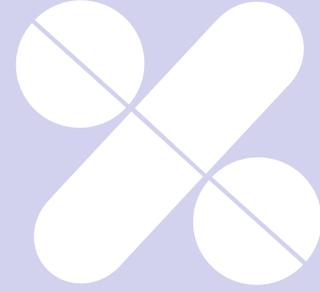




The Smarter Purchasing Report

**HOW PHARMACIES USE SMARTER PURCHASING
TO DRIVE SAVINGS AND ENHANCE OPERATIONS**

Meeting the Demands of Pharmacy Purchasing



Methodology

In 2021, SureCost analyzed anonymized customer data from its entire customer portfolio, encompassing over 5,000 pharmacy professionals across the United States.

SureCost then isolated five data points according to their potential to expand data transparency for pharmacies and indicate potential areas for savings or losses:

- **Product savings**
- **Accurate value of received goods**
- **Vendor non-compliance**
- **Cost of reordering**
- **Vendor substitution**

Customer data was first standardized by removing outliers to ensure an accurate “apples-to-apples” comparison.

SureCost’s leadership examined each data set to address potential anomalies and note trends.

Data was then averaged to provide a snapshot of findings and opportunities for the average pharmacy.

Finally, SureCost collected qualitative data through interviews with customers.

Challenges of the Purchasing Ecosystem

Pharmacies aim to provide their patients with what they need at the best prices while increasing profit margins. This goal makes the cost of goods a crucial variable. Yet drug prices in the United States are some of the highest in the world.

In 2021, the RAND Corporation reported, “Prescription drug prices in the US are more than 250% times higher overall than those in 32 other countries.” A 2022 study by the Kaiser Family Foundation showed that, for half the drugs covered by Medicare in 2020, prices increased at a faster rate than the rate of inflation. As the pharmacy consulting firm Visante noted in Harper’s Bazaar (2019), “[even generic drugs] have only a slightly lower cost in the US compared to most other countries.”

Global events such as the COVID-19 pandemic and overseas volatility have also highlighted how supply chain issues impact markets. As one IBM consultant explained in a recent interview for Pharmacy Weekly (2022), “The confluence of post Covid-19 challenges, inflation and supply issues, security and sustainability has led to the most complex operating environment in modern business.” Supply shortages require pharmacies to sharpen their insight into exactly what they need to buy and when.

Obscured Pricing

Pharmacies must also contend with the lack of data transparency in a complex pharmacy purchasing ecosystem. To find better prices on goods, they may buy primarily from one wholesaler while using multiple secondary vendors to reduce costs for certain items. That means tracking each brand name and generic version, comparing specific prices for the same products across several catalogs and then uploading multiple orders through different interfaces. Even if a pharmacy only purchases from its primary vendor, that vendor may list multiple equivalents in the same product group.

Purchasing is a laborious and frustrating experience that impacts a pharmacy’s bottom line. Besides losing hours of staff time that would otherwise be spent with patients, it’s impossible for a pharmacy team to consistently find the best price on their own. Pharmacies are losing out on savings and paying more than they need to.



“We can actually shop more aggressively among the top 500, and we use SureCost for everything. I can compare prices in SureCost in my sleep.”

— Wolf Kraus, Director of Purchasing at Specialty Rx

The Case for Smarter Purchasing

In light of these challenges, pharmacies must enhance their procurement process to find the true best price from their entire catalog. They also need insight into every part of the process, from price shopping through ordering to receiving. This comprehensive view helps ensure compliance and discover inefficiencies and costly inaccuracies.

The Boston Consulting Group (BCG) highlighted the need for better purchasing solutions in the article, "The Future of Procurement for Pharma Operations" in 2019:

Gaining greater visibility into spending lays the foundation for improving the management of categories and suppliers as well as optimizing expenditures on indirect categories. To fully unlock the opportunities, companies must build the enabling capabilities related to people, systems and digital analytics. These improvements provide the basis for a strategic collaboration in which procurement teams take a seat at the table with business and finance teams to proactively manage costs across the life cycle of products.

As BCG explains, purchasing is not incidental to other functions. It's a distinct area of operations that should shape strategy. Therefore, it requires its own specialized approach—one that unlocks the full potential of data and staff.

In an environment where it's crucial to accurately and easily analyze data, the union of greater efficiency with increased transparency is becoming the standard. It's crucial for pharmacies to find solutions that help them find the true best price for a product, respond to shifts in the market and expose sources of lost revenue.

The Benefits of Smarter Purchasing

To understand how much pharmacies can save using such a solution, SureCost pinpointed areas where digital solutions allow pharmacies to examine processes and transactions in detail. This data would otherwise get lost in manual processes. But digital solutions allow pharmacies to examine these processes and transactions at a granular level.

We looked at analytics from five key areas connected to data transparency and enhanced operations:



Product savings



Accurate value of received goods



Vendor non-compliance



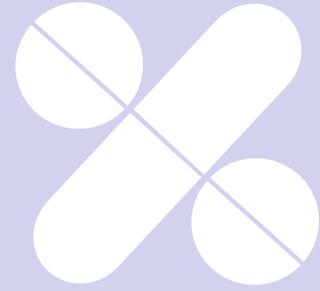
Cost of reordering



Vendor substitution

The analysis shows that savings only starts with finding the best price for products. In fact, by finding the best prices for products, only paying for what was ordered and actually received, and avoiding unexpected costs due to vendor non-compliance and product shortages, smarter purchasing can save pharmacies substantial amounts of money.

Five Areas to Apply Smarter Purchasing



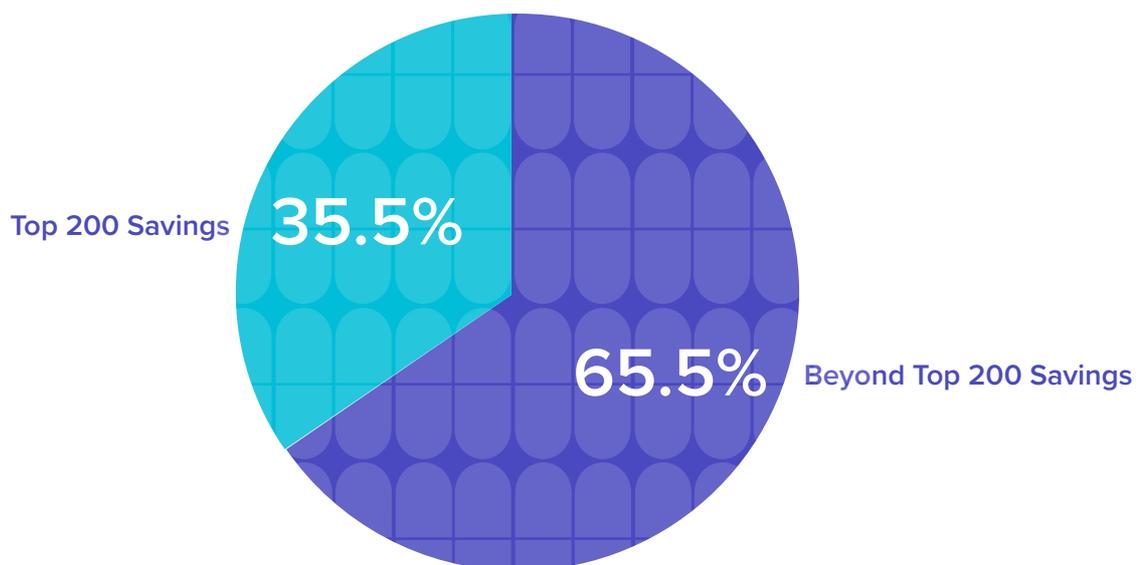
Product Savings

As explained above, the pharmacy purchasing environment obscures the best price for products. Pharmacies confront a web of brand names, generic versions, wholesalers, secondary vendors, catalogs, order forms and product groups. Even a pharmacy that has the luxury of time to spend hours comparing everything will miss out on potential savings; the best price gets lost in the clutter of information.

For example, while pharmacies know that generics are usually the most cost-effective options, there may still be significant cost differences between *generic equivalents*. Many pharmacies don't realize there are more savings available beyond the Top 200 generic drugs.

Looking at SureCost users, 65.5% of their savings came from outside the Top 200.

Realized Savings on COG From a Pharmacy's Top 200 vs Beyond the Top 200 Generics



As the graph shows, there are significant opportunities for savings beyond the Top 200. Note that these pharmacies use technology that searches an even wider range of options to find the best product prices. At the same time, they're accounting for compliance with existing purchasing agreements and any custom rules they select. Being able to truly "see" everything—with assistance from technology—gives pharmacies a competitive advantage.

Gain Visibility

SureCost empowers pharmacies to easily see what's available beyond the Top 200 and manage all of their orders in one solution. Unlike shopping tools that only look at secondaries, these pharmacies still ensure compliance with their primary vendor—without spending hours outside the normal pharmacy schedule.

Based on the average 2% savings that SureCost provides to pharmacies, you could save even more on cost of goods by shopping outside the Top 200. For example, a pharmacy saving 3% with SureCost, purchasing an average of \$3M annually, will save \$90,000 each year.

“Our retail stores reduced their purchasing costs over \$175,000 over seven stores in the first year. We were purchasing one generic product alone at \$40,000 per year more than we should have been...Those savings continue year after year.”

—Steve W. Preston, President of Falk’s Nursing Service

Accurate Value of Received Goods

In addition to lowering the cost of goods through always finding the best price, a purchasing solution will reveal costly inaccuracies in the procurement process—for example, discrepancies such as the actual value of goods received being less than the value pharmacies are invoiced for.

The variance between received items and invoiced item dollars can occur for a few different reasons. A vendor may simply fail to ship the product. A pharmacy may order a specific quantity and receive less than that expected amount or even none of it. “Miss-picks” are another issue: a vendor fills the wrong product, and the pharmacy is invoiced for a product that they didn’t order.

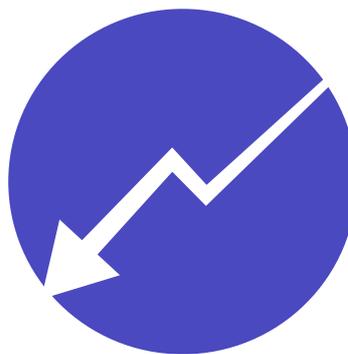
Data from SureCost customers shows that these issues can have a major impact on a pharmacy’s bottom line.

0.18%



Invoices higher than goods received

\$5,400



Yearly losses for pharmacies with \$3M annual purchasing

0.18% of invoices were higher than the actual amount of goods received. That apparently low percentage resulted in \$5,400 in yearly losses for a pharmacy with an average annual purchasing volume of \$3M.

**ACTION
ITEM**

**CALCULATE
YOUR SAVINGS**

What would 0.18% in losses due to incorrect invoicing add up to for your pharmacy? Is that an acceptable loss?

Ensure Accountability

SureCost’s Accounts Payable reconciliation enables pharmacies to track these inaccuracies and guard against these losses. Integrating purchasing with your existing accounting process lets you verify invoices against orders at the time of receipt. You can easily compare what you ordered, what you received and what you’re being charged using one interface.

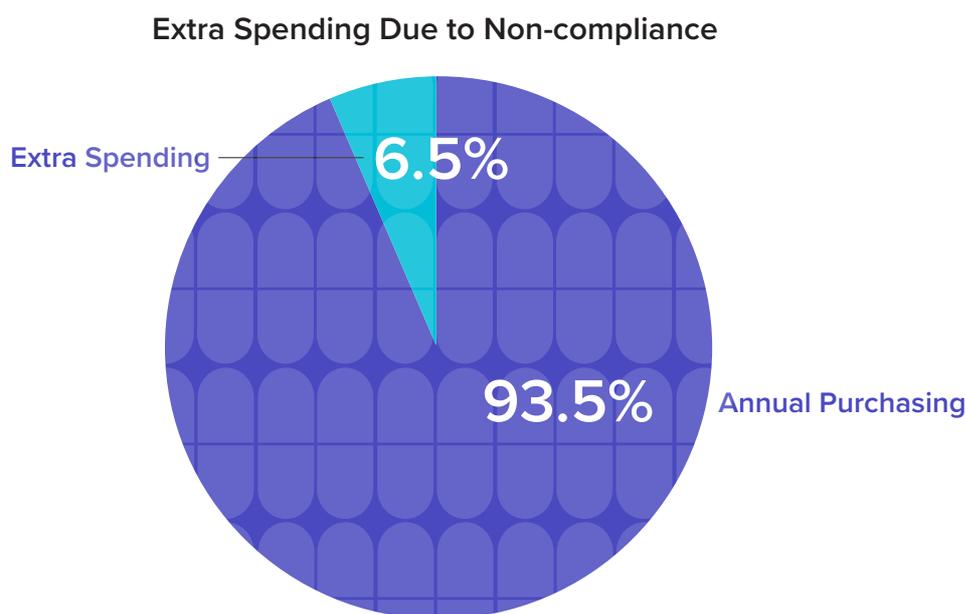
“I usually check SureCost’s 'pricing discrepancy' tab before I even submit the order, so I can report the discrepancy to [the wholesaler] for them to correct everything. I also run a 'missed opportunity' report [in SureCost] daily to see if I bought something that I could've gotten cheaper.”

— Wolf Kraus, Director of Purchasing at Specialty Rx

Vendor Non-Compliance

Another discrepancy resulting in lost revenue is being charged more than the quoted contract price. While vendors and pharmacies are both responsible for the terms of their purchasing agreements, vendors can make unintended mistakes. Pharmacies are left to monitor every purchase. It's a time-consuming and tedious process that, when left to manual means, is far from perfect.

Pharmacies end up literally paying more than they bargained for:



Vendors’ non-compliance with contracted pricing resulted in a 0.16% increase in charges. For a retail pharmacy with an annual purchasing volume of \$3M, this results in \$4,800 per year being spent on invoices they should not be paying. Of the items purchased under contract, 6.5% had an increase in cost.

Contract pricing is just one aspect of vendor compliance. This issue also raises the question of how pharmacies can effectively monitor compliance in general. In addition to the quantitative cost of these discrepancies, there is a significant added value to the peace of mind that comes from having an eye on all aspects of procurement.

Leverage Transparency

If a vendor doesn't honor the quoted contract price, SureCost flags the discrepancy and provides details you can report back to them. That's in addition to ensuring your pharmacy complies with its own purchasing agreements with those vendors. Gain transparency into vendor transactions without having to audit every exchange yourself.

“The beauty of using SureCost is that I know fairly quickly if something isn’t coming in, and I can then make a conscious decision as to what I’m going to do. Do I want to get this product? Do I have enough on hand to hold off? Can I get that same product from another wholesaler? It’s my choice.”

— Charles J. Fanaras, President and Owner of The Prescription Center

Cost of Reordering

Reorders due to a preferred item being out of stock are a daily occurrence for pharmacies. They may scramble to find another source and have to pay more. It’s another time-consuming process. Plus, the later a pharmacy discovers the out-of-stock item, the greater the difficulty of even finding the product.

Not having that product may mean the pharmacy misses the sale, disappoints the patient and fails to deliver what’s needed for their health. That’s why even an apparently small percentage of reordered items can be a huge detriment to pharmacies and patients.

On average among the pharmacies analyzed for this report, 1.2% of items had to be reordered—with some pharmacies experiencing reordering percentages as high as 10%.



Average pharmacy reordering percentage



Above-average pharmacy reordering percentage

Even if supply chain issues and related challenges abate going forward, reordering “on the fly” will likely always be a consideration. Pharmacies will always need to be able to adjust in light of the unexpected (but inevitable) out-of-stock product. Again, it’s difficult to put a numerical value on avoiding the stress of a last-minute rush to get patients what they need.

Add Foresight

With all of your vendors in one purchasing solution, SureCost allows you to easily determine compatible in-stock products without waiting to realize which items are back-ordered or can’t be filled. SureCost also flags potential supply issues and always pinpoints your best price options. You always have the right products in stock, save on your cost of goods and always meet your patients’ needs.

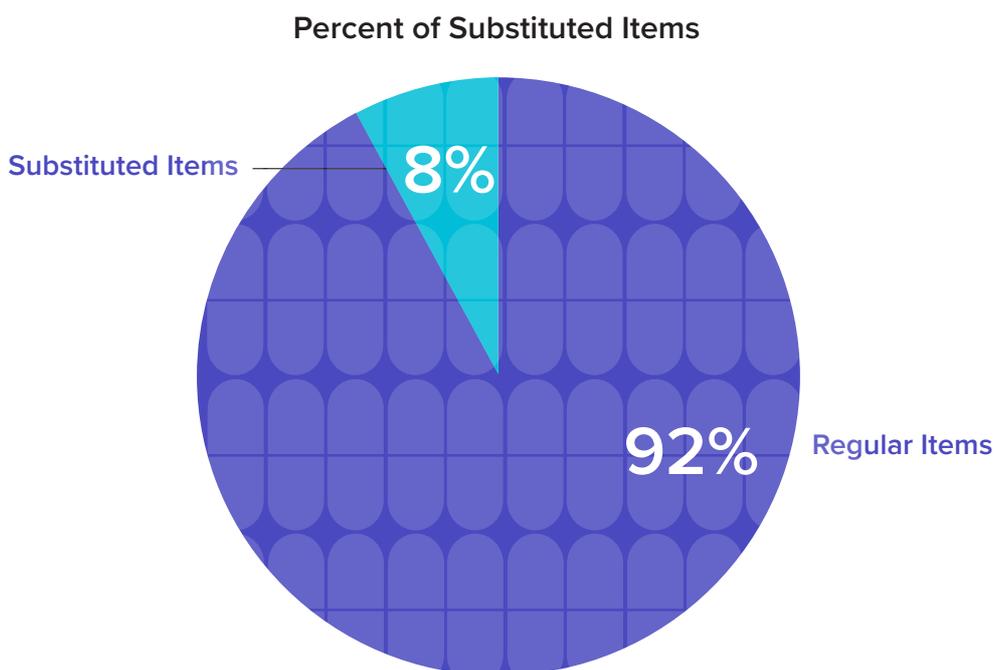
“SRX is NDC-specific on everything, so we don’t allow vendor substitutions, and SureCost helps ensure we don’t get any substitutions.”

— Wolf Kraus, Director of Purchasing at Specialty Rx

Vendor Substitution

Vendors may substitute a product before shipping without informing the pharmacy. This is different from mistakenly sending pharmacies an incorrect item. A pharmacy may not notice the substitution or might assume that they’re still getting what they need.

But pharmacies do not always see the impact of that substitution or change. Substituted items made up 8% of the total items purchased by SureCost customers.



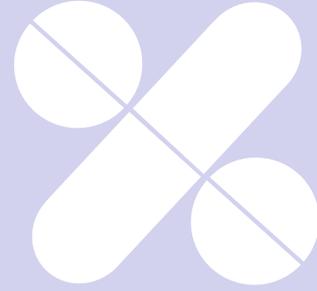
That substitution rate of 8% could mean significantly higher costs. In fact, some pharmacies could pay over \$10,000 per year due to vendor substitution.

In addition, these pharmacies receive what is essentially a different item than the one they need. By extension, so does the patient, assuming the pharmacy can still use that item.

Increase Awareness

SureCost tracks the expected product and price and shows the costs of substitutions. If you don’t receive a different item, the system flags the product so you spot the issue quickly and can immediately address it with the vendor. SureCost helps you monitor for these changes or, as some pharmacies explained, block vendors from making any substitutions.

Tips for Smarter Purchasing



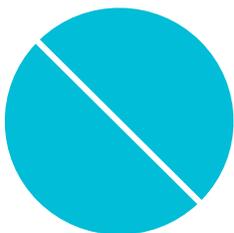
Summary of Savings Potential

Here is a snapshot of the savings potential from engaging smarter purchasing:

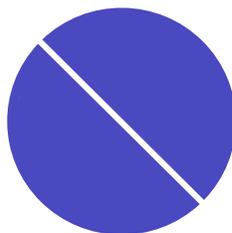
Savings Indicator	Cost of Goods Savings	Estimated Yearly Value (Based on \$3M Annual Purchasing Volume)
Product Savings	2%	\$60,000
Accurate Value of Received Goods	0.18%	\$5,400
Vendor Substitution	Variable	< = \$10,000.00
Vendor Non-compliance	0.16%	\$4,800
Cost of Reordering	Variable	Variable

As shown above, smarter purchasing makes a huge difference in driving savings. With the right solution, pharmacies can unlock data that lowers their cost of goods, reduces costly inefficiencies and improves how they work while informing strategy. Pharmacies achieve ROI by lowering costs, saving time and reducing staff burnout.

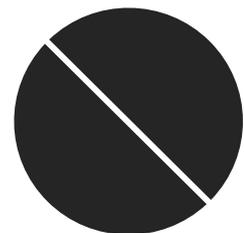
With SureCost, achieve ROI by:



Lowering
Costs



Saving
Time



Reducing
Staff burnout

A Strategy for Smarter Purchasing

Amidst all of the challenges above, pharmacies want to do more than just survive. The most successful pharmacies employ smarter purchasing to:

Ensure patients always receive accurate, timely products while lowering the cost of goods.

Navigate the complex purchasing environment without overhauling their own processes.

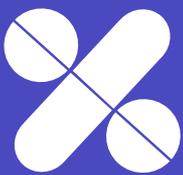
Anticipate unexpected product issues and continuously adapt to market forces.

Enhance their operations through intelligent analytics and streamlined workflows.

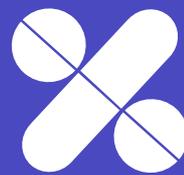
To thrive, they need a solution that combines all of these functions (rather than one that forces pharmacies to negotiate between different platforms or, still worse, choose between capabilities).

Assessing Your Current Purchasing Model

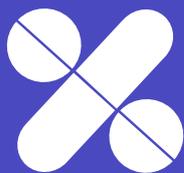
To gauge how effectively they're meeting these needs, pharmacies should start by asking a few tough but important questions.



Am I always getting the best price from my true entire catalog?



Am I always only paying for exactly what I receive?



How would an unknown vendor substitution affect my pharmacy?



Is every vendor always honoring my contracts?



How often am I reordering on the fly?

“My team would spend about two or three hours a day to do [purchasing with] all stores. We started seeing ROI immediately with SureCost. The time savings alone were worth it...You’ll save time, which is money, and make everyone more happy, productive and efficient.”

— Charles J. Fanaras, President and Owner of The Prescription Center

The Smarter Purchasing Solution™

SureCost brings together customizable automation, your pharmacy’s entire vendor and wholesaler catalog under one continuously updated interface, and unified purchasing and inventory.



Save More

Find the right product at the best price from your entire vendor and wholesaler catalog while reducing out-of-stock items.



Work Smarter

Automate selected decisions and streamline workflows to save time, drive productivity and avoid staff burnout.



Stay Compliant

Confirm delivery of items at the prices you expected and reduce rogue spending through a single solution.

SureCost is designed and managed by a team of industry experts with over a century of collective experience in the pharmacy industry. We understand the complex purchasing environment pharmacies navigate. For us, these challenges are opportunities to empower pharmacy teams to accomplish even more for their patients and their business.

Next Steps

Want to learn more about what smarter purchasing can do for your pharmacy?

Let’s discuss how your pharmacy can harness smarter purchasing without disrupting your existing process.

[Book a Meeting](#)

Let’s talk.

Book a 30-minute meeting with us and let’s discuss how SureCost will help you save more, stay compliant and work smarter.