
Outsourced Services: The Next Wave of Pharmacy Automation

by Joe Caruso

For the last 10 years, I have studied, consulted to, and lived in the technology marketplace (microelectronics, computing, communications, software, and services). I have seen technology drastically change vertical industries for the better, improving customer service, reducing costs, and advancing the efficiency of the free-market system. I have also witnessed the results of technology gone bad: wild vendor promises that would never materialize (see the Internet boom) and the bleeding dry of the investment dollars of customers who adopted technology early on, with no hope of a return on investment.

One trend that has consistently proven true, though, is the migration away from centrally operated and hosted hardware systems to outsourced/third-party-hosted software and services. IBM bet its future as a technology vendor on networked/outsourced services in 1993 and won big. And again today, it's betting the company's future on customers' desire to outsource the operations of their entire technology infrastructure to IBM.

As the pharmacy industry comes to the end of its first phase of technology adoption, many ben-

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efits have accrued. However, it will become ever more difficult to duplicate those initial ROI metrics, as new technologies will offer only ever-smaller incremental savings. So what can pharmacies do to continue to reduce costs and maintain profit margins in a highly competitive marketplace?

For the answer, we need to look no further than our peers in the healthcare industry. Healthcare providers have already had success outsourcing services that were once performed by in-house staffs at a much higher cost and with much less efficiency. Take transcription services as an example. Today, an entire industry exists to transcribe medical dictation that was once performed in-house at tremendous cost and time. By focusing on best practices, new companies emerged that can now perform medical tran-

scriptions more economically and accurately than ever. Why? Because it's all they do, day in and day out. Doctors benefit because transcription is not the best use of their or their staff's time, nor is it their core skill set. Outsourced transcription service companies have tremendous economies of scale, allowing them to transcribe incremental dictations at a fraction of the cost of doing them in-house.

Reducing IT Costs

Gartner, a technology consulting firm, estimates that companies using an outsourced application service provider (ASP) can reduce IT costs by 35 to 55% over the life of an application. An ASP is a software vendor that will implement and host a given software application and/or its associated data for you, rather than selling you the software loaded on a PC (usually with a significant price markup) to install in your pharmacy. Healthcare ASP services are predicted by Gartner to grow from \$125 million in 2000 to more than \$500 million by 2005. These outsourced/networked services are appearing in healthcare in the form of medical-records management, customer care software, clin-

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ical analysis, billing, claims coding, data processing and storage, and call center operations.

But how does any of this apply to pharmacies? As pharmacy technology and automation mature, a new way of using and managing that technology is required. Pharmacies don't like to have large

IT staffs in place because IT is not their core business. It's a means to an end — efficiency, accuracy and better customer service. So, in order to get a bigger bang for the technology dollar, pharmacies can buy many noncritical applications on an outsourced/networked basis. Sure, you could purchase and install stand-alone computers, storage devices, and peripherals

that each run pharmacy management systems, inventory management systems, IVR systems, billing and accounting systems, dispensing systems, etc. But that gets expensive to buy, integrate, and maintain. And it takes up a lot of space! With the advent of secure Internet transactions, many vendors will now "rent" you their software at no up-front cost and run it for you on their own computers. You pay on a completed transaction basis, or some other usage-based pricing mechanism.

The benefits of outsourcing applications over those that are bought as tightly coupled hardware/software packages and run in-house are as follows:

- Low, if any, up-front cost to acquire the application software.
- No waste — pay only for what you use.
- Enables you to "try before you buy."
- More predictable IT expenses — fairly consistent monthly charges.
- No complicated setup or integration (in most cases).
- Instant access to all upgrades/improvements.
- No risk of hardware or software obsolescence.
- Eliminates the need for in-house technical personnel, or frees up personnel to focus on more strategic projects.
- No monthly "maintenance" charges.
- No space required — information is sent to your existing in-store computer over a secure Internet connection.
- Access to high-end applications that you might not have been able to afford.
- Guaranteed performance and uptime.
- More flexibility to meeting increasing demand — scales instantly.

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- More flexibility to add new features when desired.
- Faster implementation times.
- Greater security (an ASP can invest in the highest level of security available, as that cost is allocated across thousands of its customers, not a single store).
- Automatic data backups and system redundancy.
- Better overall performance, as the vendor (the expert) is running application for you.
- HIPAA-compliant applications.
- Can be used in conjunction with existing in-store systems to expand capacity during peak hours or on a permanent basis.
- No long-term commitment required — vendors will usually allow a month or two notice to cancel.

Avoiding Busy Signals

Let's take a hypothetical example of how a pharmacy might use an outsourced IVR service. Instead of purchasing the software preloaded on a fully configured, dedicated workstation at a cost of several thousand dollars or more, the pharmacy receives only the "client" software application and simply loads it on any existing pharmacy computer with Internet/network access. When calls come to the pharmacy, they are forwarded to a central processing center with virtually unlimited call-handling capacity and extremely fast servers. Your pharmacy's personalized and customized greetings and menu options are conveyed to the caller in the same manner as they would be for an in-store system. The caller cannot tell the difference. The call is processed centrally at the ASP and then one of two things occurs. If you want the IVR service to interact with your in-store pharmacy management system (PMS), then the information will be

passed back and forth between the ASP and the in-store PMS the same as if they were sitting next to each other. The orders will appear on your PMS computer. This occurs because the ASP sends the information in fractions of a second back and forth over a secure Internet link to your pharmacy. This type of secure Internet transaction is performed billions of times each day among businesses around the world. If you do not want the ASP to integrate with your in-store PMS, the ASP can fax or email the prescription information to your store, where it can be processed.

Now, to complicate matters, you can use the ASP in conjunction with an in-store IVR system to handle overflow calls, which occur every day when the number of simultaneous calls to the pharmacy outnumber the pharmacy's dedicated phone lines. Those callers typically get a busy signal. Now, they can be handled by the outsourced IVR service and automatically put back into the queue for review and filling. Are you with me so far? If so, you might also decide to outsource your pharmacy management system as well! You would follow a similar set of procedures to do so. The two ASPs (IVR and PMS) would work together to "integrate" the services for you. The PMS vendor would load your existing pharmacy management database from your current system, configure it to your preferences, and have you ready to go in a month or two. The net result is the same, or better, level of service on a pay-per-use basis, with no implementation or maintenance hassles. Typically, online training and support are available at no extra charge and additional services, such as access to key databases (doctors, drugs, third-party payment), can be provided over the network on an on-demand basis as well.

Increasing Flexibility

While the pharmacy industry is unique in many ways, its adoption and use of technology is not one of them. Pharmacies can increase their flexibility and continue to reduce costs well into the future by better managing their technology resources and vendors. Outsourced services should be considered as an alternative to most in-store software solutions used today. You just might be surprised at the time and cost savings available. CT

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