Explore Your Financing Options for Automation Systems

by Jimmy Neil

It’s no secret that technology provides a sound ROI for retail pharmacies. Successfully managing the complexities of your operations includes relying on technology solutions for operational excellence.

Pharmacy automation and dispensing technology can enhance reporting and reduce the burden of repetitive tasks for your staff. Automation has been a leading driver of change in the industry; however, investing in new systems can be challenging. Gathering information to make a sound financing decision is the first step in the process.

Determine Priorities

Developing a plan for growth that includes time-saving tools and access to management systems is essential in an innovative market. Every pharmacy — whether a startup or legacy business — has different needs at different stages of growth and transition. Defining your priorities is essential to mapping out a plan for strategic investments in process improvements.

The primary objectives of management automation systems are to save on labor costs, provide administrative efficiencies, and enhance reporting capabilities. Does your pharmacy need to add capacity? Is your goal to increase efficiency? Do you want to free up staff time to have more meaningful conversations with patients? Innovations such as robotics and inventory management systems accomplish these goals. Better yet, they can deliver a return on investment in a matter of months.

Pharmacy Automation Solutions to Consider

- Central-fill solutions, robotic dispensing, and adherence packaging: Automate up to 75% of your routine prescriptions.
- Business services: Move your business to a new level with inventory management, telepharmacy, workflow, adherence packaging, 340B management, and reporting systems.
- Point-of-sale (POS) systems: Simplify your transaction and reporting administration.
- Medication synchronization: Increase patient adherence and compliance with an integrated program that helps manage multiple scripts on a monthly basis.
- Compounding lab: Personalize patient care with fast-growing demand for customized solutions.
- LTC facilities: Expand business to high-volume, multibed healthcare providers.

Staff Time Savings

All automation equipment and management systems are designed to optimize staff for routine tasks. Ideally, these

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investments allow staff and pharmacists more patient time for additional care, including medication management, vaccination services, front-end sales, and specialty disease consultation.

With any process improvement initiative, consider the cost savings or demands associated with adding services, reducing staff time, or automating other previously hands-on tasks. Most manufacturers and service providers assist in determining best practices and estimates of savings through productivity improvements. For example, you may want to calculate savings based on employee time saved through automated prescription refills, telepharmacy, or inventory management tools.

According to Chain Drug Review, in a Mar. 13, 2012 article, when Rite Aid automated prescription dispensing, it reported saving 11% in labor costs after just 90 days. Pharmacy Times also cites decreased wait times — from 15 to 5 minutes — through successful automation in an October 2012 article. Staff time savings to this extent can open new avenues for your pharmacy. An extra 40 hours a week would allow staff to implement new programs and support sales. And ComputerTalk has been reporting on pharmacy adoption of robotics and the productivity benefits derived ever since robotic systems were introduced to pharmacy.

Purchase or Lease?

Once you have identified your automation objectives, options for financing your investment are varied. If you do not have sufficient reserves, weigh the pros and cons of purchasing versus leasing selected automation systems or equipment, as well as the tax ramifications.

Purchasing automation systems has many advantages, but consider leasing when a system is likely to require substantial upgrades over time. While hardware for a compounding lab or dispensing system may provide a 15- or 20-year lifespan, a front-end telemarketing or POS system may have a much shorter lifespan, with fast-changing upgrades and new applications entering the market at regular intervals. Nearly 95% of substantial automation equipment or systems investment costs are less than $350,000; however, high-level sterile labs and expanded services for larger, long-term care, or other multibed facilities can run to $1 million. As a result, most independent pharmacies require some level of financing.

One primary advantage with leasing is that an outdated product typically is returned to the manufacturer at the end of a lease term, and often you’ll have the option to buy the equipment or system for a small fee. You’ll also want to consider that you can deduct your lease payments as an operating expense from your taxes.

Your options for financing typically include lending directly through a manufacturer, a local financial institution, or banks that specialize in pharmacy lending. Direct loans through a manufacturer or wholesaler operate much like buying an automobile with a third-party lending institution. Using an established relationship with a local bank can help with traditional Small Business Administration loans, but these banks may not have a thorough understanding of the earning potential or intricacies of community pharmacies. Loans are usually built on standard fees and terms.

A bank specializing in small business loans for the pharmacy industry can often offer reduced fees, lower or no Small Business Administration loan fees, competitive interest rates, reduced collateral requirements, and, most importantly, a dedicated team of experts who fully understand the industry. Developing a relationship with such a bank could also prove beneficial as you continue to grow and require additional capital.

Tax Considerations

Whatever your financing choice, detailed consultation with a tax advisor is essential. Review the ramifications of lease-versus-purchase options, reinvestment of savings, and long-term advantages and disadvantages.

One primary consideration is the Section 179 depreciation deduction on an equipment purchase. For tax year 2016, you may elect to depreciate up to $500,000. If your federal and state tax bracket is 35%, this equates to a cash savings of $175,000. There could also be bonus depreciation and other deductions. For more details go to http://www.section179.org/section_179_deduction.html.

Plan for Change

Build a plan for growth to attract new streams of business and patients through investments that make sense for your community. Take advantage of your relationship with a lending institution that provides expert advice to help achieve patient-centered service goals with automation innovations or service expansion that fits your long-term plans for success. 

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