How to Cost Justify a New Pharmacy Residency Program

The information listed below will help assist a pharmacy department in cost justifying a pharmacy residency program. The list is not intended to be all-inclusive as there are many direct and indirect financial benefits of a residency program that may be pertinent at individual institutions.

1. Pass-through graduate medical education reimbursement for Medicare
   - Only for ASHP-accredited acute care PGY1 residency programs
   - Help off-set direct and indirect cost of residency program
     - Direct costs – salary, benefits, travel, dues / subscriptions, space, travel, computers, teaching time (Director, Assistant Director, Clinical Specialists), accreditation fees, recruiting
   - Must account for any grant support from outside organizations
   - If site doesn’t have medical residents, finance department may be unfamiliar with GME reimbursement
     - ASHP staff can assist
   - See attached sample calculations for residency reimbursement

2. Partner with School of Pharmacy
   - School may be able to provide grant money to offset travel, subscriptions, etc
   - School can provide additional rotation sites / academic experience
     - Help with recruiting
   - Offset school expense by requiring resident to lecture, precept students, etc.

3. Seek outside private funding / grants
   - Pharmaceutical companies – support may be difficult
   - Physician groups
   - Wholesaler

4. Staffing requirement for pharmacy resident
   - Determine annual hours for staffing requirement
     - Example – every other weekend and holiday = 416 hours
     - 416h x $40/hr = $16,640 staffing benefit
   - Help compensate for staff shortages
   - Allow more pharmacist time on day shift during week to provide clinical services
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5. New programs

- The resident may provide the human capital to begin new programs that improve quality and/or reduce costs.
- The resident will be required to complete a major project – make sure the project benefits the organization.
- Place a financial value on the project / programs the resident is involved with.
  i. Example – resident works with ID staff on ID rotation to develop an antimicrobial stewardship program to reduce the use of broad spectrum agents. Not only will this improve quality, but there should be a reduction in antibiotic expense per patient day.
  ii. Example – resident(s) develop an inpatient anticoagulation service and staff the service to meet the NPSG 3E requirements.
  iii. Example – additional rounding services on the floor. Increase in interventions.

6. Recruitment of new staff

- Residents may stay at the hospital where they trained – develop a pipeline for new staff with minimal recruiting and training costs.
- Outside candidates may be more attracted to working at a facility with a residency program.
- Residents will precept students – the more students through your facility the more free recruiting you can do.

7. Retention of staff

- Improved job satisfaction for pharmacists
- Residents generate new ideas / energy in the pharmacy
- Reduction in turnover – there is a value in this

8. Work directly with your CEO when starting a residency program

- Understand leadership, best practices
- May not be as concerned with the $$$$ as the CFO
- CEO’s want organization to be in an elite group – not every hospital has a residency (equate this to not every hospital has Magnet status for nursing)
- MD’s will appreciate the services provided by pharmacy residents – CEO will need to hear this

9. Go back to your hospital administration following the first year of the residency to demonstrate the financial value of the program!
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References


