

# **Financial Management for Health-System Pharmacists**



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# Table of Contents

vii	Foreword
ix	Preface
xi	Contributors
1	Chapter 1 Review of Financial Management and Cost Accounting Principles
27	Chapter 2 A Review of Hospital Financial Management and Cost Accounting
47	Chapter 3 The Health Care Budget Process
63	Chapter 4 Forecasting Pharmaceutical Expenditures
77	Chapter 5 Understanding Drug Expense Using Administrative Data
103	Chapter 6 Financial Management of Human Resources
111	Chapter 7 Cost Management Basics
135	Chapter 8 Budget Variance Analysis and Controlling Operating Results
155	Chapter 9 Financial Aspects of Pharmaceutical Contracts and Supply Chain Management
167	Chapter 10 Budgeting Revenue
179	Chapter 11 Pharmaceutical Reimbursement
189	Chapter 12 Benchmarking and Productivity Analysis
207	Chapter 13 Strategic Financial Planning
225	Chapter 14 Financial Planning and Assessment for Pharmacy Education and Research Programs
247	Chapter 15 Outsourcing Pharmacy Services
253	Chapter 16 Building the Financial Plan for a New Pharmacy Service
273	Chapter 17 Entrepreneurial Opportunities—Beyond Traditional Hospital Pharmacy
305	Glossary
315	Index



# Foreword

As a pharmacy leader you have a major responsibility to your organization to appropriately manage the financial resources with which you are entrusted. While this financial responsibility probably is not why you choose to practice in health system pharmacy, it is critical to the on-going success and viability of your organization. The pharmacy revenue and expenditure is a significant part of the total health system's financial resources that are needed to ensure the current and future clinical care that your community expects.

This book is an excellent way for you to support your effective financial stewardship. Most health systems have evolved complex, computerized financial systems that produce a variety of different reports which can seem daunting to understand. As a pharmacist you already have the analytical and mathematical skills to handle this responsibility. Managing the financial aspects of a health system's pharmacy is not different than your personal finances, in that you shouldn't spend more than you have and you need to plan effectively to support the future as well as today. In your job as a health system pharmacy manager you are just dealing with a lot more zeros at the end of the pharmacy numbers.

You will find in this book two levels of chapters; a high level view of the total financial system and how its parts interrelate, and a second level that contains very detailed chapters describing each aspect of the system. Using the background of the high level chapters, you can set out to ask your health system's finance department to explain their systems and the available reports. I would also suggest you develop a thorough understanding of the budget cycle, including revenue, expense and capital budget. Developing a thorough understanding and a management plan for the reports you receive is critical to your stewardship of the hospital's resources. Since the pharmacy computer system provides the data for the budgets and reports, knowing how the drug database and charge master are set up and managing the frequency of updating allows you to "make sense" of the data and ensure it's accuracy. Think through this output and understand how it is used in the organization's financial system because it often drives staffing levels and benchmarking through its productivity aspects. Be certain that you verify all of your department's financial data to identify error, problems and disconnects and make corrections if, for example, the hospital did not receive the correct contract price for a pharmaceutical. Don't neglect the accuracy of drug charging and be certain to develop an understanding of reimbursement, as this becomes the pharmacy revenue which contributes to the organization's operating income. The detail level chapters provide the opportunity to "fine tune" the various aspects of this financial responsibility. As you discharge your financial responsibility look for additional opportunities to enhance the accuracy of your data and maximize the pharmacy revenue.

Your senior leadership, pharmacy staff, and patients are depending on you.

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# Preface

As healthcare continues to consume an ever larger portion of the United States' gross national product each year patients, health plans, employers, government agencies and others focus on the elements of care that drive increasing costs. While the ultimate focus of all parties is on the effectiveness and utility of care, and on patient outcomes, the basis for understanding the resources consumed in the delivery of medications and the value of pharmaceutical care is a sound financial management system, well tended by a thoughtful management team.

Pharmacy leadership's attention has been appropriately focused on direct patient care services, medication safety, competency, compliance, automation and a host of critical issues that leverage the education, skills, knowledge and compassion of pharmacists. The continuing focus on quality of care and on building a safe medication use system provides the context for the development of sound management practices and processes. Marshalling the resources to support this objective requires a thorough, disciplined and accurate record of the costs and inputs consumed in care delivery. Each of the key initiatives above is characterized by the need for resources to support the capital and operating costs of new technology, upgraded facilities and equipment, and trained professional and technical staff.

A well prepared, financially savvy pharmacy leader not only understands the concepts and structure associated with these financial systems, but also develops, manages and maintains the systems processes and reporting within the organization for which he or she is responsible. The growing size and scope of pharmacy resources required, the sheer cost of salaries, drugs, automation and information systems required in a complex, modern health system pharmacy require a more thoughtful and diligent approach than in that taken in the past.

Within this framework, Financial Management for Health System Pharmacists has been developed to provide, context, knowledge and specific detailed recommendations for the financial management of a health system pharmacy. A thoughtful reading of this text is only the starting point for the pharmacy leader seeking to provide this aspect of organizational support and leadership. Applying the principles and practices outlined by the authors, and working each day to develop and maintain this crucial aspect of pharmacy systems will ensure that pharmacists and the pharmacy profession support their contribution to the health care system, and assist in creating the future for their health systems, their peers and coworkers, themselves, and most importantly for our patients.

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