



**Board of Directors Special Meeting
February 12, 2025 4:15 p.m.
Location: Bandon Professional Center**

AGENDA

- I. Call to Order 4:15 p.m.**
 - 1. Agenda - Corrections or Additions.....(action)

- II. Consideration to increase in the original proposed budget for the Retail Pharmacy project at Southern Coos Hospital Health Center (SCHHC) from \$200,000 to \$303,000.....(action) 2**
 - For reference only: Original July 2024 proposal.....5

- III. Discussion - Open SCHD Board Position #4**

- IV. Open Discussion**

- V. Adjournment**



DATE: February 12, 2025
TO: Board of Directors
FROM: Antone J. Eek, CFO 
SUBJECT: SCHHC Retail Pharmacy – Increased Revised Budget

Recommended Action

I am requesting that the Board of Directors approve an increase in the original proposed budget for the Retail Pharmacy project at Southern Coos Hospital Health Center (SCHHC) from \$200,000 to \$303,000. This adjustment aligns with our organizational goals of expanding services to meet the growing needs of the community.

Background

On July 25, 2024, SCHHC Leadership presented a proposal to open a Retail Pharmacy to address community needs and support regional growth. The original budget request of \$200,000 was allocated as follows:

- Construction: \$60,000
- Cardinal Health Setup Program: \$90,000
- Equipment: \$20,000
- Contingency: \$30,000

However, due to increased labor, material, and other related costs, we are respectfully requesting an increase in the initial investment to accommodate these unforeseen expenses.

Proposal

I recommend that the SCHHC Board of Directors approve an increased budget of \$303,000 for the Retail Pharmacy project.

Summary

The Retail Pharmacy investment remains a valuable addition to SCHHC, not only enhancing community access to healthcare services but also creating a new revenue stream for the organization. The revised budget still ensures a strong return on investment (ROI) of 138.64%, with a projected positive Net Margin exceeding \$200,000 by Year 2.

New Proposed Budget:

Category	Original Board Proposed Budget	Vendor Estimate	Actual Spend
Construction	60,000.00	-	-
Cardinal Helath Setup Program	90,000.00	90,000.00	50,000.00
Equipment	20,000.00	-	-
Contingency	30,000.00	15,000.00	-
OHA Fees	-	4,000.00	3,880.00
Local Permitting	-	6,500.00	863.33
DEA	-	1,000.00	888.00
Board of Pharmacy	-	1,500.00	350.00
Construction Documents	-	14,000.00	11,596.00
Inline Construction Costs	-	75,000.00	-
Uniweb Costs (TBD)	-	45,000.00	-
Pharmacy Information System Software	-	15,000.00	-
InstaMed POS	-	1,000.00	-
Plumbing	-	2,000.00	-
Electrical	-	11,000.00	-
Air Balancing	-	2,000.00	-
Access Points for Doors	-	10,000.00	-
Equipment	-	10,000.00	-
Subtotal	200,000.00	303,000.00	67,577.33

UPDATED: 5 Year Budget Projection

	Year 1	Year 2	Year 3	Year 4	Year 5
Operational Budget					
% Growth		30%	25%	20%	15%
Volumes	10,539	13,701	17,126	20,551.38	23,634.09
Net Revenues	713,299.59	927,289	1,159,112	1,390,934.20	1,599,574.32
Staffing	236,146.67	236,146.67	236,146.67	236,146.67	236,146.67
Licensing and Compliance	10,080.00	2,000.00	2,000.00	2,000.00	2,000.00
Utilities and Overhead	45,276.00	45,276.00	45,276.00	45,276.00	45,276.00
Marketing and Outreach	20,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Inventory Costs (340B Pricing)	331,421.78	430,893.97	538,617.46	646,340.95	743,292.09
Total Operational Costs	642,924.44	724,316.63	832,040.12	939,763.61	1,036,714.76
Net Margin	70,375.14	202,972.83	327,071.71	451,170.58	562,859.57
Combined Year 1 Investment	945,924.44	724,316.63	832,040.12	939,763.61	1,036,714.76
Net Margin	(232,624.86)	202,972.83	327,071.71	451,170.58	562,859.57
Project ROI	138.64%				



DATE: July 25, 2024
TO: Board of Directors
FROM: Antone J. Eek, CFO 
SUBJECT: OP/IP Pharmacy Proposal: New Business Line – Expansion of Services

Recommended Action

Management recommends that the Board of Directors approve the business plan, and authorize the CEO and CFO to engage the professional planning and consultation services of Cardinal Health to (1) create an Out-Patient Pharmacy for Southern Coos Hospital and Health Center (SCHHC), to be located inside SCHHC's current Outpatient Clinic building, and (2) enhance and build additional pharmacist support for the hospital's inpatient pharmacy requirements.

The estimated initial investment (spend) to create the new outpatient pharmacy is \$200,000, broken down as follows:

Initial Spend (estimated):

- Construction: \$60,000
- Cardinal Health Setup Program: \$90,000
- Equipment: \$20,000
- Contingency: \$30,000

Revenue Projections:

- First Year Projected Net Revenue: \$713,300
- First Year Percent Net Income Margin: 14.0%

Staffing Costs (estimated):

- Total New Spend: \$330,000

Background

Outpatient Pharmacy Needs in Bandon

Outpatient pharmacy services in Bandon, Oregon are in short supply, and the continuing problem is expected to get worse before it gets better. The local community is currently served by 2 outpatient pharmacies. They are National Chain Retail Operator, Rite Aid, and the local Federally Qualified Health Center, Coast Community Health Center (CCHC). Both of these pharmacies have had their struggles during the past year, and neither of them is open on weekends.

As a critical access hospital, located in a rural community, and providing services to a high percentage of Medicare and Medicaid patients, Southern Coos Hospital & Health Center (SCHHC) qualifies for 340B pricing for pharmaceutical drugs. The reason is that this advantageous pricing is available to critical access hospitals and rural providers (including CCHC), is because the government wants to ensure that people living in rural, underserved areas will have access to local outpatient pharmacies.

- The major reason it makes sense for SCHHC to entertain the creation and operation of an outpatient pharmacy is because of 340B pricing of pharmaceuticals.

- A second reason it makes sense for SCHHC to create and operate our own outpatient pharmacy is because our CFO, Antone Eek, has previous experience opening and operating pharmacy services, including serving as the Director of Operations for Oregon Health Sciences Center (OHSU) Pharmacy Services, at one time.
- Our research has determined that a small outpatient pharmacy, located in our Outpatient Clinic Building, which serves the prescription needs of our hospital and clinic patients, as well as those of our employees, would bring in net revenue of \$713,300 in the first year.
- We would, of course, be open to the entire community and not only to our hospital/clinic patients and employees.

Inpatient Pharmacy Needs

At the present time, Southern Coos Hospital & Health Center (SCHHC) has its needs adequately met with a drug room that is operated by a full-time Registered Nurse and overseen by a part time Licensed Pharmacist. Our current set up is fine for our current needs, and our pharmacy team does a great job.

With the addition of an outpatient pharmacy, we would have an opportunity to enhance our current inpatient pharmacy services, due to the fact that we would have a full time Director of Pharmacy Services, which would give us more licensed pharmacist presence and oversight that we have right now. Here are some areas where we see potential benefit from this increased presence of pharmacist services in our hospital:

- Inpatient Pharmacy Oversight
 - Clinical Compliance
 - Discharge Planning
 - Pharmacy Therapeutics
 - Policies
 - Procedures
 - Compliance
- Supply Chain
 - Inventory Management / Control
 - Inventory Compliance
- Oregon Board of Pharmacy - Regulatory Oversight
- 340B Oversight
 - Policy
 - Compliance
 - Committee Chair
- Outpatient Pharmacy Operations / Oversight
 - Inventory Management / Control

Summary

A Southern Coos Hospital & Health Center (SCHHC) Outpatient Pharmacy service will (1) provide vitally necessary outpatient pharmacy services in our local community, and (2) will provide a new profit center for SCHHC that will aid our hospital to reach its overall goal of financial sustainability as an organization. Additionally, outpatient pharmacy revenue will help to fund an inpatient pharmacy platform to support clinical operations and compliance.

Attachments

- Cardinal Health Business Proposal
 - Turnkey Solution
- Outpatient / Retail Pharmacy Estimated Projections
 - Average of three estimates

Outpatient Pharmacy Projections

	SCHHC Projections				Nelco Advisory			Cardinal		Average Year 1 Projections
	Break Even	Conservative Proforma	Midpoint Proforma	Aggressive Proforma	Conservative Proforma	Midpoint Proforma	Aggressive Proforma	Midpoint Proforma	Aggressive Proforma	
% Capture	37.73%	25.00%	50.00%	75.00%		50.00%		50.00%	70.00%	
Rx Volume	6,634.88	4,396.25	8,792.50	13,188.75	6,415.00	9,952.00	14,501.00	12,873.00	16,592.00	10,539.17
Net Revenues	447,482.62	296,500.38	593,000.76	889,501.14	347,779.00	671,202.00	1,351,147.00	875,696.00	1,078,971.00	713,299.59
Expenses										
Labor	182,620.00	182,620.00	182,620.00	182,620.00	182,620.00	182,620.00	182,620.00	343,200.00	343,200.00	236,146.67
Supplies	214,462.62	142,102.16	284,204.33	426,306.49	175,930.00	284,472.00	468,723.00	425,589.00	524,380.00	331,421.78
Other Expenses	50,400.00	50,400.00	50,400.00	50,400.00	50,400.00	50,400.00	50,400.00	35,028.00	43,159.00	45,276.00
Total Expense	447,482.62	375,122.16	517,224.33	659,326.49	408,950.00	517,492.00	701,743.00	803,817.00	910,739.00	612,844.44
Net Income	-	(78,621.78)	75,776.43	230,174.65	(61,171.00)	153,710.00	649,404.00	71,879.00	168,232.00	100,455.14
Margin %	0.00%	-26.52%	12.78%	25.88%	-17.59%	22.90%	48.06%	8%	16%	14.08%
Ratios										
Net Rev/RX	67.44	67.44	67.44	67.44	54.21	67.44	93.18	68.03	65.03	67.68
Labor/RX	27.52	41.54	20.77	13.85	28.47	18.35	12.59	26.66	20.68	22.41
Supplies/RX	32.32	32.32	32.32	32.32	27.42	28.58	32.32	33.06	31.60	31.45
Other/RX	7.60	11.46	5.73	3.82	7.86	5.06	3.48	2.72	2.60	4.30

Notes:

1) Volume estimates are based on actual prescriptions from June 2023 to May 2024.

100% 127% 87% 74% 118% 77% 52% 92% 84% 86%



Custom outpatient opening support for Southern Coos Hospital & Health Center

Proposal summary prepared by

Michael Farnsworth
Executive Sales Director
July 18, 2024



Overview of services

The benefits of your on-site outpatient pharmacy solution

An on-site outpatient pharmacy is proven to be a valuable part of a hospital's strategy, improving patient care, expanding services to the community, and contributing to the health center's financial performance. However, pharmacies can be complex to operate. They require expertise in financial, legal, operational, and regulatory issues. Our goal is to help you successfully navigate the challenges of opening and operating your on-site pharmacy, so that your focus remains on your health center's mission of care.

Benefits to Southern Coos Hospital & Health Center include:

- We build relationships with your patients and health center's providers and share your organization's commitment to expanding quality care.
- Your on-site pharmacy allows you to optimize your participation in the 340B Drug Discount Program.
- Your on-site pharmacy will focus on quickly maximizing resources to help with additional patient services.
- Your high-performing on-site pharmacy will operate with the highest standards for productivity and safety. Our experts monitor and continuously address changing industry and compliance requirements on your behalf.
- Empower Southern Coos Hospital & Health Center to improve medication adherence among patients while driving revenue by implementing forward-thinking clinical initiatives to advance your mission and patient care
- Help Southern Coos Hospital & Health Center extend care, as physicians and nurses work together with pharmacists to reduce readmissions as a cohesive clinical care team
- Drive a powerful source of prescription revenue, while lowering your drug costs
- Reduce Southern Coos Hospital & Health Center employee drug benefit costs, while improving operational efficiency and ensuring regulatory compliance

At Cardinal Health, we understand that your health center exists to serve your patients. We share this commitment to patient care and are proud to partner with you to customize a solution tailored for your needs to expand your care into the community.

Opening service deliverables

- Consultant assigned to oversee pharmacy opening activities:
 - On-site visits if necessary
 - Oral reports on scheduled basis with customer
- Assist in development of the pharmacy floor plan and workflow design
- Facilitate sourcing of fixtures and shelving (availability to strategic partnership pricing)
- Facilitate selection of applicable service vendors:
 - Pharmacy dispensing software
 - Third-party administrator
 - Pharmacy wholesaler
 - Reverse distributor
 - Hazardous waste destruction
- Coordinate pharmacy dispensing software implementation
- Facilitate pharmacy 340B program implementation
- Assist in establishing hours of operation
- Ensure pharmacy security plans are compliant with regulatory requirements
- Facilitate state and federal licensing and onsite inspections
- Assist with enrolment with NPI, NCPDP, SI-GIS
- Assist with third party payer contracting and credentialing for PSAO and direct contracts
- Order and setup of initial pharmacy stock
- Facilitate development of a pharmacy marketing strategy

Financial drivers of value for Southern Coos Hospital & Health Center

Opening services: \$90,000 (\$10,000/month x 9 months)

- Plus travel pass-through for on-site support
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Meet your expert specialty pharmacy services team

Our experienced team members have more than 20 years' average tenure in the industry supporting 70 pharmacies in 19 states. We are ACHC - certified consultants and URAC accreditation experts.

Naveen Mansukhani

National Director of Outpatient Pharmacy Services and Community Health Center Pharmacy Operations Management

With 20 years of retail pharmacy management experience, including regional and national chains, Naveen leads Retail Pharmacy Services for Cardinal Health with oversight of 300 employees. Naveen has been with Cardinal Health for 11 years and serves as the business leader for Outpatient Pharmacy Services, Central Fill and Community Health Center Pharmacy.

Naveen began his career with Cardinal Health as an Outpatient Pharmacy Services account manager—developing a retail pharmacy strategy for a large health system in New Jersey. This included the management of its existing pharmacy while simultaneously building new locations and implementing a robust meds-to-beds program to assist high-risk patients with securing discharge medications. Naveen later assisted hospitals in the Northeast with developing similar programs, as well as supported Cardinal Health sales representatives with hands-on training on Outpatient Pharmacy Services offerings. Naveen then established the Cardinal Health offering for a pharmacy service model specific to federally qualified health centers (FQHCs) to increase on-site service offerings, improve physician-pharmacist collaboration to maximize clinical benefits in drug therapies, and to help maximize savings from the 340B program to reinvest into additional services. As part of the FQHC program, Naveen leads retail pharmacy operations for over 60 FQHC based pharmacies (ownership, management, consulting), including three regional managers. Naveen also has leadership responsibility over a central fill facility in southern California that serves fulfillment of prescriptions for 18 clinics in Los Angeles County.

Mark Bailey

Operations Director and ACHC Certified Consultant, PharmD

Mark oversees the planning, opening and operational oversight of outpatient pharmacies in acute care and community pharmacy settings, with nearly two decades of leadership and involvement in the outpatient and retail pharmacy industry. His experiences have ranged from managing high-volume retail pharmacies to complex bedside prescription discharge programs across multi-hospital health systems. Mark leads Cardinal Health™ Specialty Pharmacy Services and was integral to the development of its offering portfolio. Mark's visionary leadership is combined with expertise in workflow design and optimization, third-party reimbursement, prescription assistance program management, clinical pharmacy services and immunizations, medication reconciliation services and collaborating with multidisciplinary teams to leverage 340B savings.

Stefan Granito

Operations Director and ACHC Certified Consultant

Stefan serves as an operations director and subject matter expert for hospital-owned retail outpatient pharmacies.



He has responsibility for consulting and management of hospital outpatient pharmacies, as well as project management, pharmacy 340B implementation and pharmacy risk management. He joined Cardinal Health in 2001 and has served in numerous financial management positions, including his role as finance director for the new client Due Diligence team, project manager for hospital pharmacy consulting and as opening team manager for newly managed accounts. His financial services career includes experience in aviation, oil and gas and technology industries, as well as serving as a foreign service officer with the U.S. State Department. Stefan holds a Bachelor of Arts in politics from Princeton University, an MBA from the University of Florida and is ACHC-certified

Al Straiti

Operations Director

Al joined Cardinal Health in 2016 as an operations director and subject matter expert for hospital-owned retail outpatient pharmacies, with consulting and management responsibility of hospital outpatient pharmacies. With over 25 years of experience in retail pharmacy operations, marketing and administration, his areas of expertise include operations, pharmacy workflow, inventory management, labor management and expense management. Al earned his Bachelor of Science degree in pharmacy from Rutgers University and is a licensed pharmacist in New Jersey, New York and Georgia.

Michelle Blalock

Project Manager, PharmD

Michelle has over 20 years of operational and clinical pharmacy experience spanning from retail, community, ambulatory care and in patient practices. She joined Cardinal Health in 2021 as a pharmacy manager in a community health center specializing in pharmacy operations workflow optimization, 340B implementation and regulatory compliance. Prior, Michelle served as a regional operations coordinator with supervisory roles including budget management, implementation performance strategies and clinical initiatives. Her certifications include APha MTM, Diabetes Management and Immunization, CPR/BLS Instructor and NACDS Community Point of Care Testing. Michelle earned her PharmD from Mercer Southern School of Pharmacy and currently serves as a board member of AEP on Georgia Pharmacy Association.

Jennifer Almon

Director, Health System Pharmacy, Board Certified Geriatric Pharmacist (BCGP), PharmD

Jennifer oversees the planning and daily operations of MMS Solutions Pharmacy. She has led MMS Solutions Specialty Pharmacy for nearly eight years and was an integral part in obtaining MMS' specialty pharmacy accreditation through URAC. Jennifer has over two decades of leadership experience across multiple pharmacy segments including hospital ambulatory, mail order and hospital outpatient/on-site retail pharmacies. Her pharmacy experience has ranged from managing high-volume retail and community pharmacies to piloting a hospital bedside prescription discharge program. Jennifer's current practice is based in renal care pharmacy, but her experience spans many areas of pharmacy practice including pediatric pharmacy, geriatric pharmacy, non-sterile compounding, third-party reimbursement, clinical pharmacy management, medication reconciliation services, medication therapy management and collaborating with multidisciplinary teams in various aspects of patient care.

Confidentiality statement: The information contained in this proposal is confidential, and Southern Coos Hospital & Health Center will hold the information in confidence. Southern Coos Hospital & Health Center will not disclose the information in whole or in part to any other party without Cardinal Health's prior, specific written permission. Southern Coos Hospital & Health Center's receipt of the proposal and of Cardinal Health's presentation of it constitutes Southern Coos Hospital & Health Center's agreement to and acceptance of these confidentiality obligations.

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