

## CASE STUDY

## Providence

# Speed to Value: How Providence Accelerated Its Pharmacy Management Performance

By aligning pharmacy operations across its 53 inpatient and outpatient facilities, the health system saved \$8.5 million on drug spend between February and August 2020.



In healthcare, the transformation journey from managing spend to achieving outcomes often takes a circuitous route, with processes acting as detours rather than advancements. But for Providence, the visions of a systemwide pharmacy network provided the most direct path to optimizing pharmacy operation performance across the entire organization.

Structure was a key value accelerator for Providence. The health system began its pharmacy optimization process in July 2019, and between February and August 2020 alone, the system saved more than \$8.5 million in drug spend while simultaneously improving drug-related clinical outcomes for patients.

## A Network Platform for Change

Providence is a seven-state health system built by a series of hospital and health system acquisitions, consolidations, mergers and partnerships over a period of nearly two decades.

Until recently, each component hospital and regional health system’s pharmacy operations and drug purchasing practices acted independently.

As a result, the organization lacked a standardized drug formulary, drug purchasing contracts and processes. This led to inefficiencies in pharmacy workflows, overspending on pharmaceuticals and disparate pharmacy management and drug inventory IT systems. The net impact was two-fold:

“We take two approaches. A soft approach, which is working directly with our physicians, who are our customers, to understand their needs, their challenges, their concerns and get their buy-in. Then there’s the hard approach, which is using technology like our EHR system to drive compliance and implement drug conversion opportunities.”

**Rodrigo Giraldo**

Director for Pharmacy Contracting and Supply Chain,  
Providence

slowing down pharmacy operations’ ability to deliver patient value and exposing Providence to competitive threats from vertical integration.

To take the organization in a different direction, Elie Bahou, senior vice president and chief pharmacy officer, had a plan. Working with Vizient®, Bahou and his pharmacy team created the Providence Health Pharmacy Network to oversee pharmacy operations across the entire system. Instead of acting as 53 separate entities, the hospitals and clinics would now act as one unit.

“The first step was to optimize our combined \$2.5 billion in drug spend through formulary alignment. What this meant was to bring our inpatient and outpatient pharmacies under the leadership of our system pharmacy,” he says.

**Network Platform Supports New Structures**

The Providence pharmacy network installed by Bahou and his team of network system leaders in 2020 supports several new structures that ensure that the system’s 53 hospitals, 1,085 outpatient clinics, and 33,000 employed and affiliated physicians follow the same processes when it comes to drug purchasing, formulary management and prescribing practices.

**52%–71%**

Biosimilar adoption rates for four biosimilar drugs by prescribing physicians

**\$2.7M**

Savings from consolidate flu vaccine purchases for 2020-2021 flu season

**\$10.4M**

Annualized savings by converting to biosimilar Udenyca from biologic Neulasta to increase bone marrow production of white blood cells

**\$27M**

Savings across seven molecules in two years using biosimilars

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The network-enabled aligned structure includes:

- A corporate-level pharmacy system team of pharmacists, physicians and drug supply chain and utilization management specialists who oversee pharmacy operations for the entire network
- A group of seven pharmacy executives—one from each of Providence’s seven regions—who also serve on the corporate-level pharmacy system team
- An embedded pharmacist in each of Providence’s clinical institutes, which mirror the medical specialties offered by the system, to serve as a resource to physicians and to communicate the system’s pharmacy initiatives to the physicians
- A standardized drug formulary that’s part of the same electronic health record (EHR) system now used by all Providence care delivery sites to inform prescribers which drugs are formulary-approved for their patients
- A standardized drug purchasing and inventory management platform that ensures compliance with system-wide purchasing processes and drug inventory levels

The defined alignment gives Providence multiple avenues through which it can facilitate change and create more value for both prescribers and patients.

“Our new analytics capabilities gave us visibility into how much we were spending on biologics and how we could begin replacing them with low-cost alternative biosimilars.”

**Sophia Humphreys**

Director of System Pharmacy Clinical Services, Providence

“We take two approaches. A soft approach, which is working directly with our physicians, to understand their needs, their challenges, their concerns and get their buy-in,” says Rodrigo Giraldo, director, pharmacy contracting and supply chain. “Then there’s the hard approach, which is using technology, like our EHR system, to drive compliance and implement drug conversion opportunities.”

### **Clinical Governance, Collaboration and Cost Reduction**

The network-wide pharmacy infrastructure put in by Bahou, his team and Vizient helped Providence reach the first three stops on Bahou’s “roadmap to success”: consolidation, modernization and standardization.

By reaching those initial destinations successfully, Providence gained three critical capabilities it didn’t have: clinical governance, collaboration and cost reduction.

#### ***Clinical Governance***

At most hospitals and health systems, physicians often lead formulary decisions, including key roles on pharmacy and therapeutics committees that drive these drug purchasing and usage decisions. At Providence, under the new structures, pharmacists and doctors work hand-in-glove to make data-driven formulary decisions based on clinical need, drug effectiveness and cost.

#### ***Collaboration***

The new internal network design creates pathways for the system leadership team to easily collaborate and communicate pharmacy initiatives to purchasing and prescribing sites in all seven regions.

They also create new pathways for individual hospitals, clinics and prescribers to share best practices with peers across the system.

### Cost Reduction

The most obvious benefit of the new network design is the ability to reduce Providence's drug spend while simultaneously making clinical improvements in terms of drug efficacy and availability and doing both quickly. Savings emanate from leveraging the group purchasing power of 53 hospitals and single-sourcing purchases from one manufacturer. Savings also come from drug conversions such as switching from higher-cost biologics to lower-cost but equally effective biosimilars. The Providence team implemented seven biosimilar based utilization management (UM) initiatives in the past two years, saving \$27 million across seven molecules in two years. "Our new analytics capabilities gave us visibility into how much we were spending on biologics and how we could begin replacing them with low-cost alternative biosimilars," says Sophia Humphreys, director, system pharmacy clinical services.

### Roadmap to Success

Providence's achievements would not be possible without the processes created by the new systemwide pharmacy network.

For example, the biggest barrier to the changes advocated by Bahou and his team aren't the changes themselves but rather resistance to changes in drug prescribing practices and drug purchasing habits at individual hospitals and by individual physicians.

The new network-enabled structures and practices essentially act as a systemwide pharmacy change management vehicle to move Providence where it needs to go in terms of organization and purchasing power for its pharmacy operations.

Bahou and his team are now focusing on the final two destinations on his "roadmap to success": insulating Providence from the ill effects of vertical integration by competitors and new market entrants, and growing Providence's inpatient and outpatient pharmacy operations in all seven of the system's regions.

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—Elie Bahou,  
Senior Vice President  
and Chief Pharmacy  
Officer, Providence



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