





Whip that dead weight *into shape*

Effective inventory management takes medication off the shelf and into the hands of patients.

by Chris Linville

You've probably heard those "failure to launch" stories — young adults who won't leave the nest, sitting at home in the basement doing nothing and mooching off their parents. That's what pharmacy inventory can be all too often — dead weight that's draining your funds while being unproductive.

Obviously, money that's being tied up with inventory — in some cases up to 80 percent of a retail pharmacy's revenue — would be better off elsewhere. According to the 2019 *NCPA Digest*, sponsored by Cardinal Health, inventory carrying costs are anywhere from 20 percent to 30 percent of average inventory holdings annually.

"You want your cash flow to work for you instead of being tied up in inventory on your shelf," says Ivey McCurdy, pharmacist and owner of Lakeland Drug Co., in Lakeland Ga. "If you free up your cash flow, you can do things that benefit your business. Inventory is a lot of cash sitting on your shelves that is going in and out of your business, so if you can really work on that, your cash flow will definitely improve."

Smart purchasing is important in an era of tight margins, says Scotty Sykes, a CPA with Sykes & Company P.A. But that's not all of it.

"It's not just how well you buy, but how well you manage inventory," he says.

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Jason Dykstra, pharmacist and owner of Chino Valley Pharmacy in Chino Valley, Ariz., says he focuses heavily on the financials with his business and takes pride in the results.

“I attribute that to running a tight ship and being lean and mean, where you aren’t overstaffing, not having a lot of inventory on your shelf, you’re turning it properly, and making good financial decisions,” he says.

SYNCING FOR INVENTORY

Synchronizing medications for patients so they receive all of them at one time not only reduces trips to the pharmacy and frees up time for clinical care, but it also helps in managing inventory.

“Med sync is a critical piece to inventory management, to DIR fees, to adherence and keeping up on patient profiles, discontinuing meds and things like that,” Dykstra says. “A med sync program is one of the essentials for pharmacy.”

Dykstra, who opened Chino Valley Pharmacy in September 2016, has about 25 percent to 30 percent of its patients synchronized, and he’s hoping to boost that number to 50 percent.

Paul Shelton, president of Pharma-Complete Consulting Services, which primarily works with long-term-care pharmacies, says, “Med sync is something I can’t stress hard enough in the retail space to drive inventory compliance and inventory turns. In LTC, if you are operating in states that allow synchronized fills, or cycle fills, then

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McCurdy, whose father owned the pharmacy prior to her taking ownership in 2012, says Lakeland Drug’s med sync program is slightly different from those of other pharmacies as it’s not focused strictly on patient numbers.

“I always look at it in terms of percentage of our actual prescriptions,” she says. “The way we have grown it is that I have set up an incentive bonus program with my team. We look at a multitude of things and hitting a sync goal was one of them. When we first started we were at 17 percent. Now we’re at about 55 percent of our total prescriptions. It’s great for your workflow, for time management, and definitely for inventory management.”

McCurdy says her med sync program has certainly helped streamline operations.

“In our computer system (PioneerRx), when we fill a med sync patient, it goes into a print queue, and it is color coded,” she says. “When it is green in the print queue it means everything is in stock, everything is ready, all the refills are there, patient information is there, and everything is good. They can print it and prepare it for the patient because it is ready. If it’s purple it means that it’s not in stock. I love to see a purple print key because it means that we are ordering that medication when we need it for the patient.”

JUST IN TIME

As much as possible, Dykstra abides by the “just-in-time” concept, where he receives only the medication he needs, which is then ideally turned quickly instead of languishing on his shelves.

“We want just-in-time for our brand name products,” he says. “With your generics, you can load up on them because they don’t cost you that much money for the most part. Having 1,000 metformin versus 100 metformin with just-in-time inventory is a gigantic waste of time – you are talking just a few dollars to keep a 1,000 count.”

Dykstra says that with certain brand names, just-in-time doesn’t work, such as HIV medications. He says with those, if the patient isn’t synced or on an autofill, it can be an issue if the patient is running low.

“You don’t want them to run out, so with things like that we try to keep a bottle on the shelf, but there’s no way to keep more than one, being that expensive,” he says. “With things like a Spiriva inhaler, we normally keep several of those in stock based upon our volume.”

Dykstra recalls receiving a prescription for OsmoPrep, used for colonoscopies. “If we order a 100 count bottle, we’re probably going to dispense 30, and then sit on 70 tablets,” he says. “You really have to think about things like that. We’re probably stuck with those 70 tablets for a year or so or until they expire or we sell them out. So you really need to try and be lean and

mean on your branded meds, as those are your highest dollar ones that you sit on.”

Other exceptions include items such as insulin, which needs to be kept cold.

“Stuff in the fridge is expensive,” Dykstra says. “With those we do keep extra in stock because you can’t support a just-in-time inventory on those, because if somebody needs a bottle of insulin you don’t want them to wait until tomorrow. We try to keep our fridge lean with somewhat of a just-in-time inventory, but we definitely have some extras in there.”

McCurdy says her computer system has different re-order settings for brands and generics, along with controlled substances. For brands, once the pharmacy has a certain days supply left, it will be re-ordered.

“In other words, if it just takes me one bottle to get me back to my re-order point, then just order one bottle,” she says.

With generics, McCurdy says the computer will typically ask for re-orders when the medication supply is down to 14 days, with a maximum on hand of 21 days.

“With my re-order point on generics, I can set a higher maximum on hand. It won’t re-order until you hit that days supply, which is 14 days in this case,” she says. “It won’t re-order until you hit that 14-day mark, but it’s going to bring it all the way back up to 21 days. I don’t do that for brands.”

MAKING THE TURNS

Technology is now available to help manage inventory more effectively than in the past. Sykes says with just-in-time inventory linked with patient sync, inventory is at 19-20 turns annually.

“Our standard goal is once a month,” he says. “Two times a month would be great, but overall we’re pleased. More turns means cash flow to the bottom line and your bank account because it’s not sitting on your shelf,” he says.

At Chino Valley, Dykstra says the pharmacy has perpetual inventory but doesn’t use an automated ordering system.

“I like a hands-on inventory,” he says. “In my opinion – and I’ve gone around and around with people on this – it just gives you a better cutting edge on inventory to have it hands on. But with that, you can’t do it at the end of the day. You have to integrate it into your workflow.”

Dykstra uses his buying group’s (American Associated Pharmacies) scan-and-toss system to help manage inventory. He says that if a particular medication only has a few capsules left in a bottle, he just scans it on to a laptop on the scanner, and then it throws it into the wholesaler’s account to purchase.

“That is essentially how we order with their scan and toss feature,” he says.

Dykstra says the hands-on component also gives him an advantage of knowing if a medication is allocated.

“When we scan that bottle and it says, ‘Hey you can only buy two of these,’ well that’s good, because that gives me an option to get a jumpstart with other wholesalers or purchase from tertiary wholesalers,” he says. “It also helps with out-of-stocks. Instead of waiting until the next day to find out it’s out of



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stock we know right then and there, so we can search and try to find this thing. That’s huge. That’s the advantage of staying a day ahead with a hands-on inventory.”

McCurdy, whose pharmacy is also on perpetual inventory, says her turns are around 19 annually. She says that with her pharmacy software inventory can be set to have certain minimum and maximum re-order points.

“You can change that to what you personally want them to be. I tweak ours a lot,” she says. “It will ask you if you want to include cycle prescriptions. It gives you the option to say ‘Yes’ or ‘No.’ We have set that to no. Because why have that sitting on your shelf until you need it? You are already working those patients on your time, on your calendar, and on your schedule, so let it order it when you need it. I just think that is amazing.”

HELPFUL TIPS

McCurdy says her software gives her helpful information in what’s called a recommended returns report. She says that you simply enter the numbers you want to review.

“For example if you want to look at things that you haven’t filled in 30 days you might want to stretch out longer than that because a lot of people get 90-day supplies,” she says. “If you want to look at something you haven’t filled in more than 90 days, it will say, ‘Hey, go pull those drugs because you have a full bottle that’s returnable and you haven’t used it in more than 90 days.’

That’s the glory of letting that system set those re-order points for you, because it looks at it every day.”

McCurdy also says at various times she may have a patient on a medication and wants to keep it in stock, and the technology will keep her updated.

“If something happened and that person isn’t on it anymore, it will drop that re-order point,” she says. “It now knows that you aren’t using it, you don’t want to keep it on your shelf, and just like that, it will show up on that report so you can pull that off your shelf and return it in a timely matter to get credit. Which I think is great.”

STAYING ENGAGED

Managing inventory isn’t something that runs on autopilot. Staying engaged in everything that factors into it is critical.

McCurdy has a dedicated staff person in one of her technicians to help manage and monitor inventory and make sure things are running smoothly.

“You want to make sure that your re-order points are set correctly in the computer so it becomes part of the flow like everything else,” McCurdy says.

“Those are things we’ve had to learn the hard way. I think it’s important to have somebody who understands your inventory, the way you want to order, and the way you want to purchase, so that they can monitor that every day.”

Dykstra shares that sentiment, saying, “At the end of the day you just have to

train a technician really well to get that inventory mindset.”

ANCILLARY BENEFITS

Buying groups and wholesalers play a key role in the inventory chain, and based on how you are doing in managing your business and doing your homework, good working relationships with those entities can pay extra benefits.

“Your buying group is vital,” says Dykstra. “Without that you are almost at the end of the plank.”

Dykstra’s attention to detail in every aspect of his operations is relentless. If there is an opportunity to save money or increase cash flow, it’s certainly worth it.

“You almost have to be an animal on your compliance numbers. Every single buying group has compliance numbers,” he says. “You need to look at your contract. We look at our numbers basically every day – where we are at, how we’re trending, compliance ratios and if we’re hitting these target numbers to maximize our rebates, because they don’t give you the best price on the invoice, the best price is your rebate structure.”

McCurdy says that with good cash flow, wholesalers offer better cost of goods pay terms, whether it’s pre-pay, daily, weekly, or monthly.

“To take advantage of any of those terms you have to have cash flow,” she says. “You want that cash flow so you can get that better rate and buy the drugs at a better cost. But if you don’t have the cash flow to do that because it’s all tied up in inventory on your shelf, then you start paying weekly or monthly (at more expensive terms) and you aren’t going to get as good of a deal. Increasing your cash flow helps you do better things for your business.”

Pharmacists have to be better at business as well, Dykstra says.

“Independent pharmacists in general, and this kind of astonished me when I got into the business, are pharmacists, not businesspeople,” he says. “We aren’t trained in school to be a business guy, we are trained to take care of public and do dispensing and take care of our patients. I learned that to run your

own independent pharmacy, you need to be about 75 percent a business person and 25 percent a pharmacist, and I think with independents it’s the flip side of that — we’re 75 percent pharmacists and 25 percent business people.”

Still, Dykstra says that Chino Valley has done well enough that he’s planning on opening a new location later this year in Dewey, Ariz., about 30-40 minutes away.

And he’s bullish on the profession.

“There’s lots of doom and gloom with independent pharmacy,” he says. “But with the right mindset — and you really have to be a businessman to do this — it can be done. We have to be smart and way ahead of the game.” ■

Chris Linville is America’s Pharmacist® managing editor.

Coronavirus brings challenges

While the coronavirus pandemic has basically brought the world to its knees, independent pharmacists are on the front lines and trying to adjust to a new normal.

Ivey McCurdy, pharmacist and owner of Lakeland Drug Co., in Lakeland Ga., says supply chain concerns have her carrying more inventory than normal. Typically she has her pharmacy software programmed to order medication on a just-in-time format, in particular for her synchronized patients, to reduce excess inventory.

“I thought that we were going to have a problem, and I wanted to have some inventory,” she says. “I was still ordering what I needed for my patients, but instead of holding back and waiting until the last minute to run a med sync, I went ahead and ordered it. Now did I get everything? No. There are allocations in place. Fortunately I have not yet had to tell anybody that I don’t have anything that they need, but we aren’t getting what we ordered. We’ve been told that we are on a historical allocation based on our previous purchases. They are going to send you what you historically purchased but maybe not the whole month at one time.

“We are trying to shop some of the secondary generic suppliers for some things, so it’s a bit out of our typical workflow, having to do some manual ordering and really thinking about things. Right now my inventory is higher than it normally is, because I was able to turn those re-order points off and go ahead and order my cycle patients prescriptions and have them now versus when I need them.”

Like most independent pharmacies, Lakeland Drug has closed its store to the public, but is offering drive-thru,

curbside service, and home delivery. McCurdy says she’s had to fill a couple of insulin prescriptions from patients who could not get them at a chain. “That’s kind of ironic — I don’t know why they couldn’t.”

McCurdy says she has divided her staff into two teams. One team is working Thursday, Friday and Saturday, and the other team is working Monday, Tuesday and Wednesday.

“One team will never come in contact with another team because we have to keep our doors open,” she says. “Some of our med sync duties we are doing after hours. That’s the positive about med sync, is that you can do it on your time.”

Jason Dykstra, pharmacist and owner of Chino Valley Pharmacy in Chino Valley, Ariz., says his pharmacy recently went to drive-thru only and curbside pickup. “It’s been working well for us with a bit of extra work. The Vow phone system we use has been great and helps the workflow to make this possible,” he says.”

Dykstra also says that managing inventory is tricky because of allocations. He is taking steps to avoid hoarding. “If someone requests a larger supply of a medication that is in shortage like a Tamiflu, we tell them no, we’re limiting them to one month or one unit,” he says.

In a refrain that echoes independent pharmacists around the country, McCurdy says, “We’re doing the best that we can for our team and our customers.”

For more information and late-breaking news on this fast-moving disease, NCPA has created the coronavirus resource page on the NCPA website on a regular basis at ncpa.org/coronavirus. Visit often for updates.