

CONNECTING ABUNDANCE WITH NEED



ABUNDANCE — HOPE — NEED

The Dispensary of Hope is a non-profit organization dedicated to providing pharmacies and charitable clinics with reliable access to vital medication - generously donated by pharmaceutical manufacturers.

With our robust inventory of consistently available drugs, you can improve the health of your most vulnerable patients - those with low income and without prescription drug benefits.

Agenda

- 1) Review the strategic planning process used by Dispensary of Hope.
- 2) Review a real-use example

By the end of the call, you will...

Understand one organization's process to direct its work and resources toward a smart destination

Why Strategic Planning?

We envision a future where all of the medication serves all of the low income vulnerable people, is easily accessed, delivered with no errors, and with dignity.

(But since we do not have enough money to do that, we plan to be... strategic!)

Strategic Planning Elements

1. Define your mission and your vision
2. Assess the world around you (the market, competitors, customers, your environment, your resources)
3. SWOT
4. Define your goals and activities to get to that mission and vision (company wide, and then down into departments)
5. Organize the priorities of your goals into your financial priorities.

Strategy Development Calendar - 8 months

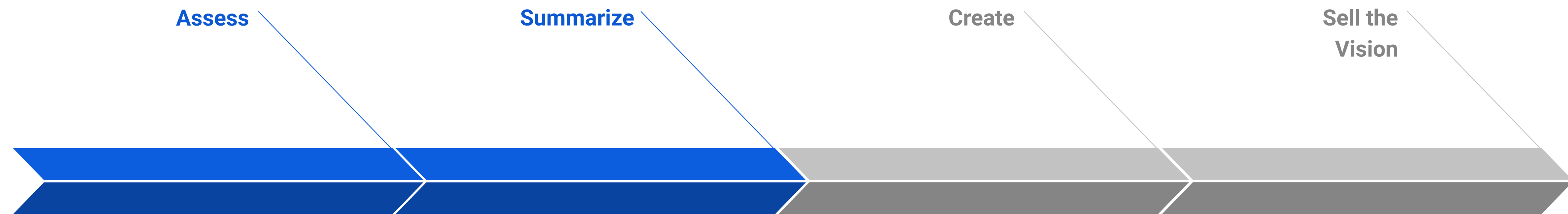
1. **Key Informant Interview Process (June to December)** – **Format:** Leadership to host open ended, exploratory conversations with internal and external partners on the nature of the DoH’s work, the environment in which DoH serves, and the future strategy of DoH. **Materials:** Strat Planning PPT. **Output:** LT-level summaries of perspective, to be integrated into the draft strategic plan draft.
2. **Fiscal Year in Review (September)** – **Format:** Department by Department presentation to all staff, addressing strategies, activities, and key learnings in previous year. **Materials:** Operating Plan. **Output:** Preparation in creativity and understanding for the next Strategic Plan
3. **Fiscal Year Ahead - Operating Plan Review Sessions (October & November)**– **Format:** (Operating Plan, and Budget) Presentation to staff addressing the key and most obvious strategies before the organization in the given year (Operating Plan) and the financial and priority choices being made to support those strategies (budget). **Materials:** FY20 Operating Plan/Budget. **Output:** Preparation in creativity and understanding for the FY20 Strategic Plan.
4. **Department Strategy Presentations – (October & November,)** **Format:** Small group presentations (1.5hrs) to each DoH Dept **Materials:** FY20 Operating Plan. **Output:** Department-level feedback and idea generation for the Strategic Plan draft
5. **Create Draft Strategic Plan KPIs, CSFs, and Proposed Goals (November)**
6. **Board Retreat (December)** **Materials:** Draft FY2020 Strategic Plan KPIs, CSFs, and Proposed Goals; Proposed renaming ideas. **Output:** Final Draft FY2020 Strategic Plan KPIs, CSFs, and Proposed Goals.
7. **Board Member Meetings (January)** – **Format:** Phone calls to review the suggested content of the Final Draft of the FY2020 Strategic Plan. **Materials:** Final Draft 2020 Strategic Plan **Output:** Ideas, changes, and suggestions for the final approved version.
8. **Approval of Final FY20 Strategic Plan (Feb 15, 2020)**

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The Building Process



Tools Used:

- 1) Key informant interviews
- 2) Team retreats
- 3) Board retreat
- 4) External conversations
- 5) Data
- 6) Feel! Prayer! Intuition! The heart!

Prioritization

The task is for the director to merge all of the ideas and feedback into two or three goals. (This is a great time to affirm team consensus)

Template

We will review that together, in a moment...

The Approval Process

The assessment, prioritization, and the vision should be pretty effective at “selling” the strategy, however, we used LT meetings, staff town halls, 1 on 1 meetings with board and stakeholders, and then a board vote.

The Documents - Overview

Strategic Plan

- 5 year horizon (however three year might have been more logical)
- Audience is semi confidential - funders, partners, donors, sites, board, staff
- Contents: vision meets outcomes, programs, and budget


Operating Plan

- 1 year horizon (published 4 months before the start of that year)
- Audience is confidential - funders, board, staff
- Contents: goals meets outcomes, budgets, departments, and activities

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Dispensary of Hope: Five-Year Strategic Plan

Millions of Americans cannot afford the medication they need to remain healthy and productive. Despite the progress made through the Affordable Care Act, as many as 30 million Americans could still be without access to affordable care by 2024. The Dispensary of Hope was established in Middle Tennessee in 2003 to provide access to essential medication for the low-income uninsured. The DoH has developed a solution that resolves two pervasive problems:

- First, lack of insurance and high out-of-pocket cost make essential medication unaffordable for the lowest-income, chronically ill Americans.
- Second, drug manufacturers regularly wish to serve the poor with inventory, but have few options to do so. The DoH collects and distributes these medications to patients who would otherwise go without, through clinics and pharmacies that dispense them for free.

The DoH is now planning to dramatically increase its distribution operation, from \$10.5 million in medicine in 2014 to \$76 million, wholesale acquisition cost (WAC), in 2020. When this ambitious plan is completed, the DoH will deliver a constant supply of free medication to tens of thousands of people every month and be financially self-sustaining.

Strategic Objective 1: Acquire a Consistent Supply of Essential Medicines Needed by the Uninsured

It is not enough to simply have large supplies of medication. The DoH must acquire *essential medicines*—high-demand drugs that treat the most common chronic and acute illnesses. The DoH's supply chain is designed to provide the right medication, in the proper packaging, with the right strength, free to the patient, and in an ongoing supply.

- **The Target:** By 2020, the DoH will deliver \$76 million (WAC) in medicines annually, up from \$10.5 million in 2014. From 2015 to 2020, the DoH will deliver almost \$220 million (WAC) of medicine.
- **The Partners:** medication donors currently offer medications to the DoH.
- **The Investment:** The DoH will invest in increasing access to essential medicines; inventory management; and facilities.

Strategic Objective 2: Expand the Dispensing Network across the United States by Focusing on Hospital Outpatient and Community Charitable Pharmacies

As the DoH increases its inventory, it must efficiently add new dispensing sites. The goal is to increase

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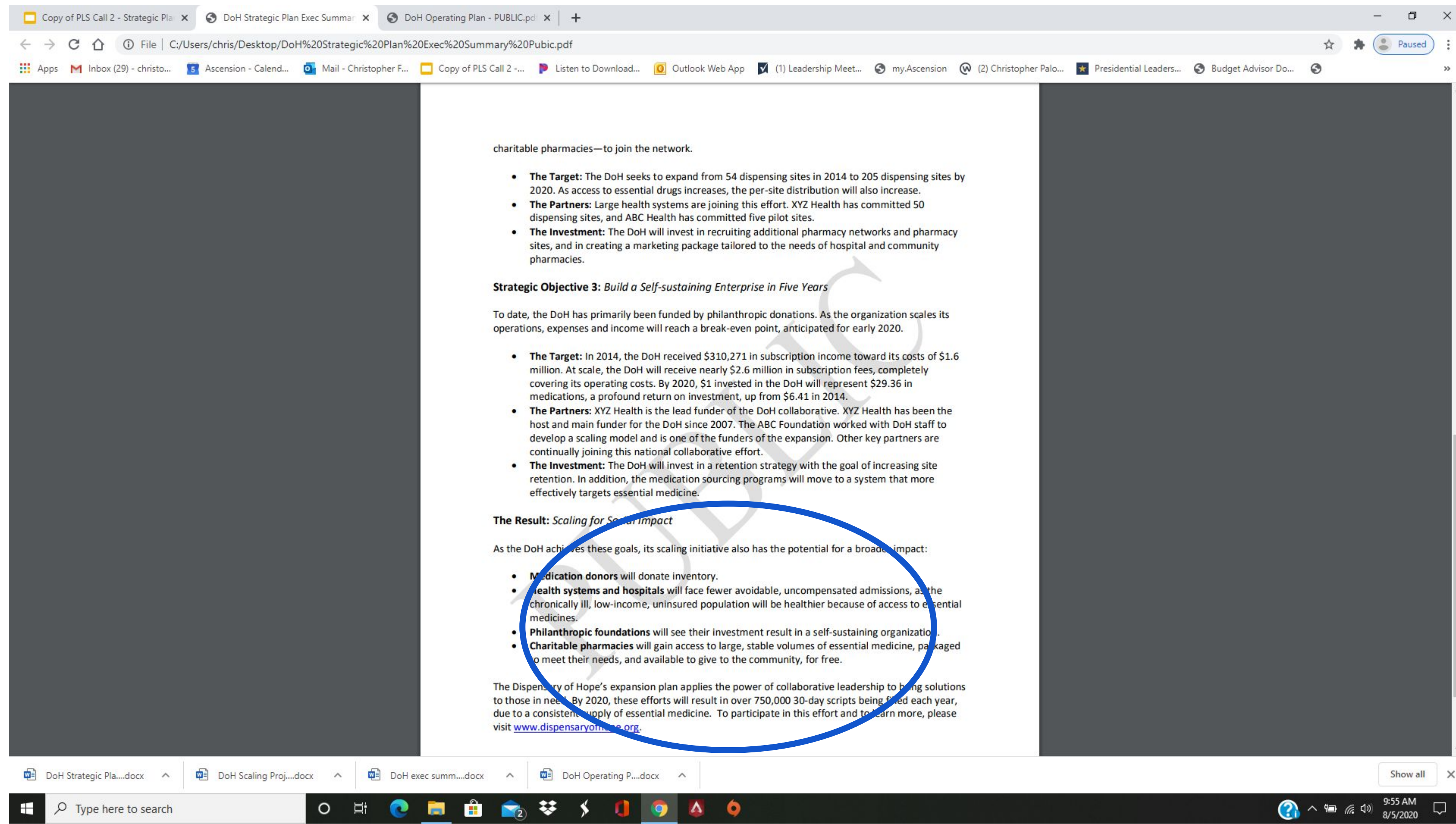
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Building Hope



Dispensary of Hope Operating Plan

Date: July 1st, 2015

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Dispensary of Hope - Operation Scaling Plan

Fiscal Year: 7/1/15 to 6/30/16
Baseline Performance was 2014 Calendar Year: 1/1/14 to 12/31/14

Deliver lots of good to the world...

Outcome 1: 229,253 thirty-day scripts dispensed by June 30, 2016

- Receive over \$83.2m in donated medicine (AWP).
- Target most needed meds - from 54% to 60% of DoH's Essential Medicine List
- Reduce destruction rate

...And keep delivering it!

Outcome 2: Earn over \$615,794 in subscription fees by June 30, 2016

- Maintain 62 dispensing sites at year's end
- Add 18 new sites
- Retain 90% of sites (5 to be lost during FY2016).

Key Performance Indicators

	Current Performance Baseline CY 2014: 1/1/14 to 12/31/14	Target Performance FY 2016: 7/1/15 to 6/30/16
Deliver medication to the poor	178,122 thirty-day fills	229,253 thirty-day fills
Scale up drug supply (volume and quality)	\$38.8m AWP Inbound 54% of DoH's Essential Medicine List	\$83.2m AWP Inbound 60% of DoH's Essential Medicine List
Scale up sales pipeline	100 Sales Prospect Sites	180 Sales Prospect Sites (Pipeline to be 10 times the number of sites expected to close)
Achieve earned income goal	\$310,271	\$615,794 6/30/16 Fiscal Year Achieve 23.38% of break-even sustainability
Scale up physical plant and staff	10,000 sq. ft. @ \$77,637 annually 13.6 FTE	Find most financially advantageous expansion option 19.6 FTE (plus 2.4FTE contract)
Best in Class Program Compliance		Begin Medical Surplus Recovery Network Accreditation
Deliver superior customer service experience		Retain 90% of sites (maximum of five to be lost during Fiscal Year)

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Project Area One – Sourcing Inbound Essential Medicine

Outcome 1: To achieve 229,253 thirty-day scripts dispensed by June 30, 2016

Requires:

- Receiving over \$83.2m AWP¹ - \$11.2 million branded, \$72 million generics.
- Focusing on the most needed medicine – up from 54% to 60% of DoH's Essential Medicine List.
- Ensuring \$23.5 (WAC) available for distribution to network.

Baseline – CY2014

- 1,122 thirty day scripts dispensed in CY2014
- \$38.8 million AWP: amount of medicine received in CY2014 – 76% from Manufacturers and 24% from Hope Boxes received from 1,100 physician practices.
- 54% of medicine received from DoH's Essential Medicine List – the medicine most tailored to dispensing site needs.

Key Activities for FY2016 (7/1/15-6/30/16)

- Hire an additional 1.1 FTE (\$78,688) to assist with the following activities.
 - Refine the DoH's Essential Medicine List to ensure the DoH is sourcing the medicine most needed by dispensing sites.
 - Process manufacturer donations, including ordering, packaging, and receipting.
- Retain existing manufacturers and recruit key manufacturers based on Essential Medicine List
- Retain donors
 - Secure \$72 million AWP of medication in fiscal year.
 - Target new manufacturers in fiscal year.
- Ensure focus on quality and adherence to regulatory environment.
 - Maintain 38 existing state licenses and relationships.
 - Attend NABP Annual meeting to expand relationships.
- Ensure MSRO Accreditation process to be completed in fiscal year 2017.

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Budget Sourcing (7-1-15 to 6-30-16)	Operating Expense	Expansion Expense	Description
Salaries Wages and Benefits	\$351,966	\$54,184	3.8 FTE – Chief Supply Chain Officer, AM Hope Box, AM Manufacturers, Practice Call Coordinator
Contract Labor	\$0	\$77,985	
Maintenance Repair and Other Expense	\$46,100	\$2,754	
Professional Services	\$5,336	\$16,400	
Public Relations and Marketing	\$5,531	4,250	
Rent	\$23,951	\$0	
Supplies	\$143,498	\$0	
Travel	\$19,390	\$29,064	½ of annual travel cost is included in expansion budget below
Utilities	\$58,008	\$0	\$51,964 of total is medication destruction cost
Subtotal costs:	\$364,007	\$184,637	
TOTAL:	\$548,644		

Critical Success Factors

- Securing the necessary skilled human resources to continue current level of service delivery while building scale.
- A supply of the most needed medicine and the ability to control that supply entering into the DoH inventory and, thus, reducing destruction costs.
- The necessary capacity – physical space and systems – to ensure continued 100% regulatory and best practice compliance.
- A growing dispensing network to match the supply.

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TOTAL:	\$545,610	\$181,603	

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Operations Projection - 7/15-6/16

	Clinics	Pharmacies	FQHCs	Total
Average Capacity	\$ 386,589	\$ 312,574	\$ 442,843	
Median Capacity	\$ 269,750	\$ 201,165	\$ 211,581	
# Access Sites June 2015	22	22	5	49
Net additional # of Sites		13		13
# Access Sites June 2016	22	35	5	62

Total Capacity (Based on Average)
\$21,568,805

Minus Average Inventory
\$16,558,758

\$ Meds Distributed (AWP)
\$ 28,275,714

-16.6%

\$ Meds Distributed (WAC)
\$ 23,581,945

TOTAL \$ MEDS DISTRIBUTED \$23,581,945

	Usable	Short-dated	Expired	Long Dated	Short Dated
	\$ 7,932,793	\$ 893,739	\$ 2,375,228	\$ 17,796,455	\$ 54,211,626

\$ Meds Donated

Category	Amount
Branded	\$ 11,201,760
Generics	\$ 72,008,081
Total	\$83,209,841

OVERHEAD COSTS	
Fixed Costs	
Staff	\$ 1,046,622
Professional Service	15,866
Public Relations	\$ 16,446
Travel/ Seminars/Education	\$ 56,625
Other Expenses & Maintenance	\$ 56,870
Total Fixed Costs	\$ 1,192,428
Variable Costs	
Rent (\$ Meds Donated > \$100mm, additional \$30k)	\$ 80,612
Utilities excl. Med Disposal (\$ Meds Donated > \$100mm, + \$20k)	\$ 17,974
Med Waste Disposal (Proportional to \$ Meds Destroyed)	\$ 51,964
Supplies (Freight is proportional to \$ Meds Distributed)	\$ 189,779
Total Variable Costs	\$ 340,329
Expansion Costs (nonrecurring, expan facility & expan staff)	\$ 972,344
Total Costs	\$ 2,505,101

TOTAL OVERHEAD COSTS \$2,505,101

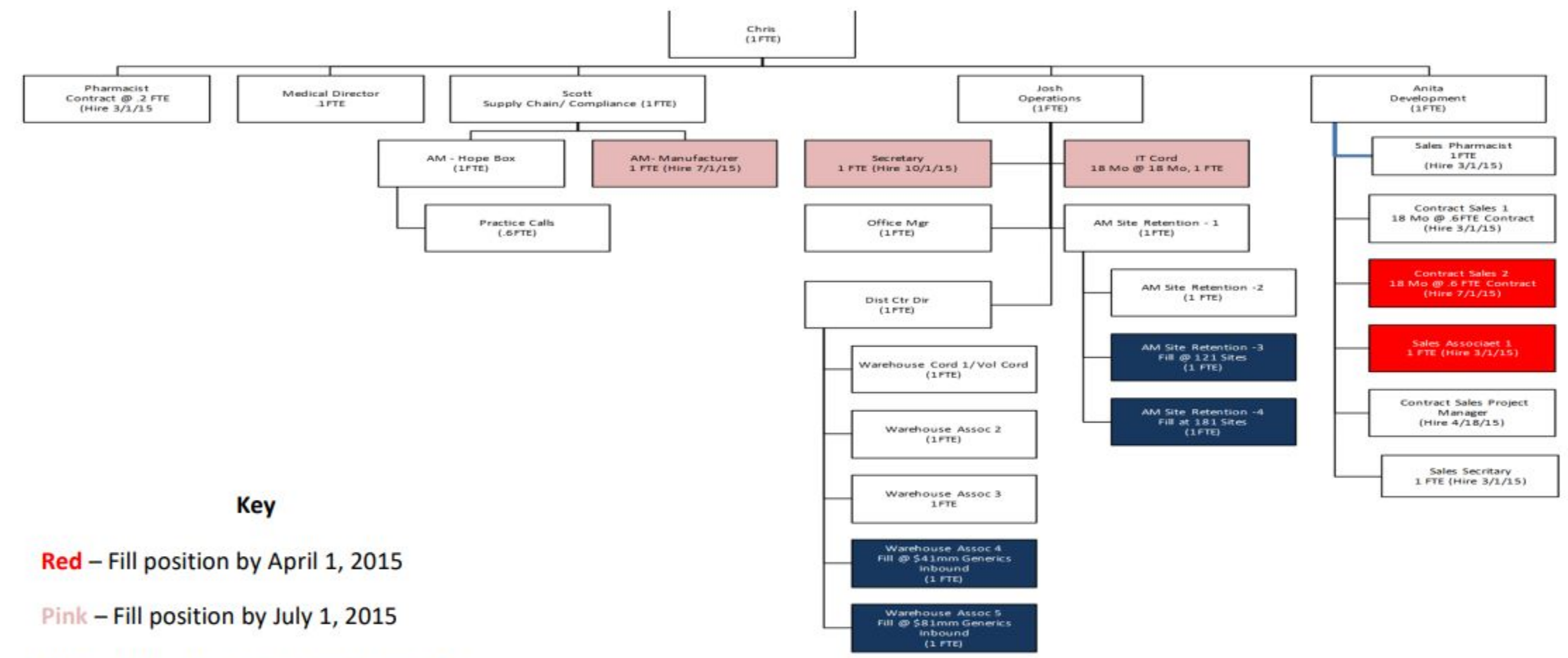
\$1 INVESTED LEADS TO \$9.41 OF MEDICINE DISTRIBUTED

INCOME	
SUBSCRIPTION FEES FROM ACCESS SITES	
Total Accounts Receivable	\$ 615,794
Philanthropic Investment	\$ 2,046,807
Total Overhead Costs	\$ 2,662,601
SURPLUS (DEFICIT)	(50)

GROWTH MODEL				
Fiscal Year	# Access Sites Secured	# Vaporized 10%-20%	Forecasted at Start of the Year	Forecasted at End of the Year
2016	18	Less than 10 sites	49	62
2017	22	Less than 12 sites	62	75
2018	42	Less than 8 sites	75	106
2019	60	Less than 11 sites	106	150
2020	78	Less than 15 sites	150	205

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Dispensary of Hope Org Chart



Key

- Red** – Fill position by April 1, 2015
- Pink** – Fill position by July 1, 2015
- Blue** – Fill position date is dependent on project milestones

Page



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Apps | Inbox (29) - christo... | Ascension - Calend... | Mail - Christopher F... | Copy of PLS Call 2 - ... | Listen to Download... | Outlook Web App | (1) Leadership Meet... | my.Ascension | (2) Christopher Palo... | Presidential Leaders... | Budget Advisor Do...

FY CASH FLOW

	Pre-Launch	7/15-6/16	7/16-6/17	7/17-6/18	7/18-6/19	7/19-6/20	TOTAL
\$ MEDICINE RECOVERED (WAC)	\$ 20,190,868	\$ 70,229,106	\$ 82,999,819	\$ 110,194,406	\$ 154,003,319	\$ 215,831,744	\$ 633,258,395
\$ MEDICINE DISPENSED (WAC)	\$ 6,779,809	\$ 23,581,945	\$ 28,185,818	\$ 37,989,532	\$ 53,782,750	\$ 76,072,046	\$ 219,612,092
SUBSCRIPTION FEES	\$ 230,021	\$ 615,794	803,894	\$ 1,202,169	\$ 1,818,526	\$ 2,597,570	\$ 7,267,974
ACCOUNTS RECEIVABLE	\$ 230,021	\$ 615,794	803,894	\$ 1,202,169	\$ 1,818,526	\$ 2,597,570	\$ 7,267,974
Philanthropic Startup Investment							
NON-OPERATING INCOME	\$ 698,791	\$ 2,046,807	\$ 1,395,387	\$ 994,772	\$ 558,293	\$ 163,800	\$ 5,857,849
Reoccurring Operating Costs	\$ 608,126	\$ 1,532,758	\$ 1,643,443	\$ 1,761,312	\$ 1,938,563	\$ 2,155,620	\$ 9,639,821
Expansion Costs							
Develop Formulary	\$ 31,500	\$ 33,600	\$ 22,500				\$ 87,600
Sales Team	92,160	474,272	\$ 371,289	\$ 343,800	\$ 343,800	\$ 343,800	\$ 1,969,122
Sales and Implementation Package	\$ 28,300	\$ 13,400	\$ 32,721				\$ 74,421
Manufacturer Network	\$ 72,258	\$ 80,209	\$ 37,500	\$ -			\$ 189,968
Warehouse Expansion	71,718	137,612	\$ 91,828	\$ 91,828	\$ 91,828	\$ 91,828	\$ 576,642
IT System	\$ 24,750	\$ 390,750					\$ 415,500
Total Expansion Costs	\$ 320,686	\$ 1,129,844	\$ 555,838	\$ 435,628	\$ 435,628	\$ 435,628	\$ 3,313,252
TOTAL COSTS	\$ 928,812	\$ 2,662,601	\$ 2,199,281	\$ 2,196,940	\$ 2,374,191	\$ 2,591,248	\$ 12,953,073
NET INCOME	\$ (0)	\$ (0)	\$ (0)	\$ 0	\$ 2,628	\$ 170,123	\$ 172,750

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DoH Strategic Pla...docx | DoH Scaling Proj...docx | DoH exec summ...docx | DoH Operating P...docx

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CONNECTING ABUNDANCE WITH NEED

Bibliography

Some books for further study...

- Tipping Point by Malcolm Gladwell
- Start with Why by Simon Sinek
- 7 Habits of Highly Effective People by Steven Covey
- Good to Great by Jim Collins
- Anything on the topic from Harvard Business Review

Questions?



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