Some hospital pharmacies have outsourced their outpatient dispensing; others are investigating the feasibility of doing so. What are the advantages? And, perhaps more importantly, what are the risks?

Outsourcing NHS pharmacy services: good or bad idea?

By Kate Towers, BPharm

How does the success of the Premier Inn chain relate to outsourcing hospital pharmacy services? Parallels were drawn by Mike Cross, a pharmacist and director of healthcare consultancy Hambledon Medical, at a Guild of Healthcare Pharmacists procurement and distribution interest group symposium (Birmingham, 9 June).

Speaking to the 350 attendees about outsourcing pharmacy services, specifically outpatient pharmacy dispensing, Mr Cross used Premier Inn’s business model to highlight what he sees as critical for pharmacy managers: to identify core business and focus on delivering it well.

Mr Cross attributes much of Premier Inn’s success to the fact that the business has a clear focus — providing a good night sleep at an affordable price.

“They have separated everything out, other than the delivery of that good night sleep. They are always focused on doing the minimum to give you a good night sleep. And do you know what — the Beefeaters are owned by the same [holding] company,” he said, pointing out that the businesses are run as separate companies allowing their focus — as well as any policies and procedures — to be highly specific.

“The market has proved time and time again that that focus helps, ultimately, to deliver better efficiency,” he said.

So how does this relate to pharmacy? Mr Cross has advised over 30 trusts on medicines management services and it is his view that pharmacy departments often try to do too much. “Some departments can’t do it all. Therefore, you need to remove peripheral business and focus on core business: medicines management,” he said.

The good

Mr Cross said that, in addition to allowing a department to focus on its core business, there are clear benefits for outsourcing. Since medicines supplied through community pharmacies are VAT-exempt (unlike medicines supplied in hospitals) outsourcing offers a pharmacy department cost savings. He also believes that, in most cases, outpatient pharmacy areas run by external providers often deliver an improved patient experience.

There are also potential economies of scale. For example, if a particular company provides outpatient pharmacy services to several hospitals, then it can become experienced and efficient at providing that service.

The bad

Although there are benefits associated with outsourcing, there are also risks. One major risk, Mr Cross explained, is losing control of the part of the business that is outsourced. He stressed the need to retain the capacity to oversee the work: “You can’t just throw it to one side and say ‘well that’s contracted out now so we don’t have to worry about it’. It’s just a different way of managing [it].”

A related risk is that the quality of the outsourced service might drop. However, Mr Cross believes that this should not be a problem if the provider is managed well.

And it seems there could be risks to the future of pharmacy services in your organisation. Mr Cross told the audience that there are strategic concerns associated with giving away part of the service, adding: “If you don’t compensate by increasing other roles and doing other things well, ultimately, you might . . . become less of a player [in the organisation].”

Consider all options

Hospital pharmacies across the country are weighing up their options. Guy’s and St Thomas’ NHS Foundation Trust is one of the latest to opt for outsourcing outpatient dispensing and, in this case, a proposed social enterprise made up of trust staff is in the process of bidding against private companies to provide the service (watch this space).

Mr Cross suggested that although outsourcing may not be the best strategy for every hospital pharmacy, all departments should, at least, consider it. Managers should identify their core business, assess their ability to deliver it and then weigh up the pros and cons of outsourcing their peripheral services.

In its quest to provide a high-quality service with greater efficiency, it appears that the NHS should be getting inspiration from businesses that are already doing so — champions of a good night sleep seem as good as any.