

TABLET TIMES

June 2008

IN THIS ISSUE:

[Process improvements build on members' feedback](#)

[Rebates and dividends – a snapshot](#)



Process improvements build on members' feedback

When members were surveyed last year about how HealthPRO could serve them better, they had lots of positive things to say. They also noted that the increasing use of automation and heightened scrutiny on medication safety is making the contract transition period from one supplier to another increasingly stressful and they asked that HealthPRO look at ways to ease the process.

Contract transitions

Of primary interest is the time, information, and support that members need to transition to new products. Members emphasized the need for lots of advance notice and user-friendly

product information so that they can prepare for any necessary internal process changes and ensure the product fits into their environment. They suggested more overlap between previous and new HealthPRO contracts, so that they have more time to update their ordering systems.

"We want to make the contract transition process as streamlined as we can," notes Kathy Boyle, Vice-President, Services. To that end, Kathy recruited a group of pharmacy member representatives. "Together we reviewed the process we use to assess the cost of a contract change," she says. "It is clearly very important to balance the cost of change with the actual

dollar contract savings to ensure that the change is worth the effort." A workload measurement survey gave an even clearer picture of all the steps and time involved on members' part to transition to a new contract. The results pointed to the need to make some simple but effective improvements.

Thank you

Members' feedback is invaluable to HealthPRO's efforts to make continuous service improvements. The process improvements described below are in direct response to member suggestions. They will be in effect for the next round of Pharmacy Services contract renewals, in May 2009.

Have a question, concern or suggestion? Please contact Jenifer Martin, Director, Pharmacy Services at 905-568-3478, ext.340 or send an e-mail to jmartin@healthprocanada.com.

continued on next page

“We want to make the contract transition process as streamlined as we can... (our members) need to achieve the best possible results with the least amount of effort.”

Kathy Boyle, Vice-President, Services

Process improvements build on members’ feedback *continued from page 1*

Process improvements for next round of contracts

1) An improved product evaluation process, developed in consultation with HealthPRO’s Product Evaluation Committee, will identify significant differences between newly awarded and existing products. While members may have an internal procedure for particular products or environments, in most cases, our enhanced process should save them considerable work.

We will compare standard product features and pinpoint any significant costs/resources associated with changing from one supplier or product to another. Members will receive new product information so that their facility can proactively address any necessary work-

load or practice changes, retraining or product trial needs, storage requirements, etc. Advance samples (e.g. tablets), pictures and monographs will be supplied when practical. The goal is to give members a clear picture of what needs to be done and sufficient time to do it before they take delivery of the new product.

2) A contract overlap period will be established, with the existing contract(s) continuing for several weeks after the new contract(s) begin. Members will have more time to make the transition without incurring any penalties.

3) A more user-friendly format for on-line contract information will make the contracts easier to access and filter. For example, members

will be able to generate reports that extract information on their existing and new contracts and line items. Additional information will outline important product aspects such as latex content, special storage requirements, and sugar content.

“The underlying message in members’ feedback is that they need us help ease their load,” says Kathy. “Developing great contracts is important, but it’s essential that we provide members with the support that will allow them to take full advantage of those contracts. They need to achieve the best possible results with the least amount of effort.”

Focus on end-user

“Ultimately, we need to think of the end-user,” says Gigi Roberts, a Pharmacy Technician at Scarborough General Hospital in Ontario and part of the HealthPRO task group that helped to identify process improvements. “An extra step in the reconstitution process for an IV solution means work on the part of the health care facility in communicating that change. Also, as we move more and more towards automation, changes in product size and packaging may have implications for dispensing and other equipment.”

Nothing substitutes for experience

Collectively, HealthPRO members have a wealth of local and regional knowledge and experience. Their input can be especially helpful when problem-solving around issues such as drug shortages, recalls and back orders – especially for members with limited internal supports and resources. HealthPRO’s goal is to facilitate existing networks so that many more members can share information, avoid repetitive work and arrive at solutions faster.



Rebates and dividends – a snapshot

Why rebates? Why don't vendors simply lower prices?

It's complicated, but in essence, global pricing restrictions mean that there is a threshold below which vendors are prohibited from dropping their invoice prices. However, like all competitive business, they want to expand their market share. To differentiate themselves from their competitors, many vendors offer customer rebates.

HealthPRO takes the view that rebates are entirely voluntary; that suppliers should have the flexibility to offer them, or not. This removes the risk that some suppliers may want to increase their prices to compensate for the cost of offering rebates. HealthPRO suppliers base their rebates on the total contract value as well as the level of contract compliance.

Patronage dividends

Rebates minus expenses = patronage dividend

HealthPRO treats vendor rebates as revenue, combining them with other revenue sources to offset operational expenses. The balance remaining after expenses is returned to members as quarterly "patronage dividends". Each member's share of the dividend is in direct proportion to their contribution to the rebate revenue. The total sum that they receive is determined by their total purchases and rebate generated on the individual contract(s).

Minimizing expenses helps maximize dividends

HealthPRO expenses are currently calculated at just six-tenths of one percent of total contract value and remain stable year to year. HealthPRO retains approximately 20% of total annual vendor rebate revenue to help offset these expenses. So, while making appropriate investments in the business, HealthPRO returns the maximum patronage dividend amount possible to its members.

So how can I maximize my dividend?

It's simple. The more you commit to and participate in HealthPRO contracts and the greater your compliance, the more you will receive in patronage dividends.

The process looks like this:

- 1) The vendor submits a proposal in response to the HealthPRO RFP. They may propose a rebate percentage as part of their overall RFP submission.
- 2) HealthPRO and its Pharmacy Advisory Council review each proposal, considering price, proposed rebate, vendor quality management and product evaluation information.
- 3) Proposed rebate percentages are deducted from overall proposals to arrive at net proposals (to ensure fair comparison between vendors).
- 4) The Pharmacy Advisory Council recommends contract awards.
- 5) Each quarter, vendors provide HealthPRO with a report outlining:
 - the total sales for each contract, broken down by individual member and the rebate amount generated by each member's sales;
 - the overall rebate amount that will be generated by the total contract sales.
- 6) At the close of each fiscal year, Pharmacy Services calculates:
 - the total rebates earned on each contract with each vendor and the total rebates earned for all vendors under Pharmacy Services (this amount becomes the Pharmacy Services' portion of HealthPRO rebate revenue);
 - the total of each member's rebate for every Pharmacy Services contract. Each member's contribution to Pharmacy Services total rebates is calculated as a percent.
- 7) At its annual meeting, HealthPRO declares its dividend for the previous year, that is, the amount of revenues received (including suppliers' rebates) minus operational expenses. The balance is returned to members in the form of a patronage dividend.
- 8) HealthPRO distributes dividends quarterly. The amount paid to each member is based on their contribution to the rebate revenue. The dividend paid is exactly proportional to the rebates earned by each individual shareholder.