

PITTSBURGH BUSINESS TIMES

COVER STORY

Specialty drug use, UPMC fuel Chartwell growth

BY ETHAN LOTT
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As home infusion and specialty pharmacy provider Chartwell Pennsylvania, LP has grown to become a billion-dollar company, CEO Kathleen Patrick said she is proudest that the company continues to satisfy its patients.

“As companies grow, sometimes you take your eye off the ball a little bit,” Patrick said. “We have continued patient satisfaction in the realm of 98 percent to 100 percent over this entire time period. We are holding our patients’ lives in our hands.”

Since 2013, Chartwell’s revenue has more than tripled. Between 2016 and 2017, it jumped 65 percent, reaching \$1.08 billion.

Two factors have fueled the company’s path toward reaching the billion-dollar revenue mark: as UPMC – which owns 87 percent of Chartwell (Butler Health System, Heritage Valley Health System and Washington Health System own the rest) – grows, Chartwell grows. And as specialty pharmaceutical use grows, Chartwell also grows.

In 2010, Chartwell, which had been a home infusion company since its inception 27 years ago, added specialty pharmacy to its mix. Previously, specialty pharmaceuticals had largely been injectables and other complicated products. But more recently, more and more products in the development pipeline have been specialty drugs in pill form for potentially debilitating diseases such as hepatitis C, multiple sclerosis, rheumatoid arthritis and ALS. Although in pill form, many of these drugs are high-dollar prescriptions – costing hundreds of thousands, even millions of dollars for a course of treatment.

Patrick said about 50 percent of the drugs currently in the new drug pipeline are classified as



JOE WOJCIK

Kathleen Patrick is the President of Chartwell Pennsylvania, LP, an infusion and specialty drug provider based in Kennedy Township.

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specialty, though they make up only 2 percent to 3 percent of all prescriptions. So as Chartwell expanded into the specialty pharmacy business, its revenue skyrocketed. About 75 percent of Chartwell’s revenue is now generated by specialty pharmacy products. At the bottom line level, though, the margins are very tight on specialty drugs and higher on home infusion.

Meanwhile, UPMC in recent years has expanded its footprint throughout Pennsylvania. Recent purchases put the regional health care giant in the Harrisburg and Williamsport markets, for instance.

“We follow the health plan because we are the preferred provider for the health plan,”

Patrick said. “As they grow, we grow.”

About 60 percent of Chartwell’s business is generated by its ownership. The rest comes from outside contracts, many of which it seeks out after UPMC’s geographic expansion puts it in a new area, such as Geisinger Health Plan, which became a client after UPMC Susquehanna in Williamsport came under the UPMC umbrella.

Heritage Valley Health System bought into Chartwell in May 2015, purchasing a 5 percent share after considering the investment for about six months. The health system realized that the growth of specialty pharmacy and the ongoing move to perform more and more infusion services in less clinical settings – first switching from inpatient to outpatient and then to home infusion – was growing the need for this service.

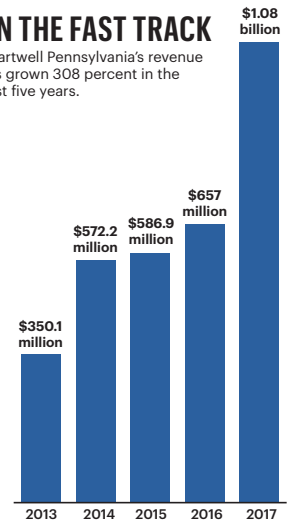
Bryan Randall, CFO of Heritage Valley Health System, said UPMC had reached out to community hospitals with an offer to invest in Chartwell.

“We realized it’s really taking care of the patient and the community,” Randall said. “What better example than home infusion. Hospitals can be a maze.

BY THE NUMBERS

ON THE FAST TRACK

Chartwell Pennsylvania’s revenue has grown 308 percent in the past five years.



It alleviates all those (concerns) and gives the patient the care in their own setting.”

Randall has watched Chartwell grow significantly in the three years since it invested. And the health system sees balance sheet benefits.

“In the past, it was something we didn’t provide,” Randall said. “Now, we can say we have an affiliation and they do a good job and the patient can choose. We get a share of the bottom line profitability. It does help us financially because our investment supplies a return for us.”

While specialty pharmacy can largely be handled remotely, home infusion requires personnel on the ground near patients.

For this reason, Chartwell is adding branches in Erie and Altoona, and Patrick expects it to expand into Harrisburg due to the UPMC Pinnacle purchase.

And as new offices open, Patrick said she will be keeping her eye on the ball, meaning the patients.

“We are very proud of the quality of service,” she said. “To me, that is more important than the financial piece of it.”