturer relations
    - Vendormate
Self-Contracting Model

• Fits with Academic Mission and culture
• Advantages for Health System and Manufacturers
• Not all about price
• All commodities
• Manage with internal resources
• RFPs and other opportunities
• Value Analysis Teams
Self-Contracting Model and Sourcing Pharmaceuticals

- Pharmaceutical Requests for Proposal (RFP)
  - Entire Book of Business
  - Include Wholesaler’s Generic and Brand Contracts
  - Pharmacy and Clinical Formulary Evaluation Teams

- New opportunities outside of RFP

- Management of Awards
  - Source of Truth
  - Preferred Item List
  - Regular Review
Pharmaceutical RFP

- Shared Mission and Business Objectives
- Customized contracts to meet specific needs and health system formulary
- Explicit evaluation criteria
- Clinician engagement
- 5-6 month process
- Biennial cadence
RFP Process Overview

1. Identify products to target
2. Develop timeline and compose documentation
3. Invite participants
4. Distribute RFP
5. Review and evaluate proposals
6. Entertain participants’ questions
7. Communicate awards
8. Negotiate and prepare contracts
9. Implement contracts
Evaluation of Product Opportunities

Clinical
- Quality, safety, efficacy, recalls
- Availability
- New or discontinued
- Health System formulary status

Operational
- Acceptability to internal customer
- Size, configuration
- Barcoded
- Look alike or sound alike issues
Evaluation of Product Opportunities

Financial
- Cost impact
- Price protection (lock)
- Failure to supply
- Value added proposals
- Savings across health system

Manufacturer
- “Track record” and historical relationship
- Willingness to partner
- Adherence to industry standards and federal regulations
- Applicable to wholesaler
Contracting Key Considerations

- Clear, concise, easy to administer
- Competitive pricing
- Firm pricing
- Rebate incentives
- Market share incentive programs
- Supply guarantees
- Market shortage response plan
Ideal Vendor / Business Partner Characteristics

• Ability to consistently provide product
• Partner in patient safety (labeling, packaging)
• Competitive pricing
• Facilitate integration with automation
• Marketing of products consistent with formulary committee decisions
• Observe and adhere to Vendor Policies
Considerations

Contract Type

- Entire Health System / Individual Hospital
- Direct
  - Inpatient / Outpatient
  - Disproportionate Share Agreement (DSH)
- Class of trade
- Wholesaler generic drug programs
- Nationally-offered courtesy pricing agreements
Considerations

Contract Specifications

• Formulary status
• Performance requirements
• Tiers
• Purchase volume
• Route of purchase
Keys to Success

- Strong, experienced teams
- Source of Truth
- Internal quality controls
- Functional Value Analysis teams
- Contract management system
- Benchmarking tools
- Sourcing and clinical team alignment
- Strong vendor relationships
Self-Contracting – Benefits
Competitive Pricing for Pharmaceuticals

- Leverage Health System purchases
- Flexibility to customize contracts
- Coordination with formulary, informatics and operations
- Sense of control and partnership
- Greater visibility with rebates/discounts
Relationships with Vendors

• More direct access to decision makers
• Decrease overall costs of doing business
• Production forecasting
• Supply interruption/shortage management
• Fixed pricing for committed volume
• Deeply discounted products
Factors Driving Success

- Supportive team(s) with specialized expert(s)
- Sufficient resources
- Achievable budget and financial goals
- Collaborative efforts with finance team
- Strong communication

Robust Infrastructure and Governance
Factors Driving Success

Enhanced contract compliance

• Strong audit process
• Monitor contract price at wholesaler
• Meet utilization or purchase volumes
• Maintain 340B requirements
• Wholesaler and manufacturer communication
Factors Driving Success

- Transparency
- Trust
- Collaborative efforts to maintain and monitor contract requirements for compliance
- Supply disruption mitigation and assistance
- Competitive market awareness
- Communication

Strong Manufacturer Relationships
Factors Driving Success

• Meet contract requirements and goals
• Alignment on key measures
• Collaborate to maintain formulary/Preferred items
• Create, innovate and be open to change

Pharmacy Flexibility and Support
Factors Driving Success

Supportive tools and technology

• Contract management database
• Wholesaler reporting capabilities
• Internal data processing business system (SAP)
• Split-billing software
• Electronic health record
• Strong infrastructure for automation
Factors Driving Success

- Collaborative engagement within committees and front line buyers
- Understand academic mission
- Shared vision and goals
- Communicate challenges

Internal trust and confidence
Self Contracting Summary

• Policies and procedures
• Transition mode from reactive to proactive and strategic
• RFP process carefully considered and planned
• Establish timelines and follow them
• Allow flexibility
• Forward thinking and future planning
Recap of Key Points

- Self-Contracting for Pharmaceuticals is an option
- Strong Supply Chain and Pharmacy Collaboration is crucial
- Success driven by several key factors
THANK YOU!

Questions?

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