



Economic Impact Analysis Virginia Department of Planning and Budget

18 VAC 110-20 – Regulations Governing the Practice of Pharmacy Department of Health Professions November 15, 2004

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.G of the Administrative Process Act and Executive Order Number 21 (02). Section 2.2-4007.G requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. The analysis presented below represents DPB's best estimate of these economic impacts.

Summary of the Proposed Regulation

The Board of Pharmacy (board) proposes to permit prescription order processing to take place offsite from the dispensing location.

Estimated Economic Impact

Under the current regulations, virtually all pharmacy work must be conducted at the location where the prescription is dispensed. According to the Department of Health Professions (department) several retail pharmacy firms and just about all hospital systems in Virginia have inquired about being permitted to do data entry, drug utilization review (DUR), or both offsite. The board proposes to permit non-dispensing functions to be performed at offsite locations.

In July of 2003, the board approved a pilot program that allows Giant Foods to conduct centralized processing of refill prescriptions and electronic prescriptions for all of their pharmacies in Northern Virginia. In approving the pilot, the board waived certain portions of regulation to allow technicians to perform the data entry of refill information and label

preparation without direct supervision by the dispensing pharmacist. Central processing included: computer entry of the refill request, review for refill authority, third-party billing and any other computer functions required to process the prescriptions. An onsite pharmacist then does the actual dispensing at the originating pharmacy. The department is not aware of any problems thus far with this pilot program.

Conducting computer entry of the refill request, review for refill authority, third-party billing, and other computer functions at a centralized location provide cost savings for firms with multiple pharmacy locations. Instead of taking up valuable floor space for these functions at each pharmacy, the firms can locate staff performing these functions at a lower-cost location. Additionally, savings can be garnered by having staff focus on these duties at the centralized location and not staff at each onsite location who may be distracted by other duties and in-person clients. Distracted staff may be more likely to commit errors than staff focused on these specific duties.

Related to the issue of centralized processing of refill prescriptions, but different in its purpose and utilization, is the need for outsourcing or centralizing of order entry and review in hospitals. Applications for pilot programs from Retreat Hospital and Sentara Hospitals have been approved; and an application from Bon Secours-Memorial is pending. All have requested permission to use a central service location to review orders that have been scanned or faxed to a central location. Waivers have been requested to allow storage of digital images as opposed to hard copy of a chart order and to allow the chart order to be sent to a location other than the dispensing pharmacy.

By permitting prescription order processing to take place offsite from the dispensing location, the board enables retail pharmacies and hospitals to reduce cost. For example, many smaller hospitals have only sporadic demand for DUR during overnight hours. Hospital systems could employ their pharmacists more efficiently and save on costs by having them available at a central location during the overnight shift to provide DUR when its needed throughout the night, rather than have at least one pharmacist at every hospital 24 hours a day, regardless of whether there are significant gaps of time between when their services are needed. According to the department, pharmacists working the overnight shift earn approximately \$100,000 per year. If say a hospital system consists of four hospitals that each must employ an overnight pharmacist

under the current regulations, and those two pharmacists could handle the demand for DUR during the overnight shift for all four hospitals, then adopting the proposed amendments would permit the hospital system to save about \$200,000 by employing two overnight pharmacists instead of four.¹

Allowing non-dispensing functions to be performed at offsite locations does not appear to introduce significant risk. Offsite pharmacists and staff should be able to work with high-resolution scanned orders as effectively as onsite staff with the original order. Also, pharmacists who have difficulty being onsite, such as mothers with infants or those that are physically incapacitated, will be more able to work providing non-dispensing pharmacy services under the proposed amendments. Since there exists both the potential for significant cost savings and increased access for less-mobile pharmacists to work without introducing a significant safety risk, the proposed amendments should produce a net benefit.

Businesses and Entities Affected

The proposed amendments potentially affect the 8,029 pharmacists with active Virginia licenses, 2,155 of whom list out-of-state addresses, and the 1,554 permitted pharmacies in Virginia and 491 non-resident pharmacies currently licensed to do business in Virginia. Other staff and patients are affected as well.

Localities Particularly Affected

The proposed regulations affect all Virginia localities. Rural areas may be particularly affected since smaller hospitals and retail pharmacies are more likely to benefit from outsourcing data entry and DUR.

Projected Impact on Employment

By enabling pharmacists to provide DUR offsite, it will become easier for pharmacists who have difficulty being onsite, such as mothers with infants or those that are physically incapacitated to provide pharmacist services such as DUR. Thus, the proposed amendments may increase the employment of trained pharmacists who face such circumstances. Also, since the proposed amendments allow hospital systems and retail pharmacy firms to more efficiently allocate work to their pharmacists, i.e. not have say relatively idle pharmacists located at small

¹ Calculation: (4 x \$100,000) – (2 x \$100,000) = \$200,000

hospitals overnight, these hospital systems and retail pharmacy firms will be enabled to provide the same amount of service by employing a slightly reduced number of pharmacists.

Effects on the Use and Value of Private Property

Since the proposed amendments allow hospital systems and retail pharmacy firms to provide the same amount of service by employing a slightly reduced number of pharmacists, these hospital systems and retail pharmacy firms will save on labor costs and experience a commensurate increase in value.

By enabling pharmacists to provide DUR offsite, the proposed amendments may increase the employment of trained pharmacists who have difficulty working onsite, such as mothers with infants or those that are physically incapacitated. Consequently, the net worth of these individuals may increase.