Health Care Reform and its Implications for the Administrative Sciences

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Health care reform is not about health care so much as it focuses on the delivery and financing of health care. As such, health care reform is about the administrative sciences, as represented in the area of Pharmacy Administration—most of the issues addressed in our broad area of study are directly addressed and affected by health care reform initiatives. Because of this, I have chosen to address the field of the social and administrative sciences, a State of the Discipline address, if you will, rather than offer my version of the future.

In 1994, the main focus of attention in the administrative sciences is pharmacoeconomics. In the scramble toward pharmacoeconomics, several phenomena are occurring. The Boston Consulting Group has found that each year over 700 health economics studies are published, and each pharmaceutical company begins, on average, 23 new studies.1 That this area has gained importance is an understatement. In response, many academics are rushing to be included in the field. Suddenly we find colleagues with no background in economics are professing expertise. Manuscripts entitled Retail Pharmacy Profit Margins for Generic Drugs are being re-submitted by their authors as The Pharmacoeconomic Implications of Generic Substitution in the Retail Pharmacy Setting. And if the authors themselves aren’t doing so, journal editors are strongly suggesting such changes. Regardless of the source of the change, a pharmacy management article suddenly becomes a pharmacoeconomics article, and a new expert is created.

But as we rush toward pharmacoeconomics, we find that the health care market is not prepared. An examination of school of pharmacy curricula showed that pharmacists, generally, are not provided with the basic skills required to interpret pharmacoeconomic studies.2 Hospital pharmacy directors report that they feel they should evaluate economic studies, but they lack the necessary skills to perform and evaluate such work.3 To aggravate the situation, the published literature is filled with misinformation and misapplication of terms and techniques in pharmacoeconomics.4 It appears that the practitioners may be left behind in this rush toward economics.

The conflicts in pharmacoeconomics don’t end with the gap between academics and practitioners, however. Many colleges and pharmaceutical companies are searching for candidates with doctorates in pharmacoeconomics, although few, if any, such degree programs in fact exist. In attempting to turn this area into a specialty, we have lost sight of three issues:

1. Pharmacoeconomics is a set of pharmacy administration tools—not a separate discipline.
2. Pharmacoeconomics is a science, not a clinical skill. It is not appropriate for clinicians to perform economic studies without collaboration with individuals grounded in scientific processes and administrative sciences.
3. Pharmacoeconomics is about the search for improvements in health care, not about reductions in health care spending. Much work claimed to be pharmacoeconomics is simple cost-minimization analysis designed to simplify the pharmacy budgeting process, not at all related to economic analysis.

The state of the discipline also suffers from a lack of success in basic outcomes of education. Hospital pharmacy directors, the professional who hold the position that is the pinnacle of the pharmacy administration profession, acknowledge not only their lack of competence in the area of pharmacoeconomics, but in the field of pharmacy management. A recent study of pharmacy directors found that 92 percent were not satisfied with the administrative training the received in pharmacy school, and many have credited on-the-job training as the source of their administrative skills.

Perhaps the biggest problem facing the administrative sciences is the manic attention paid to cost containment. Due, in part, to the misuse of pharmacoeconomics and pharmacy directors lack of pharmacy administration skills, the cost crisis in health care has brought about dysfunctional responses from many in the administrative sciences.

Rather than examining appropriate use, the focus of much attention in pharmacy administration is on the reduction of use of pharmaceuticals. Not the review or evaluation of drug use, but a bias toward the minimization of drug use—a Drug Use Minimization Bias (DUMB) I offer this new acronym to my colleagues.

The movement toward DUMB devalues pharmacy, by forcing practitioners to focus on cost reduction within the pharmacy budget—leading to a situation where a profession perceived value is in reducing the use of the resources.
it is trained to manage. DUMB devalues pharmaceuticals, by communicating the impression that they are a cost to be controlled, rather than the greatest potential source of efficiency in the health care system.

By virtue of the manner in which it is approached, DUMB can result in higher costs, due to the service substitution effect, and reduced patient outcomes, through the same mechanism(4). Clearly, DUMB is not in the best interest of pharmacy, pharmaceuticals, patients, or the health care system as a whole.

The forces and activities mentioned above have also brought about a phenomenon I call weird science, which consists of published studies that devalue the administrative sciences for three reasons. First, there is a significant amount of social science research conducted by non-social scientists. In addition to economic studies performed by clinicians, we have attitudinal and organization studies performed by physicians, hospital administrators, and a multitude of others with no background in research instrument design or the vast body of knowledge available to describe and or explain many of the phenomena under study. Examples range from studies by physicians that find the marketing efforts of pharmaceutical studies actually do affect prescribing to other studies by clinicians that find that physicians claim to be less affected by marketing activities than by scientific journals(5).

The second type of weird science that devalues our field is the significant amount of research undertaken by individuals with adequate technical skills, but no background in the systems that they are investigating. Such research is common in the areas of pharmaceutical distribution and pricing, as well as management and administrative decision making. These individuals often practice procrustean research stretching or truncating an issue to fit their pre-conceived notions or to better fit their statistical methodologies. Examples include research that seeks to measure the use of relatively advanced management structures and techniques in hospital pharmacies without considering the lack of basic management training endemic in hospital pharmacy. Not surprisingly, such studies find that few hospital pharmacies have management changes only recently described in the business literature. Finally, tautology has seemingly become accepted, as it is not uncommon to find publications reporting such results as: pharmacists who accumulate high levels of continuing education credits find CE programs to be more helpful than those who do not accumulate high levels of CE credit.

These three problem areas can all be dealt with by the raising of standards and expectations in academic programs and in journals. Our failure to address these problems cost us all in terms of credibility—the sheer volume of poor or irrelevant research makes it difficult for the significant work to gain attention—Gresham’s Law at work.

To counter the problems addressed thus far, administrative scientists must:

1. **Play a greater role in health reform.** Those in our disciplines have greater knowledge of the issues directly to the key questions in reform than many of the parties and groups currently involved in the debate.
2. **We must refute much of the misinformation** that abounds on pharmacy, pharmaceuticals—actively questioning and critiquing such reports.
3. **We must challenge common knowledge,** such as the effectiveness of outpatient formularies in controlling costs.

4. **Most important, we must connect with practitioners,** to be sure our work is credible and, in the long run, has real utility in the practice of pharmacy and the delivery of health care.

Much of the work performed by those in the administrative sciences associated with pharmacy can be of great interest, and assistance, to a number of groups. Pharmaceutical companies, third party payers, and professional organizations can all benefit from the knowledge gained through our efforts. Government agencies and, most importantly, pharmacists in all settings, also stand to gain considerable benefit from the fruits of our labor.

Thus far, these groups have:

- **Brand-specific information** on marketing activities, with little information on the basic relationships between marketing inputs and results, and little sense of history of pharmaceutical markets because few comprehensive case studies have been compiled.
- **Agenda-oriented misinformation.** When a congressional or senate committee requests a report, the request is often accompanied by a statement of the desired findings. Staffers and too many academicians have been happy to respond with exactly what was requested. Pre-conceived notions and attitudes have driven much of the policy-oriented research, and it is past time to insert objectivity into the debate.
- **Faith in unproved approaches.** Somewhat related to the misinformation just addressed, too many in health care management and policy positions place their faith in ideas that have either been disproved or have not been proved to be effective. The prime example of this is the use of outpatient formularies. While the use of formularies in the inpatient setting can be shown to reduce pharmacy costs, mainly through reductions in inventory and administrative costs, the effectiveness of such restrictions in the outpatient setting has not been established and, in fact, may be counter-productive(6).

These groups have **no idea of what we are up to.** In many cases, the body of literature assembled by those involved in the social and administrative aspects of pharmacy goes unnoticed by those in the pharmaceutical industry, provider and payor organizations, and government. Partly due to the general lack of inquisitiveness in these areas, we must also bear the burden for not making our work better-known. But the opportunities made available to us in this reform-minded environment can overcome these problems of the past. There are several areas where our specific skills and areas of interest coincide with real needs in the marketplace of ideas. Among them are the following:

**Describing the Changes in the Rx Decision Making Process**

Third party influences, patients, and economics are all changing the way in which physicians and other prescribers are making decisions—but not necessarily in the way many people think. These processes, and their changing nature, need to be described. While it has been asserted that managed care is changing the way in which physicians prescribe, an analysis of data provided by IMS shows that, in most therapeutic classes, the managed care market and the unrestricted cash market are indistinguishable, in terms of the relative market share of the agents available. Chart 1 shows the market share, in total prescriptions, for calcium channel blockers in the cash and managed third party segments. No
differences exist between the two groups. Which, then, is affecting the other?

**Measure the Effects of Restrictions on Budgets and Outcomes**

Several studies have shown prescription co-payments to reduce drug utilization(7), but few, if any, have followed up with the next logical question: Was patient health affected? Other studies have shown unequivocally that restriction on prescription drugs have resulted in increased costs through service substitution(4). The unasked question that must follow the publication of this study: Was anybody listening? In the face of overwhelming evidence that patients and budgets both suffer when such restrictions are imposed, many rush to implement more restrictions because of the illusory savings for drug budgets.

**Measuring and Improving the Administrative Skills of Practitioners**

While several studies have investigated the use of management techniques and tools by pharmacists(8,9), and others have explored the work environment(10) relatively little has been done upgrade the skills of practitioners. Yet they do need assistance in this area.3 Practitioners in institutions have asked for specific help in the areas of personnel management, finance, marketing, and pharmacoeconomics. But let us not simply repackage materials from basic management texts, we must develop pharmacy-specific materials, to provide practitioners, who often lack the depth of knowledge in the background and theory of management, with the skills they need to manage and advance pharmacy.

**Develop and Test Systems to Advance and Promote Pharmacy and Pharmaceuticals**

The value of pharmacy and of pharmaceuticals has suffered and been discounted greatly as we have all allowed community pharmacy to become a business that focuses on price competition and pharmaceuticals have devolved into a cost to be controlled, instead of a resource that offers the most significant source of economic efficiency in health care.

The plain fact of the matter is that pharmacy and the pharmaceutical industry will sink or swim together. The traditional animosity must be overcome. Without one, the other is minimized and devalued. By allowing pharmacists to become the object of price competition, pharmacy has, effectively, surrendered much of the value of the profession and allowed persons with no pharmaceutical background to pass judgment on the value of pharmaceuticals and pharmacists.

In the rush to minimize drug use, we have all lost sight of the fact that appropriate use is in everyone’s best interest and while in some cases this will mean fewer medicines should be used, in many, when approached objectively, we will find that the tendency to undermedicate has resulted in costly consequences. The establishment and promotion of the value of pharmacy and pharmaceuticals is in everyone’s best interest.

**References**


Am. J. Pharm. Educ., 58, 414-416(1994); received 9/30/94.

**PHARMACY/INDUSTRY OPPORTUNITIES**

There are a number of areas in which schools of pharmacy and the pharmaceutical industry can and must collaborate. There is a great and growing need for basic research into the changes in relationships and process in prescription product selection. Studies that measure the link between promotional and product use are significant academic endeavors and valuable information to companies. This basic relationship has not yet been satisfactorily described, and every company and third party payor is interested in this information.

Another area of need that can result in industry/pharmacy school cooperation is in ongoing marketing research. Many companies are undergoing significant downsizing, even in their marketing research departments. At the same time, their need for information is growing. More marketing research departments are outsourcing research projects—and providing the resources necessary to perform analyses. Many Pharmacy Administration programs have faculty and graduate students that can offer assistance in this area.

A final area is in the joint development of cognitive and educational programs that enhance pharmacy and pharmaceuticals. These areas include:

- Pharmacy empowerment and intervention
- Patient-influenced decisions
- Basic practitioner training

The benefits of such programs and efforts include a better understanding of each other and a much greater appreciation of the value of pharmaceuticals and pharmaceutical care. This can lead to the promotion of pharmaceuticals as a positive aspect of health care that offers real efficiencies and a movement toward true reform of the health care system, rather than a bureaucratic juggling of the system.

The social and administrative sciences in pharmacy can direct and shape some major aspects of health care reform, but no one will ask us for our advice or assistance. Our knowledge and expertise in these areas is a well-kept secret. We need to let all the other players know that we are here with information, skills, and some of the answers they are seeking. It is up to us.