

Automation

Now? You've got to be kidding me

by Matt Mallinson, RPh

Automation can be expensive, so how can I rationalize it in the present economy? Now, more than ever, may actually be the best time. Let's evaluate.

We have always fought battles with the insurers, chains, credit card companies, discount card issuers, and everyone else that can figure a way to extract dollars out of our pharmacies. We do not expect that to change or get better. But we have survived. Our profession has always been a battlefield, so the national economy is just another skirmish.

While the economy certainly has slowed, not many pharmacies have seen a decrease in prescription volume that matches the percentage of decline of the nation's economy. There are a variety of professions that will survive through any recession. Fortunately, pharmacy is one of them. In my pharmacy, there are the same numbers of prescriptions to fill. Nationwide, the number of prescriptions seemed to be holding steady this summer. That is a good sign, as summer is not generally a strong season.



Remember, no matter what the economy does, it is **unlikely** that the number of prescriptions written will decline.

Analyzing the direction our government seems to be heading in the health care field, it's easy to foresee an increase in the number of prescriptions. By most counts, there are 46 million people in America without health insurance. If universal coverage comes to pass, we could see a huge increase in prescription volume. Couple this with the aging of the general population, and our future may be more favorable than one would think.

Yes, we will continue to fight for our share of the market. Yes, we will still battle the low reimbursement rates. But remember, no one wants to take less money for their services. Even the chains seem to be waking up to the reality of negative cash flow.

I am optimistic about the future of pharmacy. We will undoubtedly have the opportunity to fill more prescriptions. The profitability of each remains to be seen, but I am comfortable the profits will be available.

Many stores are successful with niche services, but we must remember the basis for our pharmacies—dispensing prescriptions. Do not stray from this. Some niches can be imitated by non-pharmacist competition, but

TECHNOLOGY TAX BENEFITS

Section 179 of the Internal Revenue Service Code was enacted to help small businesses by allowing them to take a depreciation deduction for certain assets (capital expenditures) in one year, instead of depreciating them over a longer period of time. Taking a deduction on an asset in its first year is called a "Section 179 deduction." The maximum section 179 deduction for qualified section 179 property placed in service in tax years that begin in 2008 was increased to \$250,000.

According to Jack Reamey, a certified public accountant with Boohaker, Schillaci and Company, P.C., in Birmingham, Alabama, who works with a number of independent pharmacies, the economic stimulus package signed into law earlier this year extended the \$250,000 deduction through 2009, with the threshold for reducing the deduction not starting until the taxpayer purchases of business equipment exceed \$800,000. (It was scheduled to drop to \$125,000 at Jan. 1, 2009.) The deduction applies to purchases of new or used property.

our profession is unique to us. This is our foundation, and should continue to be the focal point of our stores: medicines and patients. We know that we must dispense a certain volume to stay in business and need to look at ways to increase that volume without increasing costs. Freeing up pharmacist time to provide niche and more patient care services is a bonus. Investing in automation can open up those niche opportunities and increased revenue streams.

Pharmacy remains among the most trusted of any profession. Our customers rely on us to answer their health-related questions. One of our most distinguishing features is we spend the time to discuss their needs with them. Each pharmacy owner needs to evaluate the "what if"? What if your volume would increase by 30 percent? Would you still have the proper time needed to spend with your deserving customers? Could you afford and manage more employees? Are you willing to work harder and longer yourself? Can you go home at night and be sure that every prescription was filled properly? If you have serious doubts, I would highly encourage automation.

DOING THE NUMBERS

Now here's the big question: is automation financially feasible? Depending on a pharmacy's volume, the average cost to dispense a prescription in technician wages approaches \$4. Nationally, the overall cost of dispensing averaged \$10.50 in 2007. Most fully automated dispensing robots decrease the technician cost to about \$1. Typically a robotics system can pay for itself in about three years. Most dispensing machines on the market cost about the same as the wages for 1.5 technicians. Based on national averages, a robot costs the profit margin from only 9–12 prescriptions per day. Automation is an investment in your pharmacy's future, effectiveness, and efficiency. Automation pays for itself and allows the pharmacy's volume to increase dramatically, without adding extra employees. A robot—although not much fun—does not call in sick, ask for vacation, insurance, or pay raises. On the average, a three-year commitment increases the pharmacy's net worth by several hundred thousand dollars. A robot is a six figure asset.

Remember, no matter what the economy does, it is unlikely that the number of prescriptions written will decline. The baby boomers are increasing in number, and President Obama is pushing to provide insurance for a much larger percentage of the population. All of this indicates that we have the opportunity to dispense more prescriptions than ever before. Automation allows the pharmacist the time to do what they are trained to do, which is to take care of the patient like no one else can or will. Be ready.

NOW IS THE TIME

Now is the time to evaluate all of the options—robots, workflow systems, and current software programs that include marketing abilities. All these forms of automation save time, improve patient care, and potentially make you more money. I encourage careful evaluation of all systems on the market to determine which one is best for your situations. Talk to your colleagues. Talk to your accountant about the extended section 179 depreciation deduction. (See sidebar on previous page.) Read the journals. Visit the trade shows. Prescription automation is a large financial investment and should be carefully fitted to your needs. Some companies have backlogs, so, be patient and do not let any one company pressure you or offer you “a deal, if you sign now.” Be patient. I have also created a Web site (“Matt's Chat” www.mattsrx.com) where pharmacists can find out more about technology

FIND MORE TECH RESOURCES ON 'MATT'S CHAT'

Matt Mallinson, RPh, owner of Matt's Medicine Store in Independence, Missouri, has created Matt's Chat (www.mattsrx.com), a Web site where pharmacists can share ideas and opinions about both emerging and existing automated pharmacy technology. Mallinson says the site's purpose is to allow anyone interested in any form of pharmacy automation, from phone systems to robotics, to be able to ask questions, answer questions, and make statements or comments. Participants can share their experiences and compare different products all at one time.

Mallinson, NCPA's 2008 Prescription Drug Safety Award winner, has been a leading advocate of automated technology for community pharmacy. He has spoken on the automation panel for NCPA, has been featured in several pharmacy magazines (including *America's Pharmacist*), and has authored a number of automation-related articles.



and discuss various automation-related issues with their peers. (See sidebar above for more information.)

I contend that as an independent owner, you are faced with three choices—wait for retirement, sell your pharmacy, or automate. After carefully evaluating the market, analyzing the trends, and following the government's direction, I believe that the volume of prescriptions can do nothing but increase. For pharmacy owners who have not done so, I encourage them to seriously consider automating their business. Become educated with your options, as I am convinced that the only pharmacies remaining in business in the years to come will be fully automated.

Don't wait, automate. **ap**

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