

Letter to the C-suite regarding the pharmacy enterprise

Pharmacy Market Outlook Summer 2024

Thank you for your continued interest, advocacy and ongoing support for advancing the role of pharmacy within your institutions. While the relevance of pharmacy has historically been defined in terms of managing the cost of pharmaceuticals – which is important – pharmacy also plays a critical role in the revenue success of the organization. In a recent Vizient blog [post](#), it was noted that for many health systems, pharmacy contributes at least 25% of overall net revenue. As such, health systems must have integrated leadership (i.e., a chief pharmacy officer at the strategic level) to ensure the entire pharmacy enterprise is functioning at the optimal financial level while contributing to the clinical, quality improvement, technology, regulatory compliance and population health goals of the organization.

Quick market update

Achieving the goals of financial sustainability while preserving and expanding patient access to care is no easy accomplishment. The challenge inherent in this effort was reinforced recently with the [announcement](#) that Walmart has decided to close its medical clinics and health centers due to its inability to create a sustainable business model. This revelation may serve as proof for the existing provider community that external disruptors, no matter how well-resourced, are unable to solve the riddle of our complex healthcare system. Additionally, this lack of success also increases the likelihood that health systems will have to shoulder more of the requirements for primary care and patient access while ensuring the ability to obtain high-acuity and high-complexity therapies and interventions, many of which are pharmaceuticals.

Unleashing the potential of gene therapy...at a cost

One great aspect of drug development is the ability to create new treatment options where none previously existed. Such innovation merits ongoing funding. However, we appear to be rapidly approaching an inflection point beyond which drug therapy costs not only create unsustainable financial hardships for patients, but also for the providers delivering these treatments. In 2024, we have already seen the approval in the U.S. of the most expensive drug in the world – a gene therapy for a rare neurologic condition that costs \$4.25 million. Close to 300 other highly personalized medications are in the pipeline Phase 1-3 of development.

Progression of gene therapies, costs and indications

2017	2019	2022	2023	2024
Luxturna (\$850K; \$425K per eye) <i>Inherited retinal disease</i>	Zolgensma (\$2.3M) <i>Spinal muscular atrophy</i>	Zynteglo (\$2.8M) <i>Beta thalassemia</i> Skysona (\$3M) <i>Adrenoleukodystrophy</i> Hemgenix (\$3.5M) <i>Hemophilia B</i> Adstiladrin (\$240K) <i>Bladder cancer</i>	Vyjuvek (\$630.5K) <i>Epidermolysis bullosa</i> Elevidys (\$3.2M) <i>Muscular dystrophy</i> Roctavian (\$2.9M) <i>Hemophilia A</i> Lyfgenia (\$3.1M) <i>Sickle cell disease (SCD)</i> Casgevy (\$2.2M) <i>Beta-thalassemia, SCD</i>	Lenmeldy (\$4.25M) <i>Metachromatic leukodystrophy (MLD)</i> Beqvez (\$3.5M) <i>Hemophilia B</i>

Source: <https://www.fda.gov/vaccines-blood-biologics/cellular-gene-therapy-products/approved-cellular-and-gene-therapy-products>, accessed May 17, 2024; <https://clinical-pipeline.ipdanalytics.com/> (subscription required), accessed May 17, 2024.

Multiple pharmacy providers have conveyed their concerns to us about the operational and contractual workload (up to a year's worth of effort) to be able to even treat an initial patient with gene therapy. In addition, many have concerns regarding the difference in timeframes for payment to acquire the drug (net 30 days) versus the timeline for reimbursement from the payer (3 to 6 months). Even for the largest organizations, a delay in receiving payment for one patient would be unsustainable.

Given these financial and clinical concerns, Vizient hosted our inaugural Insight: Cell, Gene and Specialty **Symposium** in April to bring together providers, manufacturers and payers to discuss how to manage these medications in a way to preserve the potential for patient benefit while not imparting excessive financial harm. Based on the **information shared** at this event, we are continuing to refine solutions to improve the efficiency and success of providers in becoming qualified to provide these treatments while maximizing patient access.

Summary

For the remainder of 2024, the healthcare market for pharmaceuticals will remain volatile due to increasing concern about the growing cost of medications and efforts, like the Inflation Reduction Act, to help combat this growth. And of course, the outcome of the 2024 elections could completely alter these efforts. As such, success requires enterprise pharmacy leadership to monitor for changes, adapt to new requirements and ensure the most effective use of medications to drive the greatest patient benefit.

We have prepared the following assessment checklist of important steps that you, as leadership, should consider as you build and revise your strategic plans.

Pharmacy enterprise preparedness assessment

Area	Questions	Yes	No
Strategy	A pharmacy enterprise leader is in place.		
	Pharmacy leadership is engaged and included in the organization's strategic plan.		
	Your organization's strategic plan includes multiple dimensions of non-acute care (e.g. specialty, retail, pharmacy benefit management, home infusion, gene therapy).		
Operational	Pharmacy and managed care are closely aligned to address payer interventions that impact patient care and financial results.		
	Human resources partners with pharmacy for negotiation of the organization's pharmacy benefits program.		
	Pharmacy and your government relations partner to address critical practice issues from an advocacy and legislative perspective (e.g. preventing negative impact from payer actions).		
Financial	You have a clear line of sight to the contribution margin of pharmacy to the organization's revenue performance.		
	You have an investment plan for expansion of non-acute pharmacy services.		
	If a 340B organization, you have an ongoing mechanism that is monitoring the impact of denial on contract pharmacy pricing.		
	You know what gene therapies (e.g. oncology, hemophilia, sickle cell disease) would likely be prescribed within your patient care populations.		
Vizient resources and services	You are enrolled in the Novaplius Enhanced Supply Reserve program to protect against drug shortages.		
	You are a member of the End Drug Shortages Alliance .		
	You participate in a Pharmacy Aggregation Group (including the Vizient Oncology Network, if a large cancer center).		
	You belong to the Alluma pharmacy benefit offering.		
	You subscribe to the Vizient Pharmacy Site of Care Database to help you negotiate with payers on site of care restrictions.		
	You are leveraging analytics and consulting services from Vizient to lower costs, improve reimbursement, optimize 340B, establish home infusion services and ensure high quality sterile compounding.		
	You have familiarized yourself with Vizient's services related to cell and gene therapy .		

If you answered "no" to any of these questions and/or would like more information from Vizient, including other pharmacy performance assessment tools, please send a request to pharmacyquestions@vizientinc.com.