



## Buy, Bill or Bag? Considerations for Specialty Drug Acquisition


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An influx of expensive new biologic and specialty medications and rapid changes in reimbursement have many health systems re-examining their outpatient medication inventory strategies. The goals: to balance or avoid risk while continuing to provide patients access to the most appropriate medication therapies.

“Health systems need to understand the advantages and disadvantages of different inventory strategies and think about which combination of approaches best fits the needs of the organization and its patient populations,” said Michele Rice, PharmD, BCOP, consulting director, pharmacy advisory services.

Traditionally, hospitals and providers have operated under the buy-and-bill method. Buy-and-bill frontloads the financial risk to the health system, which must buy, stock, manage and bill these medications properly or risk not being reimbursed. Inventory management, minimizing waste and liability for administration also fall squarely on the health system. However, these are all factors a health system can control.

“For a small health system with a very small specialty population, buy-and-bill might be challenging because it ties up a lot of the organization’s dollars in inventory for patients who may discontinue taking the medication, fail to show up for appointments or be changed to a different medication. All of that up-front risk belongs to the institution,” says Rice. Larger health systems are often better equipped to manage buy-and-bill, she adds.

In recent years, driven largely by payers seeking to lower drug costs, white bagging and brown bagging models have emerged that are penetrating the buy-and-bill approach. A newer strategy, called clear bagging, allows an affiliated specialty pharmacy to provide medications to the provider for administration.

### A mixed bag

With white bagging, a specialty pharmacy ships a patient’s prescription directly to the health system, where the medication is stored until it is administered to that patient. Under the brown bagging model, the patient acquires, stores and transports the drug to the provider’s office for administration.

Both approaches remove the financial burden from the health system of acquiring and stocking the medication. The specialty pharmacy also settles the claim and collects any copayment or coinsurance from the patient before treatment.

Brown bagging, however, is fraught with potential liability issues. After a medication is dispensed to a patient, the physician and hospital have no way to confirm that the drug was handled or stored properly prior to administration. As a result, the safety and integrity of the medication is

not assured. “Pharmacists, in particular, often have a very low level of comfort accepting a medication that has been in the patient’s possession and then taking responsibility for administration,” adds Rice.

White bagging eliminates the risk of improper handling and storage. Compared to buy-and-bill, white bagging removes the financial risk and carrying costs and lowers the administrative challenges associated with managing a drug inventory on-site, seeking payer reimbursements and collecting co-payments from patients.

However, a health system can only bill for administration of the medication and must absorb handling and storage costs. Product waste also challenges white bagging

because, to minimize delays, the specialty pharmacy typically sends enough product for multiple doses. If the patient experiences an adverse event, gets discontinued or moves on to a new medication, the drug can’t be used for anyone else.

### Striking a risk/reward balance

Clear bagging aims to spread the risk and benefit of specialty drug acquisition across the payer, provider and patient. This approach requires a health system to have specialty pharmacy capabilities in order to acquire and dispense specialty medications. For those health systems that don’t already have access to full-service in-system specialty pharmacy services, it may be something worth exploring. However, there may be payer or manufacturer requirements for accreditation in order to obtain access to some products. Also, negotiating payer contracts to include specialty pharmacy services has been challenging, due to payer relationships with the established specialty pharmacies.

“Clear bagging goes almost back to buy-and-bill, but moves billing and payment to the front of the process, while securing reimbursement at known terms, usually with quicker turnaround. The provider processes the claim before the patient receives the drug,” says Rice. “This is beneficial to the payer because they receive the patient- and therapy-level detail for benefit investigation and prior authorization.”

With clear bagging, while the drug belongs to the health system pharmacy before a claim is processed, it enables the organization to retain inventory control with a just-in-time (JIT) inventory strategy. The approach minimizes waste because the medication is not allocated to the patient until he or she is ready to receive it. Having the drug available in-house eliminates treatment delays associated with mail order specialty pharmacies, potentially improving outcomes.

To determine whether clear bagging may be the right approach for your organization, create a list of your high-dollar, specialty medications and evaluate whether you have enough patient volume to support in-house specialty pharmacy dispensing capabilities. Also examine your internal and operational systems. For example, does your pharmacy have the ability to process claims and access pharmacy benefits managers?

### A seat at the table

When it comes to specialty medications, it’s important for health systems to understand the costs associated with high-priced drugs and whether they are taking on excessive liability associated with those drugs, and then act to change things. “Typically, payers are trying to pass as much of the specialty medication risk to the facility as possible,” adds Rice. “Health systems must take an active role in negotiating payer contracts and make sure the contract terms are favorable to the institution and its patients.”

To learn more about how Vizient can help your organization devise the optimal strategy for acquiring and [managing specialty medications](#), contact us today.

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