In-office dispensing has become more prominent in dermatology practices across the country. While it has been the subject of conversation and controversy in the medical community for the better part of 30 years, physician dispensing can be convenient and beneficial for physicians and patients. Physicians can monitor each step of the prescribing and dispensing process, thus ensuring that patients are receiving what has been prescribed. Patients can benefit from the convenience of picking up prescriptions in the office.

Dispensing medications may therefore be well worth the investment for a customer-service-oriented physician interested in the business of dermatology as well as the practice of it. But while the notion of prescription dispensing has grown increasingly more attractive, many questions have been raised about the feasibility of the undertaking and its benefits. Experienced experts say the endeavor can be worthwhile—for the right physician and practice.

Who Can Do It?
The single most important consideration facing a dermatologist contemplating prescription dispensing is a critical question: Is it legal? Regulations for prescription dispensing vary widely from state to state. Some states explicitly forbid a physician from having controlling interest in a pharmacy, while others restrict physicians from establishing a pharmacy within the practice. Some states stipulate that a pharmacy may be adjacent to but not within the medical practice. In virtually every state that permits in-office prescription dispensing, drugs may be dispensed only by a registered pharmacist, meaning that the practice must hire one. The widespread notion that physician dispensing is simply illegal is not accurate; but the reality is that what’s permissible and what isn’t depends on where you are in the US. Check with your state’s board of pharmacy for information about local regulations.

According to Peter Kostka, President of MicroPharmacy Systems, “State pharmacy boards usually provide a series of guidelines including regulations and limitations regarding dispensing,” but these can sometimes be difficult to acquire or make sense of. Consider consulting a lawyer before delving fully into an in-office pharmacy.

It’s also important to keep in mind a regulation that is consistent across the country. “If a patient receives a prescription drug, the patient has to be first seen by a health care provider who can write prescriptions, not just by the aesthetician or nurse,” says Michael Gold, MD, founder of Gold Skin Care Center and Advanced Aesthetics MediSpa in Nashville and Assistant Clinical Professor at Vanderbilt University Medical Center. According to Dr. Gold, this and a variety of other details must be documented in the medical chart so that state regulatory officials may monitor patient and physician activity. Some strict states may require the physician to submit documents bi-weekly, according to Mr. Kostka.

A Context
Dermatology may stand apart from most other medical specialties when it comes to physician dispensing. The specialty has been relatively receptive to dispensing of non-prescription agents. According to Patricia K. Farris, MD, clinical assistant professor at Tulane University School of Medicine, the specialty presents a number of advantages when it comes to dispensing. “Dermatology is one of the more consumer-oriented specialties because it interfaces with individual consumer
products, which lends itself nicely to dispensing medical products in-office,” Dr. Farris says. “Since dermatologists are the authorities on skin care, they understand the chemistry of the different products on the market,” she notes, and it therefore makes sense that dermatologists offer them in the office.

Although cosmeceuticals and other over-the-counter therapies may provide physicians good opportunity to expand their business palette, not all physicians want to dispense. According to Dr. Gold, there are a number of reasons why many physicians aren’t interested in dispensing, not the least of which is the added burden associated with running a medical practice and a separate business for dispensing. “Although most dermatologists can dispense, I would suspect that those in the cosmetic realm would have an easier time selling these kinds of products,” says Dr. Gold.

The notion of prescription dispensing is very much related to the notion of cosmeceutical dispensing, and many of the same business planning and management principles guide each practice. With that in mind, it’s helpful to take a look at some important concepts in non-prescription dispensing.

When it comes to matters of inventory, finances, and market knowledge, physicians may feel intimidated by a lack of training in the field. Fortunately, there are tools that can assist physicians in their efforts, according to Mr. Kostka. MicroPharmacy is one of many companies offering technological solutions in the form of computer software that aids in the dispensing process (inventory control, ordering, labeling, etc.). “What we provide is a system by which the physician can organize their record-keeping, i.e. who wrote the prescription, when it was written, when and where it was dispensed, etc.” Mr. Kostka explains. Aside from streamlining the details of your dispensing business, many of these software programs also allow you to collect and analyze information on market trends and drug profitability and offer portfolio assistance.
The growing market for dispensing software/programs may indicate that in-office dispensing, including prescription dispensing, is on the rise. According to Dr. Gold, the landscape is more favorable today than ever before for dispensing. “Years ago there were many in our specialty who thought [dispensing] was totally wrong; debates at major meetings were common. Now, all of the major organizations (e.g. AAD, ASDS, ASPRS, ASPS, etc.) have guidelines on dispensing,” he notes. In Dr. Gold’s view, this growth can be mutually beneficial for patients and physicians and will benefit all of dermatology, so long that physicians dispense ethically and mindfully. A general example of unethical dispensing is when physicians tell patients that they must use Dr. X brand of something on their skin, because theirs is the best for what they are treating. “I always say, if you are ethical about dispensing, it is a win-win for all,” says Dr. Gold.

A Rationale
While cosmeceuticals are not the only therapies available to dispense, they are likely the easiest. Prescription dispensing is an option for many practices, but, unlike skincare dispensing, it is associated with a whirlwind of medicolegal and insurance considerations.

Whereas in some medical specialties prescription dispensing is altogether unnecessary and/or illegal, dermatology is in a unique position because it offers a whole category of therapies that Dr. Farris calls “lifestyle drugs.” Included in this category are hydroquinones, topical retinoids, and other specialty drugs, such as finasteride (Propecia, Merck). They aren’t heavy-duty formulations designed to treat life-threatening illnesses, but they are stronger than your typical OTC therapy, she notes. According to Dr. Farris, there aren’t many specialties with a whole category of drugs such as these. Nevertheless, these lifestyle drugs are subject to the same legal restrictions and regulations as any other prescription medication that a physician would want to dispense.

One of the most obvious reasons to consider dispensing prescription lifestyle drugs is that many of them are not covered by insurance policies, Dr. Farris notes. Since patients must pay out of pocket for them, dispensing physicians do not have to compete with the low cost of co-pays and can offer those therapies at a comparable price and in a more convenient atmosphere compared to the local pharmacy. According to Mr. Kostka, the changing environment of...

### Tips for Non-Prescription Dispensing

Several companies in the dermatology cosmeceutical market offer their services and medications exclusively to physicians, and Dr. Gold sees this as an advantage. The key to this relationship, he says, is mutual exposure. “I tell physicians interested in selling products to work with companies that will work with you and your practice. In other words, they need to help you promote the products and they need to be a presence in your office. All of these companies are pretty savvy in their business models and marketing strategies, so they should earn your business by helping you in the endeavor,” he says.

When setting out to establish your own program, watch out for several potential stumbling blocks, according to Dr. Gold. First, he stresses the importance of mapping a plan. “Having a thorough business plan and ideas on how this incorporates into your practice is the first step,” he notes. This includes having a strong knowledge of your base of patients, the kind of procedures you perform, and the local and national market for certain medications. “It is hard to be a predominantly acne practice and think you are going to be successful in selling anti-wrinkle creams. You need to know your market and your patient base and decide on products which fit these needs,” he observes.

Dr. Gold also suggests learning as much as possible about business in general. “You need to know about inventory controls and have an inventory plan in place. You don’t want too much product but you don’t want someone to come in and ask for x product and for you not to have it in stock, because they will go somewhere else,” he explains.
third-party reimbursements has assisted in the growth and continued rise of in-office prescription dispensing, since fewer drugs qualify for reimbursement. “Physicians are now bypassing the insurance model of dispensing, which has benefited prescription dispensing enormously,” he says.

Philosophies for Success

Establish a Niche. For the dermatologist who sees a benefit to prescription dispensing, is permitted by local regulations to dispense prescription agents, and chooses to pursue the undertaking, success comes down to matters of cost and insurance coverage, says Dr. Farris. Knowing which drugs to dispense and how to integrate them into your practice is key to executing a successful dispensing program.

Rather than advocate a more liberal approach to dispensing, Dr. Farris suggests that emphasizing lifestyle medications may be the touchstone of successful dispensing. As the category of lifestyle drugs expands, these various effective and well-studied prescription agents can be considered a class of medications intended for skin wellness that are a “step up” from most over-the-counter therapies. That may be the niche that dispensing physicians need to cite in order to combat managed care and legal challenges.

Anticipate the Challenges. Conceptually, prescription dispensing is a wonderful way for physicians to serve their patients, encourage therapeutic compliance, and improve revenues, while patients enjoy increased convenience and the opportunity to enjoy one-stop service from their dermatologist. Put into practice, however, the concept can become so greatly complicated that dispensing no longer is the streamlined, simplified system it could have been. Dr. Farris explains that there are multiple complications (apart from legal issues) that physicians can overcome so long as they anticipate them and are dedicated to success. Early and frequent consultation with lawyers and other practice advisors is crucial.

Avoid Generics. One of the central decisions in dispensing is whether you’ll dispense generic or brand-name medications. From a physician’s standpoint, it’s almost necessary to prescribe and dispense brand name drugs, simply because dermatologists cannot afford to compete with pharmacies when it comes to acquiring and selling generic drugs at a particular cost. “In those situations, the pharmacies will always win,” says Dr. Farris. For example, she notes that tretinoin, while fitting the description of a lifestyle drug, is actually very difficult to dispense because patients can acquire generic formulations for much less than the branded formulation’s price.

Reject the Pharmacy Model. It can be hard to predict what might be a good medication to dispense and what may
not. Dr. Gold therefore recommends moving away from the notion of “dermatology practice as mini-pharmacy.” Instead, he finds it more productive to try to distinguish services from those of pharmacies. “We cannot compete with some of the big pharmacies, nor should we want to,” Dr. Gold says. In fact, the qualities that separate in-office dispensing from pharmacy dispensing are what make it worthwhile: advantages are not always cost-based, rather, they allow a more smooth and convenient medical treatment model, which patients may value very much. Don’t expect patients to be willing to pay substantially more for your service, but if your prices are comparable, the list of other advantages may coerce them.

**Market Your Accuracy.** A benefit of in-office dispensing, according to Dr. Farris, is that it ensures accuracy. “When you dispense in your own office, you know that the patient will receive what you prescribed, which is not always the case with pharmacies,” she says. Observing that dermatologists rarely write prescriptions for generic drugs, Dr. Farris explains that some pharmacies substitute generic formulations—since generic drugs are cost much less to acquire and dispense—without notifying the doctor. Naturally, dermatologists become very frustrated when they hear of situations like this, but there is often little that they can do, since it happens on such a large scale.

**Be an Alternative.** Dr. Farris recognizes that in-office prescription dispensing can never be the dominant model for dispensing in dermatology or in overall medicine; part of the reason why this model may work is precisely because it is an alternative. Nevertheless, she suggests that the flaws of the dominant system may provide incentive to some dermatologists to provide a more effective, straightforward dispensing system for patients.

Apart from possible legal/licensing and insurance difficulties, Dr. Farris notes that the sheer competition may be enough of a barrier to frustrate some physicians enough to keep them away from dispensing. “Quite simply, patients are unwilling to spend more money for the sake of convenience,” she says.

**Mutual Benefit**

Prescription dispensing likely will not define your practice, but may rather be envisioned as a conjoint venture from which physicians and patients can benefit. The social and economic policies of healthcare typically do not encourage a physician to run a practice and a pharmacy. But, according to Dr. Farris, the nature of dermatology grants its practitioners an advantage. Physicians can approach prescription dispensing as an opportunity to fill the gap not only in the dis-affecting service model of large pharmacies but also in the product spectrum between over-the-counter skincare products and heavy-duty drugs.

Although she wishes she could recommend prescription dispensing to anyone, Dr. Farris admits that it may be extremely difficult to execute successfully. “Dispensing drugs could be potentially lucrative for dermatologists, but the combination of the pharmacy market and managed care makes it very difficult,” she says. Legal considerations and insurance conflicts make prescription dispensing cumbersome at times, but they don’t make it impossible, she maintains.

The most important point to consider, notes Dr. Farris, is that prescription dispensing requires the physician take on several more responsibilities than running a practice. In light of those added responsibilities, Dr. Gold reminds that it’s important to never lose focus of your duties as a physician. “We have to remember we are physicians first, dispensing doctors second,” he observes. 

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Conflicts of Interest?

Although some detractors say that dispensing poses a conflict of interests for the physician, there appears to be little data published on the matter. In fact, one of the most recent studies on this topic was published seven years ago! In that study, researchers surveyed physicians and patients regarding their attitudes about office-based dispensing, including prescription dispensing. They found that interaction between dispensing physicians and their patients is highlighted by trust and physician knowledge. Interestingly, results indicated that physicians considered ethical issues or conflicts of interest more disconcerting than did patients, who mostly found the limited choices of products the only great disadvantage.