

Enhanced Supply Chain Collaboration between  
Pharmacy and Materials Management  
within a Health System  
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# AGENDA

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- Current situation in Canada
- Rules, Authorities and Accountabilities
- The need for robust analysis first
- Key success factors

# DECLARATION OF CONFLICT

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- I have no manufacturer engagements and work for a group purchasing organization

# THEMES

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- But for a patient, none of us is needed
- Trust
- Partnership, Collaboration
- Mutual respect and understanding
- Integration, leverage interdepartmental talent

# OUTCOME EXPECTATIONS

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- Framework for assisting your organization to undertake a fulsome analysis before rendering a decision to integrate Pharmacy and Materials Management procurement
- Comprehension of the supply chain obligations of the chief pharmacist that cannot be delegated
- View to key success / failure factors

# COST OF HEALTH CARE

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- Nationally, spend \$191.6 Billion in 2010
  - Increase of 5.2% or \$9.5 Billion over 2009
  - Increase of \$216 per citizen, lowest increase in 13 years
  - 11.7% GDP 2010 vs. 11.9% GDP in 2009
- Drug prices are no longer fastest growing cost item
  - 4.8% Drugs, 6.2% Hospitals and 6.9% Physicians

# PROVINCIAL COSTS

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- Average 2009 spend by provinces is 39.2% of government spending
- Ontario 45.7%, Manitoba 43.7%, Highest share of budget
- NFLD 33.8%, Quebec 33.1% Lowest in Canada
- Share of budget spending stable over 4 years (2009)

# PRIORITY TO CURB COST

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- Hospital supplies and drug spending are targets of this audience
- Address all capital and consumables
- Suggestion that seniors are major factor of growth
  - True for individuals, especially those over 80 years
  - NOT true overall! Total senior spending 43.6% in 1998 and 43.8% in 2008



# WHAT TO FOCUS ON?

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- Hospital budget segments
  - #3 & #4: Drugs and Medical Surgical Supplies
- Repeated targets to reduce acquisition cost
- Regionalization seeing consolidation of warehouse, distribution and production
  - Tools are contracting, aggregation of volume, aggregation of process and inventory

# DRUG LAWS

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- Federal: governs disposition of drugs
  - Food and Drugs Act and Regulations
  - Controlled Drugs and Substances Act and Regulations
- Provincial: governs practise of pharmacists, operation of a pharmacy and any additional drug disposition requirements over federal requirements
- Controlled acts regulated provincially

# DEFINITION

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- Drug: Includes any substance or mixture of substances manufactured, sold, or represented for use in
  - (a) the diagnosis, treatment, mitigation or prevention of a disease, disorder or abnormal physical state, or its symptoms, in human beings or animals,
  - (b) restoring, correcting or modifying organic functions in human beings or animals, or
  - (c) disinfection in premises in which food is manufactured, prepared or kept;
- Food and Drugs Act. R.S., c.F27, s. 1

# CONTROLLED DRUGS AND SUBSTANCES

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- Head of Hospital has ultimate accountability for all Controlled drug usage in hospital
- Chief Pharmacist has accountability for processes and maintaining a suitable audit trail on behalf of CEO

(Division 3 Food and Drugs Act Section G)

# HOSPITAL PHARMACY

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- Chief pharmacist has accountability for:
  - Product based services
    - Drug storage, security and procurement
    - Drug production and distribution
  - Knowledge based services
    - Direct clinical services & Drug Information
  - Compliance with all relevant laws
- All feed forward to optimal medication care for each patient

# PHARMACISTS

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- Training in supply chain obligations
  - Integrity of product through to patient
  - Not necessarily skilled at running procurement system: MM has this expertise
- Ensure organization fulfills growing supply chain requirements;  
Accreditation Canada
- Good Manufacturing Practices (GMP)

# DRUGS: WHAT DOES A PHARMACIST BRING?

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- Degree in Pharmacy, License to practice Pharmacy including authority to manage a pharmacy
  - Accountability for all controlled inventory disposition
  - Additional accountability for Controlled Drugs and Substances
  - Knowledge of all components of a medicine
    - Drug(s) & excipients

# HOSPITAL PROCUREMENT STRUCTURE

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- Pharmacy budget/GL
- MAC/P&T
  - Quality and Safety
  - Evidence, Clinical Experience, Economics
- Accreditation Canada
  - Medication System



# ACCREDITATION CANADA

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- Medication System ROPs
- Pharmacy leads with Nursing, Medicine, Resp. Therapy, Medical Imaging, etc.
- MM is included by pharmacy in ROP work
  - Inclusion can expand provided quality and safety of medication system is fulfilled

# SPECIALTY ACCESS PROGRAMS

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- Special Access Program
- Compassionate
- Study
- Emergency

# THEMES

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# PHARMACY VS. MATERIALS MANAGEMENT

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- Materials Management Budget, GL, Back Office
- Product Review Committee
  - Under MM/ Finance/ Operations
  - Includes Clinicians
  - Addresses Clinical Preference
  - Difficult to differentiate body of evidence from preference

# DEVELOPMENTS IN MATERIALS MANAGEMENT

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- Formation of a National Association:  
HSCN
- Credentialing finding its way into  
health care
  - PMAC- Supply Chain Management Professional
  - The Logistics Institute - Professional Logistician
  - Certified Professional in Supply Management
  - Member Chartered Institute of Purchasing and  
Supply

# CURRENT JOINT PROGRAMS

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- Inventory co-location, separate administration and single purchasing system
- Local common distribution fleets
- Shared/ relocated staff
- Other considerations
  - Relationship to pharmacy production
  - Outsourcing options for central warehouse

# KEYS TO SUCCESS

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- Conjoint content expertise fully embraced
  - Pharmacy/ medication knowledge
  - Purchasing and warehouse management
- Ability to leverage existing functions
  - Distribution fleet, single facility to house all inventory
  - Proximity to Rx production important
  - Appropriate GMP requirements met for Drugs

# KEY FACTORS FOR SUCCESS

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- Trust
  - History of perceived “ownership”
  - Experience of “not understanding” needs
  - Academic credentials or suitable high level experience/education
  - Personal experience on other initiatives
- Partnership between MM and RX leaders and teams



# WHERE NEXT

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- Analysis
  - include Pharmacy, Not a benefit where there is no problem; other priorities, burning platform
  - What is the good to the whole organization
  - What is risk to fulfilling my mandate AND professional / legal obligations

# CONCLUSIONS

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- No legal barrier in Canada to joint Pharmacy / Materials Management Services
- Key to success is partnership, built on trust and focused on high quality service fulfilling the needs of a patient
- Recognition that Pharmacist cannot delegate many aspects of drug logistics outright