

Central Fill Promises to Make Pharmacies More Efficient

NEW YORK — Robotics has reached its useful limit for high-volume retail pharmacies, a retail executive and a pharmacy technology provider say.

This high-end automation has helped chains as much as it can, according to Costco Wholesale Corp. vice president of pharmacy Vic Curtis and Innovation executive vice president Doyle Jensen. In its place, they say, retailers are opting for central fill and its greater economies of scale in inventory and dispensing.

At least 90% of the top 20 pharmacy chains have central fill, are expanding its use or are considering its implementation, says Jensen. Hardly any of the top 20 chains are actively considering more robots, he adds. The leading chains have already deployed robotics in most locations where they can make an impact. "The greater impact on reducing operating costs can be seen by growing or implementing central-fill operations," Jensen says.

Costco, having tried multiple in-store counting technologies and invested significantly in central fill, concluded there was greater return on investment from the latter, says Curtis. Automation of in-store work flow with software from Innovation produced a substantial return, he notes, but "if we're talking about counting technology at retail versus what central fill can offer, there was a much bigger ROI from central fill."

By pulling refill volume out of busy pharmacies, central fill frees up store staff to concentrate on dispensing acute

care prescriptions and perform patient counseling, medication therapy management (MTM), and other key management and service tasks.

Chains that move to central fill can reduce their automation spending at their retail sites by moving from high-end, high-price in-store robotics to lower-price, semiautomated counting technologies and work flow systems. For example, a high-volume pharmacy that also benefits from the chain's central-fill site can keep up with its workload with a \$40,000 semiautomated counting technology as opposed to a \$200,000-plus robot, according to Jensen.

The central-fill model has proven to reduce pharmacy processing costs from the \$4 to \$5 range to 50 cents to \$1 per prescription. It also minimizes maintenance costs. And besides cutting inventory carrying costs through centralization, central fill dramatically increases filling efficiency by relieving in-store pharmacists of the need to check so many prescriptions, Jensen and Curtis point out.

Central fill uses conveyors and imaging systems that allow scripts to be filled at a much faster rate than in-store robotics, says Jensen. "There are all types of technologies available with central fill that you would never have in a store," he says. "The result is that the labor cost per script is much lower with central fill than at a store that has a robot."

The verification of scripts that takes up valuable pharmacist time in stores



Rx operators see central fill providing economies of scale.

can be done much faster with central fill, stresses Curtis. "If you're saving a minute and a half of pharmacist verification time on each script, that's a big multiplier. When I look at value, that's what pops out," he says.

Especially important to Costco, he adds, is the way central fill precludes the need to enlarge pharmacies. If a store's prescription count grows, the chain can handle the increased volume with central fill as opposed to adding square footage to the pharmacy (and taking it away from the front end).

"Costco is very sensitive to that because of the high cost per square foot in terms of sales," Curtis says. "Every time a pharmacy encroaches even two or three feet on the front end, we're eliminating pallets. And each of those

pallets is generating a tremendous amount of sales."

The width of Costco's pharmacies has already grown from 13 feet to 17 feet and then to 21 feet, and each time there has been "a lot of push back and ROI calculation" from front-end merchandisers, says Curtis. They have emphasized the cost of eliminating nonpharmacy SKUs out in front and the need to make that up in prescription sales.

"With central fill, that conversation is not happening," Curtis says. "We're not having to make the pharmacy bigger or grow the head count inside of it. That's been an advantage as well."

Even if a pharmacy is not enlarged, if it gets a robot it has to give up space, notes Jensen. "It's a decision that's not made in isolation," says Curtis. "When you talk about enlarging the pharmacy or taking up space with a robot, there are other things to consider. There are other pieces to the ROI. It's a big decision." Costco is a large enough chain that it has been able to redeploy robots in pharmacies where it lacks central-fill coverage, he notes.

While central fill tends to be seen as a vehicle for dispensing refills, Costco has shown it can be used for new non-acute prescriptions.

Many states require prescriptions to be regenerated after a year, meaning that a patient must go to a doctor to get scripts reissued. From the patient's perspective such scripts are old, but Costco treats them as if they're new.

Abbott to Ship New Glucose Test Strips

ALAMEDA, Calif. — Abbott Diabetes Care has received 510(k) clearance from the Food and Drug Administration for its FreeStyle blood glucose test strips.

The FreeStyle strips are said to minimize interference during blood glucose testing and are designed to offer a better testing experience. In a similar fashion to the recently cleared FreeStyle Lite blood glucose test strips, the new strips do not use the GDH-PQQ1 enzyme, which can be affected by common nonglucose

sugars. Instead, they employ a GDH-FAD2 enzyme which is unaffected by common nonglucose sugars (such as maltose or galactose) and reduces the potential for other interference.

"Abbott's new FreeStyle test strips offer innovative technology that delivers on what patients and health care professionals demand in diabetes care," comments Heather Mason, senior vice president at Abbott Diabetes Care. "The technology minimizes interference and is designed to make the new FreeStyle test strips easier to use."

The new strips are compatible with all FreeStyle blood glucose monitoring systems, eliminating the need to switch meters. They feature a tapered design with tabs to offer a better blood glucose testing experience. The strips are also designed to ensure faster blood application and reduce the number of error messages and wasted test strips.

The first shipments of the new test strips will be sent to United States customers in August. Abbott says retailers can expect widespread availability by the end of October.

Allscripts, Eclipsys to Use Technology to 'Create Collaboration'

CHICAGO — Allscripts, a leading provider of clinical software, information and connectivity solutions for physicians, and Eclipsys, which offers solutions and services for hospitals and clinicians, are merging in an all-stock transaction valued at about \$1.3 billion.

The combination is expected to create a leader in health care information technology, with a comprehensive solution for health care organizations of every size and setting.

By combining the doctor's office and post-acute care solutions from Allscripts with Eclipsys' solutions for hospitals and health systems, the new entity will offer a single platform of clinical, financial, connectivity and information solutions. The combined company's client base will

include more than 180,000 United States physicians, 1,500 hospitals, and nearly 10,000 nursing homes, hospices, home care and other post-acute organizations.

Glen Tullman, chief executive officer of Allscripts, will serve in that position for the combined company. Phil Pead, president and chief executive officer of Eclipsys, will become chairman of the combined company and focus on key client and strategic relationships, product and process integration, strategy and the company's international business.

"We are at the beginning of what we believe will be the single fastest transformation of any industry in U.S. history. The combination of the Allscripts electronic health record [EHR] portfolio in the physician of-

fice and leadership in the post-acute care market with Eclipsys' market-leading hospital enterprise solution creates the one company uniquely positioned to execute on this significant opportunity," Tullman says.

The merger is also said to position

Executives say the combined company will foster a new way of thinking about health

the combined company to help its clients more effectively access the estimated \$30 billion in federal funding for hospital and physician adoption of EHRs that is provided by the American Recovery and Reinvestment Act (ARRA). Driven in large part by the ARRA incentives (which begin

in 2011), EHR adoption by physician practices is projected to grow from 12% to 90% by 2019, according to a report last year by the Congressional Budget Office (CBO). The CBO report also projects hospital adoption of acute-care EHRs will increase from

11% to 70% during the same period. "Our vision and the vision behind ARRA is to leverage information technology to create collaboration between providers in all care settings, helping to improve the quality and lower the cost of care," notes Tullman. "The merger of Allscripts and Eclipsys creates one

In any event, patients usually don't need the medication for a few days, so the scripts are ideal for central fill. Costco's average turnaround time for a central-fill script is less than 24 hours, and the chain dispenses roughly half of all its prescriptions through central fill.

Central fill even boosts efficiency for unit-of-use and low-demand drugs, adds Curtis. Total costs go down as volume increases, even if the increase comes from unit-of-use scripts such as those for oral contraceptives or inhalers. And demand for slow-moving items at central fill aggregates enough to make their sales significant, he says.

Also, having inventory in one place precludes problems with expiration. A slow-moving drug may languish at a given pharmacy, because a pharmacist might order a bottle, use one-quarter of the pills for a script and then leave the other three-quarters to sit on the shelf — potentially until after the drug's expiration date.

"So that inventory is going to waste," Jensen says. "At central fill, with hundreds or thousands of stores feeding from that inventory, the waste goes way down."

Adds Curtis, "Spoilage goes down and inventory carrying costs go down."

Jensen says the future market for robots is limited. "Chains are recognizing a greater ROI on central-fill models," he says. "In order to realize a good ROI on a robot placed in a retail location, you must eliminate labor or freeze labor like Costco does. There is a much greater labor savings in the central-fill model. Where there's room for growth, pharmacy chains have recognized the advantage of central fill."

Innovation will continue to sell in-store robots, adds Jensen. "About half of our robotic sales are to replace dated robots. It's a good approach to helping to reduce operating costs, but the chains are telling us there's a better way to solve the overall problem," he says.

At Costco, which has all its stores in Western states covered by central fill and is considering the technology for Midwestern and Eastern stores, robotics would only work in an isolated pharmacy, according to Curtis. "That would probably be the one exception," he says.

company with the scale, breadth of applications and client footprint to bring that vision to life by connecting providers in hospitals, physician practices and post-acute organizations across the country.

"The combination of Allscripts and Eclipsys creates a 'hub' of large and well-respected hospitals that will accelerate connection to 50,000 practices using Allscripts solutions, the largest base of physician users of any health care information company. By leveraging our collective footprint, industry-leading products and strong focus on interoperability, the combined company will facilitate better communication between hospitals and physicians and create a new model and a new way of thinking about health based on information and connectivity."