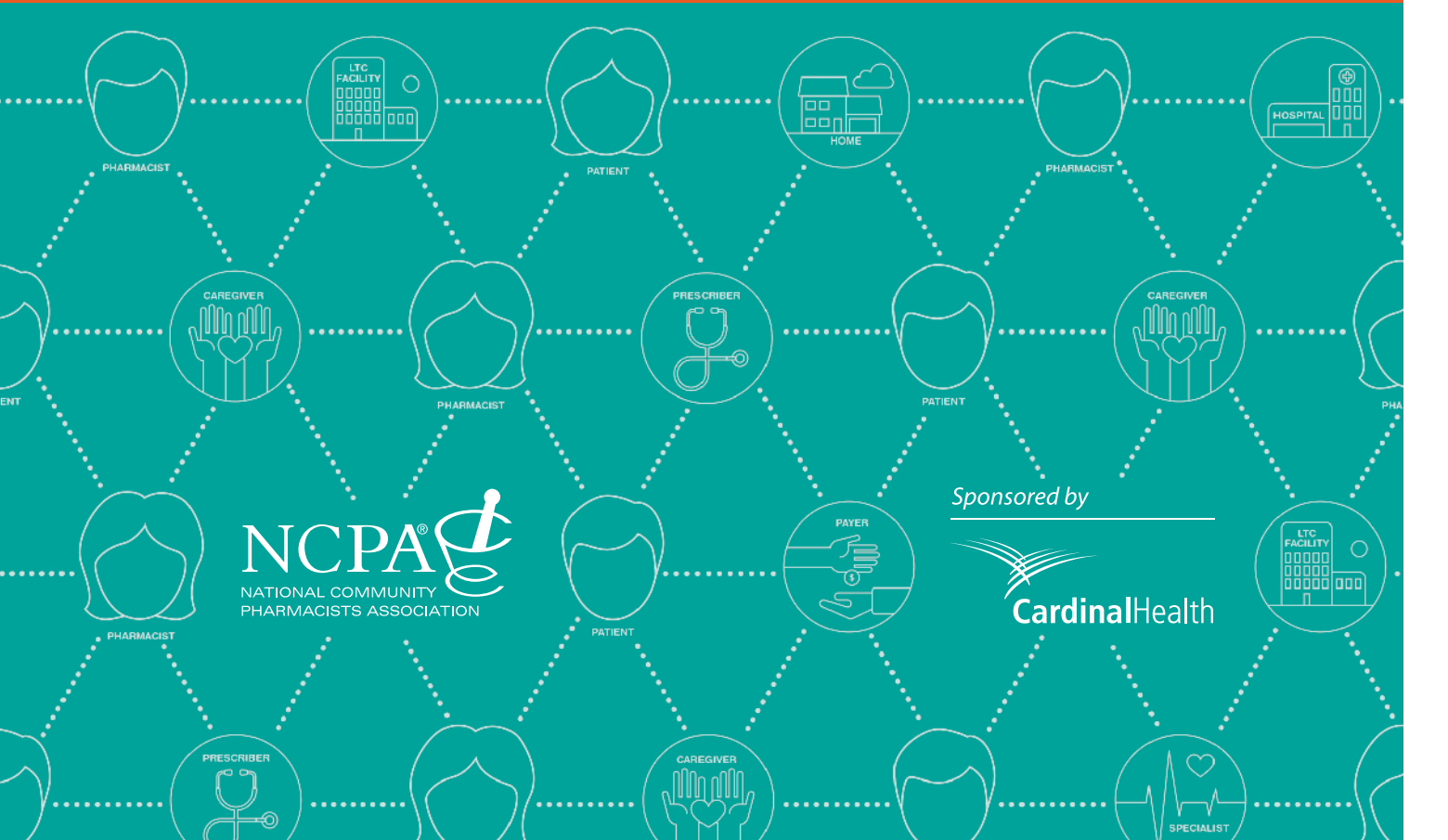


NCPA 2016 DIGEST

OPPORTUNITIES FOR COMMUNITY PHARMACY IN A CHANGING MARKET



NCPA[®]
 NATIONAL COMMUNITY
 PHARMACISTS ASSOCIATION

Sponsored by

CardinalHealth

NCPA DIGEST, SPONSORED BY CARDINAL HEALTH

NATIONAL COMMUNITY PHARMACISTS ASSOCIATION THE VOICE OF THE COMMUNITY PHARMACIST®

Project Director and Financial Editor
Leon Michos, PhD | NCPA Health Care Economist

Project Editor

Donna West-Strum, RPh, PhD | Professor, Department of Pharmacy Administration
University of Mississippi, Oxford, Mississippi

Creative

Robert Lewis | NCPA Creative/Design Director
Marianela Guinand | NCPA Design Manager

Contributors

Chris Linville | NCPA Director and Managing Editor, *America's Pharmacist*
Stephanie DuBois | NCPA Director, Marketing Communications
Alastair Hay | 2016 PharmD graduate from the Mercer University College of Pharmacy
Chuanyu Mu | 2017 Master of Science in Statistics Candidate,
George Washington University

The 2016 NCPA Digest, sponsored by Cardinal Health ("NCPA Digest") is © 2016 by the National Community Pharmacists Association. All rights reserved. NATIONAL COMMUNITY PHARMACISTS ASSOCIATION, NCPA, and all other names, logos, and icons identifying National Community Pharmacists Association and its programs, products, and services are proprietary trademarks of National Community Pharmacists Association, and any use of such marks without the express written permission of National Community Pharmacists Association is strictly prohibited. National Community Pharmacists Association provides you only with a revocable, limited, non-exclusive, nontransferable license to use the NCPA Digest and all information contained therein solely for your personal use. No part or derivative work of this publication may be reproduced or transmitted in any form, or by any means, electronic or mechanical, including photocopy, recording, database or any informational storage or retrieval system or put into a computer, without permission in writing from the National Community Pharmacists Association. National Community Pharmacists Association reserves all rights not expressly granted, and distribution or display of the NCPA Digest does not confer or grant any other rights.

UNLESS OTHERWISE EXPRESSLY AGREED IN WRITING BY NATIONAL COMMUNITY PHARMACISTS ASSOCIATION, THE NCPA DIGEST IS PROVIDED ON AN "AS-IS" BASIS, WITHOUT WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AND MAY INCLUDE ERRORS, OMISSIONS, OR OTHER INACCURACIES. YOU ASSUME THE SOLE RISK OF MAKING USE OF THE NCPA DIGEST. NATIONAL COMMUNITY PHARMACISTS ASSOCIATION SHALL HAVE NO RESPONSIBILITY OR LIABILITY WHATSOEVER FOR ANY PORTION OF THE NCPA DIGEST NOT CREATED OR OWNED BY NATIONAL COMMUNITY PHARMACISTS ASSOCIATION.

DEAR READER

The National Community Pharmacists Association (NCPA) and Cardinal Health are proud to present the *2016 NCPA Digest*. The *Digest* has been published since 1932 and although health care trends have changed since then, one thing hasn't: independent pharmacists care for both their patients and communities in ways that go beyond their traditional role as health care providers, and they are poised to integrate into the emerging value-based health care models.

Pharmacy owners realize that their success lies in the ability to maximize business efficiencies in the financial management of their business. Concurrently, collaborating with other health care providers in their communities to improve health outcomes and lower total health care costs is just as important. Successful pharmacies have embraced this shift and are taking steps to adopt a wide variety of services valued by payers—many of which independent pharmacies provide on a daily basis—to address gaps in care in their local communities.

The vast majority of independent community pharmacies are now offering medication synchronization services, with many employing the full appointment-based model of practice. These services are a fundamental building block for the enhanced services independent community pharmacies are providing in the increasingly value-driven health care market.

The data provided in the *NCPA Digest* demonstrates both the breadth of the services provided by independent community pharmacies to patients and the depth with which the pharmacist and staff engrain themselves in their communities. These small businesses not only impact their local

economy through job creation and generation of tax revenues, but they play a major role in their community through their civic contributions, all helping their communities thrive.

Cardinal Health has long been a strong supporter of independent community pharmacy, recognizing that independent pharmacists make a difference in the health care marketplace with the unique services they provide and the special position they hold in their communities. NCPA and Cardinal Health strive to provide these pharmacies with the services and tools to keep them competitive in the marketplace.

With the support of Cardinal Health, NCPA is pleased to provide the most comprehensive and useful information unique to independent pharmacy. The *2016 NCPA Digest*, sponsored by Cardinal Health, is your best resource throughout the year for the most pertinent business information on the independent marketplace.

Sincerely,



B. Douglas Hoey, RPh, MBA, CEO
National Community Pharmacists Association



Jon Giacomini, CEO
Pharmaceutical Segment
Cardinal Health

Table of Contents

| | |
|---|----|
| Foreword | 4 |
| Executive Summary | 5 |
| Methodology | 8 |
| The Independent Community Pharmacy Marketplace | 9 |
| Pharmacists as Health Care Providers | 13 |
| Interactions With Other Health Care Professionals | 16 |
| Technology Trends | 18 |
| Third-Party Prescriptions | 19 |
| Profiles | 22 |

FIGURES

| | |
|--|----|
| 1. Average Annual Sales (In Thousands) Per Pharmacy Location, 10-Year Trend | 6 |
| 2. Pharmacy Practice Setting | 9 |
| 3. 2015 Retail Pharmacies by State | 10 |
| 4. Average Hourly Wages | 12 |
| 5. Benefits from Implementing Medication Synchronization | 13 |
| 6. Emerging Models: Enhanced Services Pharmacies | 14 |
| 7. Summary of Patient Care Services Offered | 14 |
| 8. Summary of Disease State Management Services | 15 |
| 9. Pharmacist Interactions With Other Health Care Professionals-Discussion With Physician or Other Health Care Professional Regarding Patient's Drug Therapy | 16 |
| 10. Pharmacist Interactions With Other Health Care Professionals-Percentage of Pharmacists Offering Recommendation for Brand to Generic Drug Change | 17 |
| 11. Pharmacist Interactions With Other Health Care Professionals-Percentage of Pharmacists Offering Recommendation for Therapeutic Interchange | 17 |
| 12. Percentage of Pharmacies Utilizing Workflow Technology | 18 |
| 13. Full-Line Independent Community Pharmacies..... | 20 |
| 14. Community Involvement Infographic | 21 |



TABLES

1. Independent Pharmacy at a Glance..... 5
2. Averages of Pharmacy Operations, 10-Year Trend..... 7
3. Pharmacy Staff Positions 9
4. Percentage of Generic Prescriptions Dispensed 12
5. Medication Therapy Management in Independent Community Pharmacy 13
6. Social Media (2015)..... 18
7. Summary of Third-Party Prescription Activity, 5-Year Trend..... 19



Foreword

The annual *NCPA Digest*, sponsored by Cardinal Health, provides an extensive look at the state of independent community pharmacy. These pharmacies are the cornerstone of their communities. Beyond dispensing prescriptions, the modern independent community pharmacy is engaged in providing a diversified array of services that meet the needs of their local patient population. This comprehensive report provides an industrywide view into the contributions independent community pharmacies are making to improve health and at the same time lower total health care costs.

This year's *Digest* provides an in-depth look into the \$81.5 billion marketplace that independent community pharmacy represents. For over 80 years, the *Digest* has provided an inside look to measure industry trends and provide benchmarking information. This year's publication follows an easy-to-use format that includes information regarding:

- The marketplace. Information regarding employment trends among pharmacists and technicians, the number of retail pharmacies nationally, as well as pharmacist interactions with physicians.
- Patient care services. Charts that provide information about the services offered by independent community pharmacies, including medication adherence.
- Technology trends. Information about trends in technology resulting from independent community pharmacies finding new and innovative ways to increase their productivity and differentiate themselves from their competition.
- Third-party prescriptions. Statistics about third-party prescription activity including Medicare Part D.

The *NCPA Digest*, sponsored by Cardinal Health, could not be published without the cooperation of hundreds of independent community pharmacies that confidentially completed the *Digest* survey. NCPA and Cardinal Health would like to thank those that provided financial data to make this year's *Digest* possible. Data for the *NCPA Digest*, sponsored by Cardinal Health, are obtained via fax and through electronic surveys sent to independent community pharmacies across the United States. Survey data are compiled and analyzed by NCPA, and the results are assessed for accuracy by the researchers at the University of Mississippi. The *Digest* is provided through the financial support of Cardinal Health.



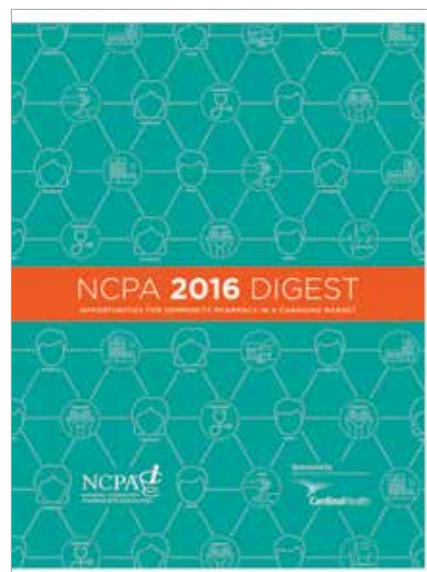
Executive Summary

The *NCPA Digest*, sponsored by Cardinal Health, provides an annual overview of independent community pharmacy, including a comprehensive review of the financial operations of the nation's independent community pharmacies for 2015.

In 2015 independent community pharmacy represented an \$81.5 billion marketplace, with 92 percent of sales for independents derived from prescription drugs. Net margins on prescription drugs continue to be slim due to third-party payer and government contracts that in some cases reimburse below acquisition cost. Independent pharmacies are responding to low reimbursements by expanding their operations to include patient care services and products and by developing more efficient dispensing models.

The number of independent pharmacies has declined from 22,478 to 22,160 (Figure 2, page 9). Combined, these 22,160 pharmacies employ over 220,000 full-time equivalent workers, helping to stimulate local economies, paying state and local taxes, and providing high quality services that make a difference in the daily lives of patients. An overview of the average independent community pharmacy is provided in Table 1.

In general, the average independent community pharmacy location dispensed 60,493 prescriptions (194 per day) in 2015, a slight decrease from the 61,568 prescriptions dispensed in 2014. Mandatory mail order,



including steering those patients taking specialty medications, and preferred networks most commonly in Medicare Part D may have contributed to the decline in prescription volume in these independent pharmacies.

Many independents continue to operate multiple pharmacies. Twenty-seven percent of independent community pharmacy owners have ownership in two or more pharmacies, and the average number of pharmacies in which each independent owner has ownership is 1.79.

Data for the *Digest* have been collected for over 80 years, providing the opportunity to look at long-term trends for independent community pharmacies. For the last 10 years, gross margins as a percentage of sales have remained relatively flat at 22 to 24 percent. However, below-cost reimbursement and unpredictable DIR fees in Medicare Part D, combined with other marketplace pressures, could have a profound impact on future gross margins.

Table 1: Independent Pharmacy at a Glance

| Year | 2015 |
|--|------|
| Average Number of Pharmacies in Which Each Independent Owner Has Ownership | 1.79 |

| Average Number of Prescriptions Dispensed Per Pharmacy Location | |
|---|----------------------|
| New Prescriptions | 29,532 (49%) |
| Renewed Prescriptions | 30,961 (51%) |
| Total Prescriptions | 60,493 (100%) |
| Average Prescription Charge | \$56.37 |

| Percentage of Total Prescriptions Covered By | |
|---|-----|
| Government Programs (Medicaid or Medicare Part D) | 52% |
| Other Third-Party Programs | 39% |
| Percentage of Generic Prescriptions Dispensed | 82% |



Figure 1 and Table 2 show the recent financial trends:

- Average sales in 2015 per location were \$3,677,638, similar to 2014.
- Gross margin remained relatively stable at 22.3 percent.
- Payroll expenses, as a percentage of sales, decreased from 13.0 percent in 2014 to 12.8 percent in 2015.

It is important to note that this year's *Digest* data reflect the marketplace in 2015, the tenth year for the Medicare Part D prescription drug benefit. The Medicare Part D benefit continues to grow, and state Medicaid programs are remaining stable in enrollment. In 2015, 35 percent and 17 percent of prescriptions in independent community pharmacies were covered by Medicare Part D and Medicaid, respectively. These government programs continued to account for more than half of all prescriptions sold in independent community pharmacies (Table 1 and Table 7. See pages 5 and 19, respectively).

In 2015 independent community pharmacies continued to lead the way in innovations that define the future of pharmacy practice. As Medicare Part D plans and other payers focus on quality of medication use, independent community pharmacists are providing the patient care services to ensure optimal medication outcomes. Community pharmacists are accessible and have the expertise to manage drug therapies. Community pharmacists are finding ways to be part of health care teams and facilitate transitions of care as patients move between care settings. They are also utilizing newer technologies and social media in their business operations.

- Eighty-two percent of *Digest* pharmacies are offering some type of medication adherence program. Improving medication adherence aligns the interest of patients, payers, pharmacists, and plans.
- Independent community pharmacists consult with physicians 9.7 times daily on prescription drug therapy.

Figure 1: Average Annual Sales (in Thousands) Per Pharmacy Location, 10-Year Trend

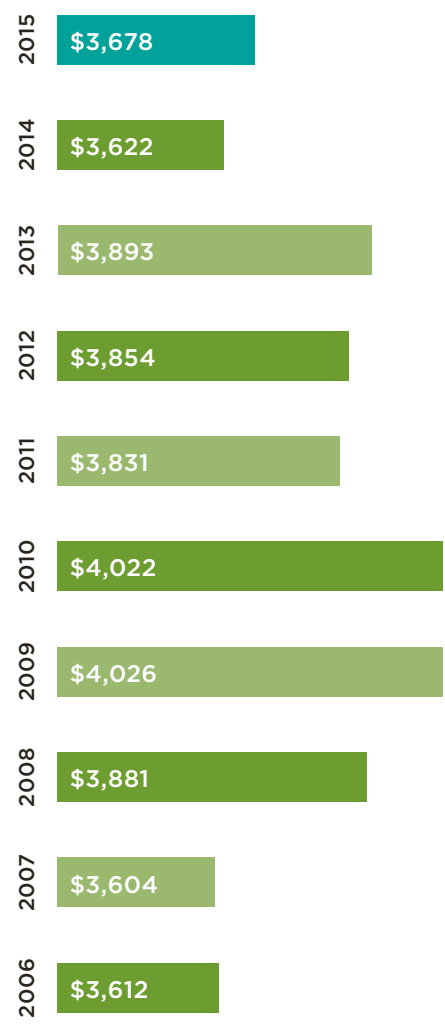


Table 2: Averages of Pharmacy Operations, 10-Year Trend

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Sales | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Cost of Goods Sold | 77.2% | 76.8% | 76.8% | 76.2% | 76.0% | 77.1% | 76.8% | 76.7% | 77.1% | 77.7% |
| Gross Profit | 22.8% | 23.2% | 23.2% | 23.8% | 24.0% | 22.9% | 23.2% | 23.3% | 22.9% | 22.3% |
| Payroll Expenses | 13.6% | 13.7% | 13.5% | 14.1% | 14.5% | 13.4% | 13.7% | 13.4% | 13.0% | 12.8% |



This includes generic product recommendations and therapeutic interchange recommendations. Physicians in turn accept pharmacists' generic product recommendations 95 percent of the time and 80 percent of the time for other therapeutic recommendations, providing evidence of the important role pharmacists are playing as part of the health care team (Figures 9-11, pages 16-17).

- Sixty-two percent of Digest pharmacies have a mobile app, 48 percent have mobile commerce/signature capture, and 87 percent have a Facebook page to interact with their patients and customers (Table 6 and Figure 12, page 18).

Independent community pharmacists have proven throughout the years that they are resilient and will modify and reinvent their practices to adapt to economic challenges. They will continue to define the future of pharmacy by timely innovation and exceptional customer service. Most important, they continue to be vital health care providers to patients and dynamic leaders in communities of all sizes, including key locations in rural and underserved areas.

Methodology

Independent community pharmacy owners, having completed at least one entire year of operations, were invited to participate in this study. Pharmacy owners or their designees were asked to complete the surveys. NCPA has exercised the utmost professional care in compiling the information received. While we have tested the information for clerical accuracy, the data supplied were not necessarily based on audited financial statements. NCPA does not make any assurances, representations, or warranties with respect to the data upon which the contents of this report were based. The information which the 2015 portion of the study is based was from the calendar year of Jan. 1, 2015 through Dec. 31, 2015. Results from prior issues of the *Digest* have been incorporated with the 2015 results to facilitate assessing industry trends.



The Independent Community Pharmacy Marketplace



Independent community pharmacies are all privately held small businesses, but they vary in organization. They include single and multiple store operations, regional chains, and franchises. At the end of 2015, there were 22,160 independent community pharmacies, a slight decrease from 22,478 independent pharmacies in 2014. Independent community pharmacy continues to represent a significant portion of pharmacies in the United States (Figure 2).

Figure 2: Pharmacy Practice Settings

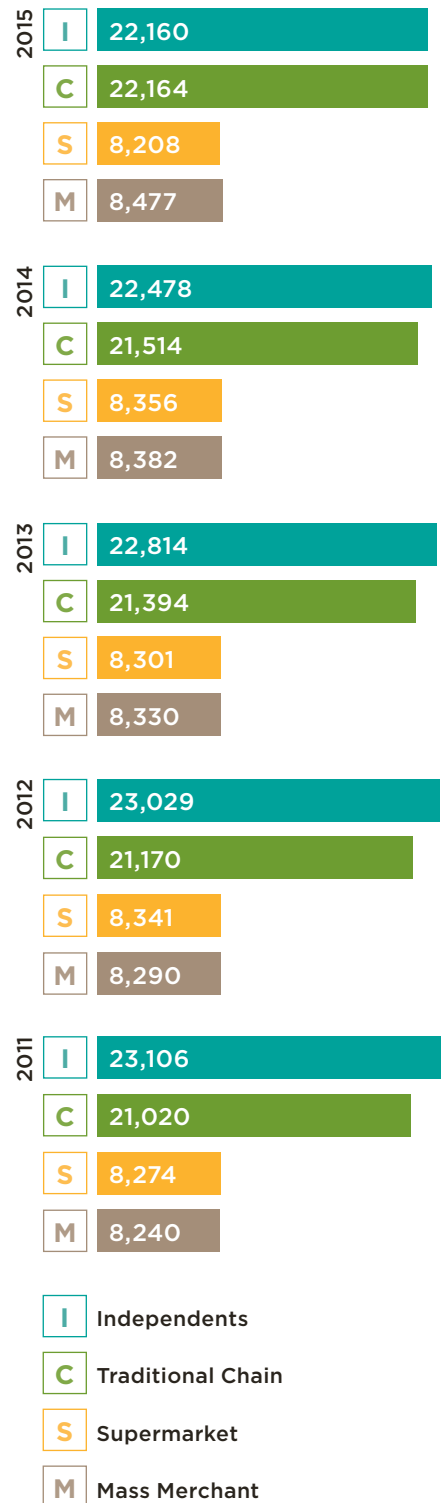
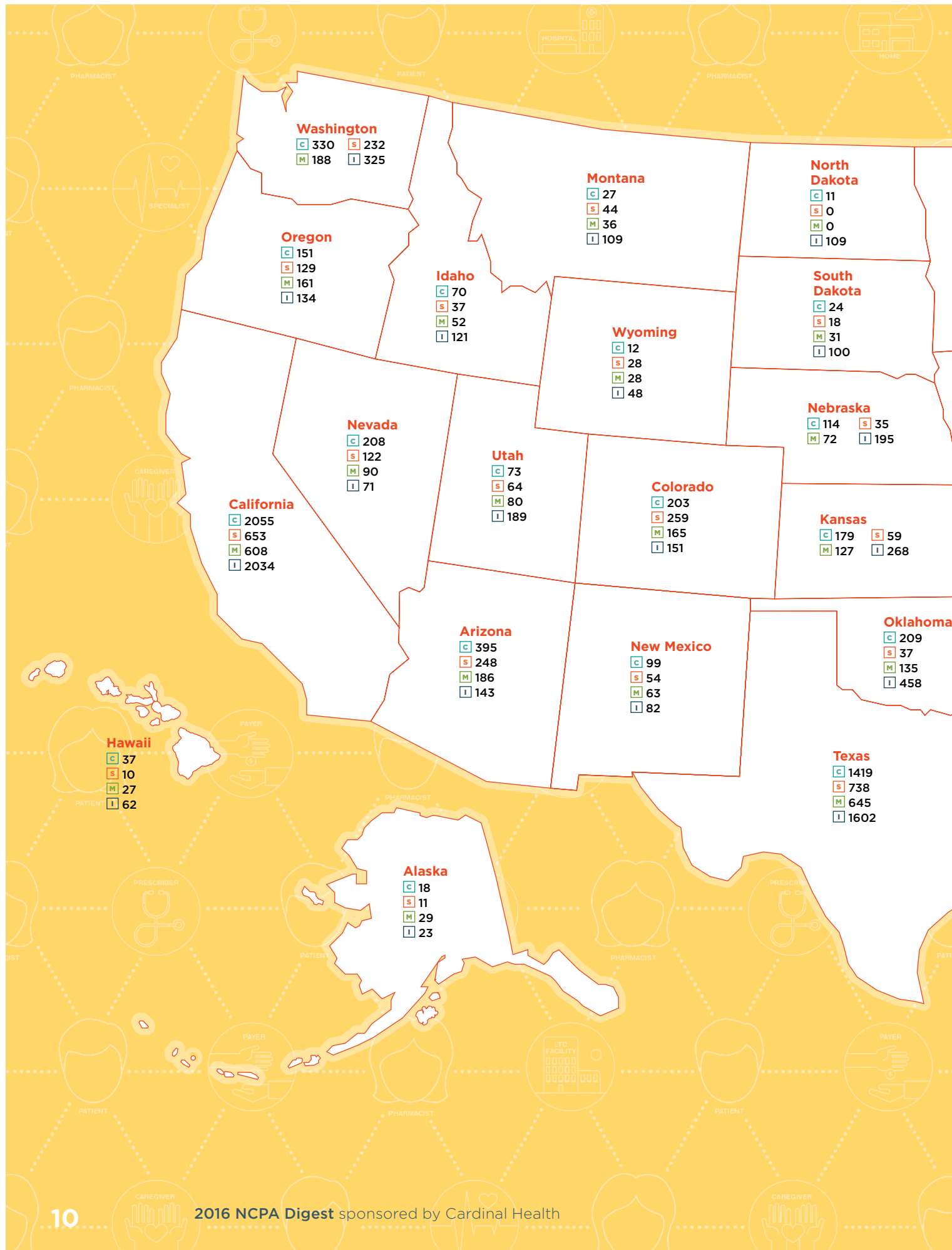


Table 3: Pharmacy Staff Positions

| | 2013 | 2014 | 2015 |
|--|---------------------------------|---------------------------------|---------------------------------|
| Non-owner Pharmacists | 1.5 | 1.5 | 1.5 |
| Technicians | 3.3 | 3.5 | 3.2 |
| Other Positions | 3.5 | 3.4 | 3.3 |
| Total Non-owner Employees | 8.3 | 8.4 | 8 |
| Working Owners-Pharmacists and Other Positions | 1.5 | 1.5 | 1.4 |
| Total Workforce | 9.8 Full-Time Equivalents (FTE) | 9.9 Full-Time Equivalents (FTE) | 9.4 Full-Time Equivalents (FTE) |



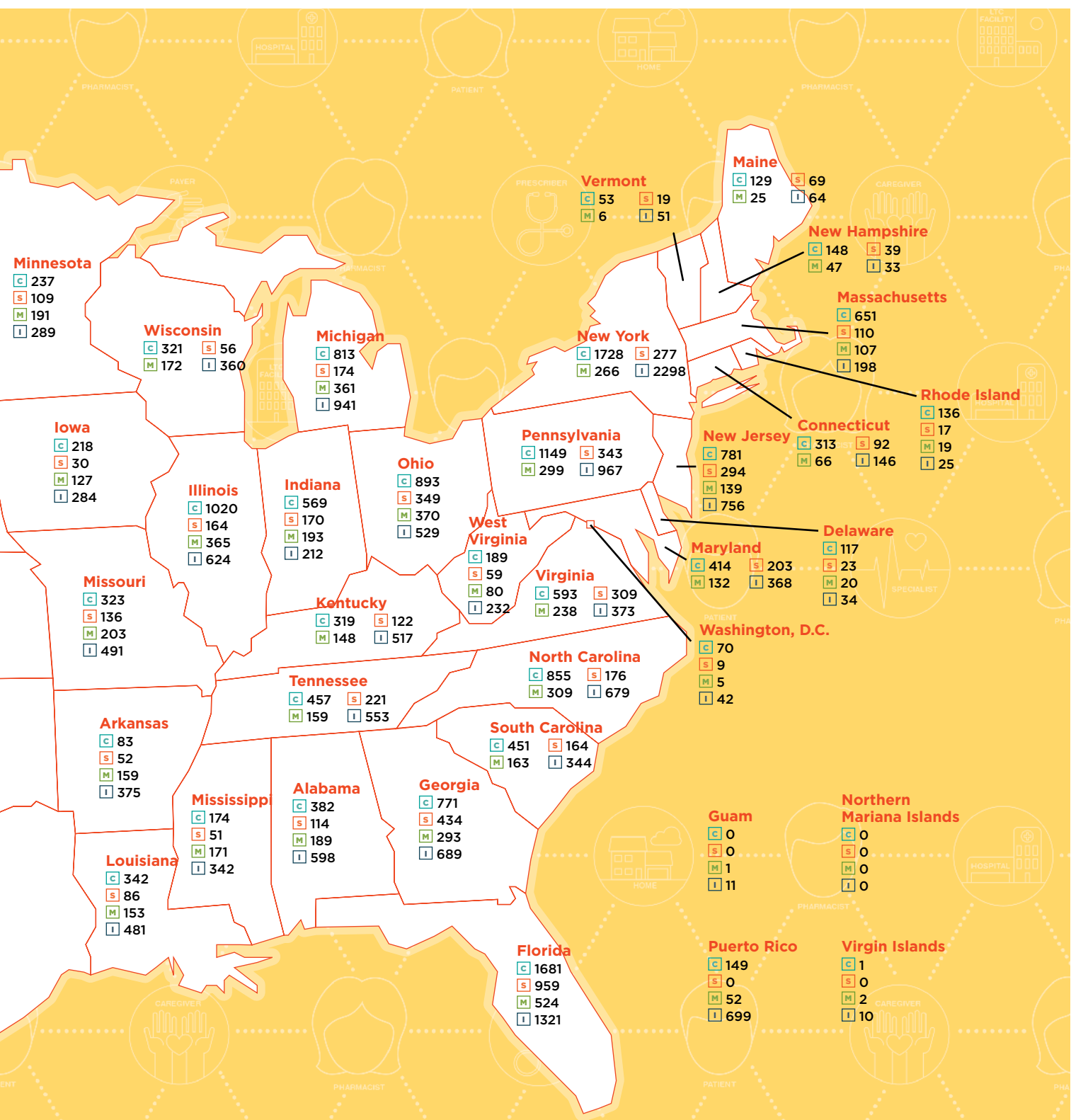


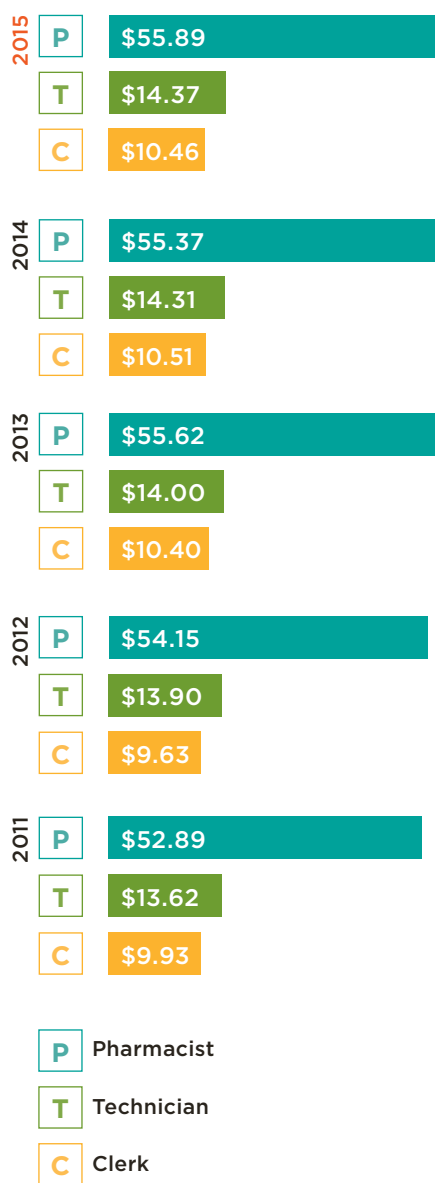
Figure 3: 2015 Retail Pharmacies by State

LEGEND

- C Traditional Chain
- S Supermarket
- M Mass Merchant
- I Independents

Source: NCPA analysis of NCPDP data and NCPA research

Figure 4: Average Hourly Wages



It is important to note that this independent community pharmacy industry still represents 36 percent of all retail pharmacies in the U.S. and an \$81.5 billion marketplace.

Other notable characteristics about independent community pharmacies:

- Independent community pharmacies are attempting to control payroll costs in a myriad

Table 4: Percentage of Generic Prescriptions Dispensed

| 2011 | 2012 | 2013 | 2014 | 2015 |
|------|------|------|------|------|
| 76% | 77% | 78% | 80% | 82% |

of ways. In 2015 independent pharmacy owners on average employed 8 non-owner, full-time equivalent (FTE) employees per location, slightly less than in 2014 (Table 3, page 9).

- Hourly wages for staff pharmacists and technicians increased slightly in 2015. Staff pharmacist wages increased by 52 cents per hour to \$55.89. Pharmacy technician wages increased to \$14.37, and clerk/cashier wages decreased by 5 cents to \$10.46 per hour (Figure 4).
- During these difficult economic times, independent community pharmacists continue to help patients lower their costs through encouraging the appropriate use of generic drug products, which are less expensive than their brand counterparts. As shown in Table 4, generic dispensing increased again in 2015 to 82 percent of total prescriptions.

- Thirty-two percent of independent community pharmacies are located in an area with a population

of less than 20,000. These community pharmacies are providing vital services to very rural areas. Fifty percent are located in areas with a population between 20,000 and 50,000. Collectively, over 80 percent of independent pharmacies are serving areas with a population less than 50,000.

- In 2015, 14 percent of independent community pharmacies had total sales over \$6.5 million, 34 percent with sales between \$3.5 and \$6.5 million, 22 percent with sales between \$2.5 and \$3.5 million, and 30 percent with sales under \$2.5 million.
- The majority (61 percent) of independent community pharmacies are organized as a small corporation, followed by 22 percent which are a limited liability corporation (LLC). Fourteen percent are organized as a C corporation.
- The average cost of dispensing for all pharmacies is \$11.21, up from \$10.98 last year.



Pharmacists as Health Care Providers

Independent community pharmacists are easily accessible health care providers specializing in high quality patient-centered care. One of the hallmarks of independent pharmacy has long been the services to which patients have access and receive in the pharmacy. As Medicare Part D and Medicaid continue to evolve and future health care reform is implemented, community pharmacists are best positioned to further develop these services. The following pages will show the patient care services and niches that independent pharmacy is providing their patients.

MEDICATION THERAPY MANAGEMENT

MTM programs are designed to optimize the benefits of prescribed drugs, reduce the risk of adverse drug events and drug interactions, and increase patient adherence to prescribed regimens. Pharmacists are ideally positioned to administer face-to-face MTM programs for their patients at the community pharmacy as the most accessible health care professional. The Medicare Part D prescription drug benefit requires participating plan sponsors to develop MTM programs for certain high-risk beneficiaries. The Centers for Medicare and Medicaid Services is now evaluating how these Part D plans offer MTM programs and measure the quality of medication use. Community pharmacists are ready to provide these services to many more Medicare Part D beneficiaries and receive appropriate compensation for the services. In 2015, 81 percent of independent community pharmacies provided MTM services, similar to 80 percent who provided MTM services in 2014 (Table 5). As shown on the following pages, independent community pharmacists continue to offer patient care services and find niches to serve their communities.

Adherence Services

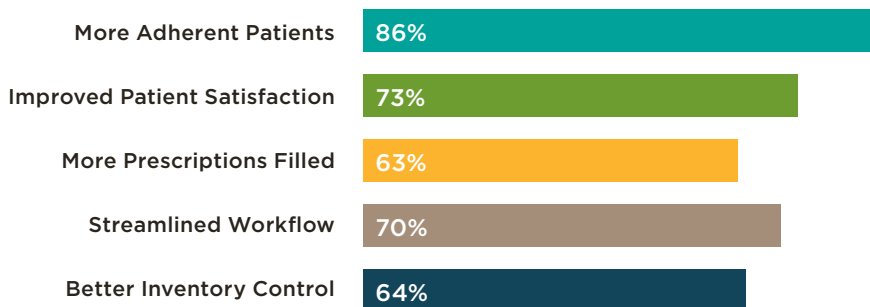
Costs associated with chronic illness are a major driver of rising health care costs in America. For most of these chronic illnesses, medications are the most cost-effective course of treatment, yet many patients don't take their medication as prescribed. To help combat the \$290 billion dollar medication non-adherence problem in the U.S. and improve patient health, nearly 82 percent of independent community pharmacies have deployed comprehensive adherence programs, with 70 percent offering medication synchronization services to their patients.

Medication synchronization (med sync), or the appointment-based model, is the process of aligning all of a patient's refills to come due on the same day each month, coupled with an appointment with the pharmacist as needed. Patients, pharmacies, payers, and prescribers benefit from med sync programs. The med sync appointment date is used as a plan for the pharmacy visit, making note of any outstanding questions or clinical issues and maximizing the opportunity to provide any beneficial pharmacy services. Eighty-six percent of independent community pharmacies offering med sync services report more adherent patients and 70 percent report a streamlined workflow (Figure 5).

Table 5: Medication Therapy Management in Independent Community Pharmacy

| | 2013 | 2014 | 2015 |
|--|------|------|------|
| Percentage of pharmacies providing MTM | 75% | 80% | 81% |

Figure 5: Benefits from Implementing Medication Synchronization



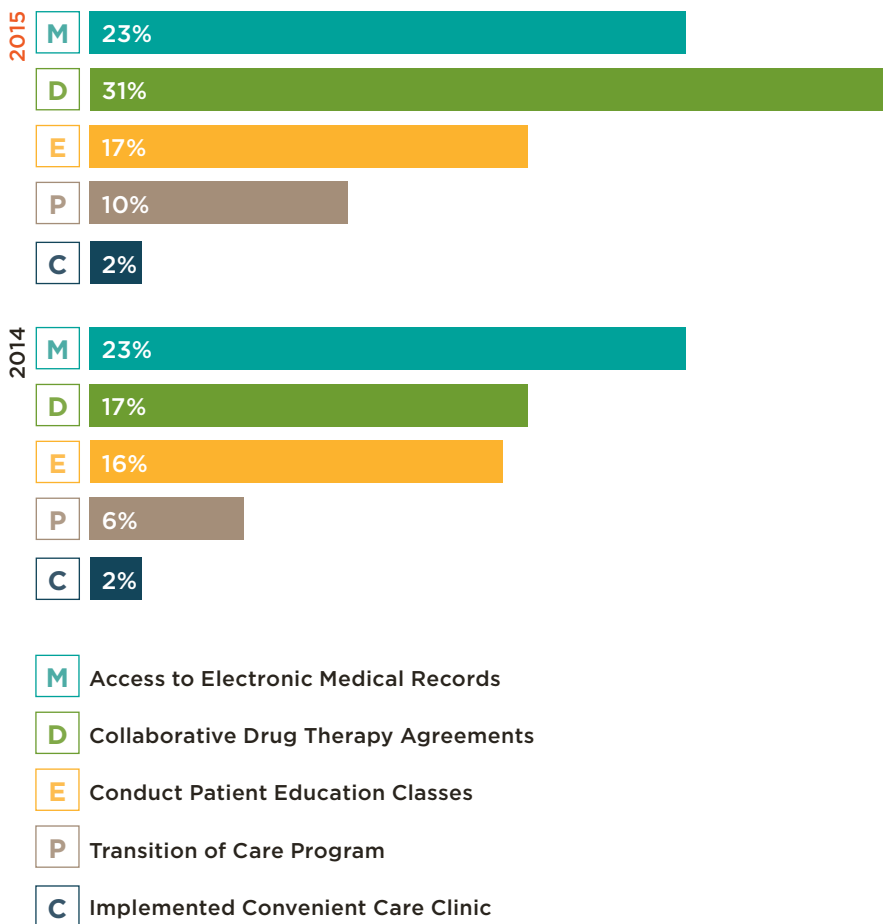
Progressive Pharmacy Niches

Independent community pharmacies are engaged in various progressive niches. These niches are helping owners differentiate their pharmacies in local markets and become better integrated in

Patient Care Services Highlights

- Figure 7 shows the top patient care services offered are compounding (61 percent) and durable medical equipment (61 percent). All of these services have been in high demand. Additionally, these services provide a competitive advantage for independent community pharmacy.
- As the population of Medicare beneficiaries grows, pharmacies are also increasing services to the elderly, like ostomy supplies.

Figure 6: Emerging Models: Enhanced Services Pharmacies



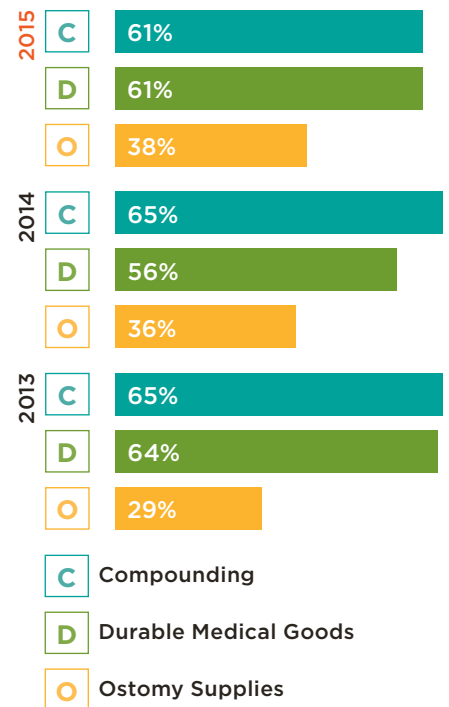
the community's overall health care system. Thirty-one percent of pharmacists have a collaborative drug therapy agreement with a physician, a significant increase over 2014, and 23 percent have access to electronic medical records. (Figure 6). Pharmacists are part of the health care team providing

innovative services, transitions of care, and patient education.

Disease State Management

As pharmacists continue their history of adopting practice models that include patient care services, they also provide disease state management services. Many

Figure 7: Summary of Patient Care Services Offered



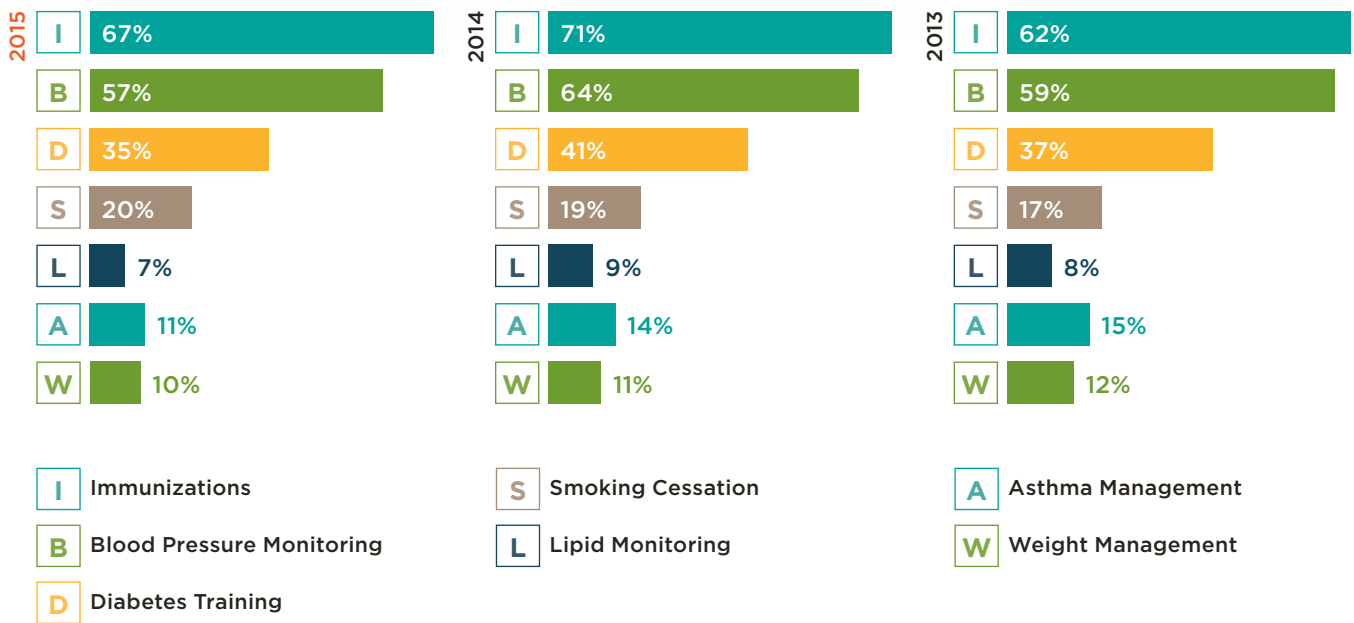
independent community pharmacists offer patient care services for patients with certain disease states in addition to MTM. Numerous studies have documented that pharmacist intervention can significantly reduce overall health care costs in patients with diabetes, heart disease, asthma, and other chronic conditions. Moreover, pharmacists can play a significant role in improving public health by promoting cancer awareness, educating patients about the dangers of tobacco use, and providing immunizations. Independent community pharmacists continue to lead the industry by providing these valuable services regularly across the nation (Figure 8).

Specialty Medication

Independent community pharmacy is playing an increasing role in the



Figure 8: Summary of Disease State Management Services



rapidly growing specialty pharmacy market. Thirty-nine percent of independent community pharmacies dispense specialty medications. The top disease state specialty medications dispensed by these pharmacies include rheumatoid arthritis (83 percent), HIV infection/AIDS (52 percent), and multiple sclerosis (45 percent). These pharmacies provide high-touch care to the patients in their local communities who need these medications.

Disease State Management Services Highlights

- The top three disease state management services offered are immunizations (67 percent), blood pressure monitoring (57 percent), and diabetes training (35 percent). These reflect the increased prevalence of diabetes and cardiovascular disease and the emphasis on wellness and patient outcomes.
- Pharmacists may bill separately for lipid monitoring, immunizations, osteoporosis services, and asthma management. Pharmacists bill both patients and third-party providers, charging based on service provided, time needed to perform the intervention, and value of service. These services are associated with better patient outcomes and improved quality of care.
- It is important to note that the No. 1 service offered is immunizations, highlighting the public health role of pharmacists. Many states are expanding the authority of the pharmacist to provide immunizations.

Interactions With Other Health Care Professionals



An independent community pharmacist is a vital link between the patient and the entire health care system. Pharmacists fulfill a need in most communities because of the unique accessibility and the knowledge about medications that these professionals possess and share with their patients.

Since pharmacists are engaged in providing patient care services and helping patients obtain needed medications at an affordable price, it is important that they communicate with physicians and other health care professionals. Often the pharmacist is the health care provider who is helping the patient understand their prescription benefit design and facilitating

compliance with its requirements. Additionally, it is the pharmacist who evaluates the entire medication profile of a patient using their experience to determine the safety and appropriateness of each prescription. Thus it is important that pharmacists, physicians, and patients interact. Fortunately, physicians and other health care providers continue to trust and value the recommendations offered by independent community pharmacists. Pharmacists are being asked to be part of health care teams in accountable care organizations and other health care entities. Community pharmacists are advocating for recognition as health care providers and to be paid for the valuable services they

Figure 9: Pharmacist Interactions With Other Health Care Professionals - Discussion With Physician or Other Health Care Professional Regarding Patient's Drug Therapy



are providing to the health care system. The services provided by the independent pharmacist often optimize clinical outcomes and reduce health care costs.

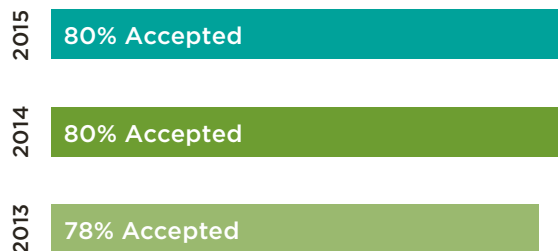
Highlights

- Independent community pharmacists consult with physicians or other health care professionals 9.7 times daily regarding prescription drug therapy (Figure 9). Pharmacists continue to intervene and contact prescribers to make recommendations and improve medication therapy for their patients.
- Independent community pharmacists recommend brand to generic drug changes when appropriate to other health care professionals. Ninety-five percent of these recommendations were accepted by other health care providers and a change to a less expensive generic medication was made (Figure 10).
- When independent community pharmacists recommend therapeutic changes to prescribers, 80 percent of the recommendations are accepted (Figure 11).
- Therapeutic recommendations being accepted by physicians and other health care professionals demonstrates that pharmacist recommendations are highly valuable and trusted by other health care professionals.

Figure 10: Pharmacist Interactions With Other Health Care Professionals – Percentage of Pharmacists Offering Recommendation for Brand to Generic Drug Change



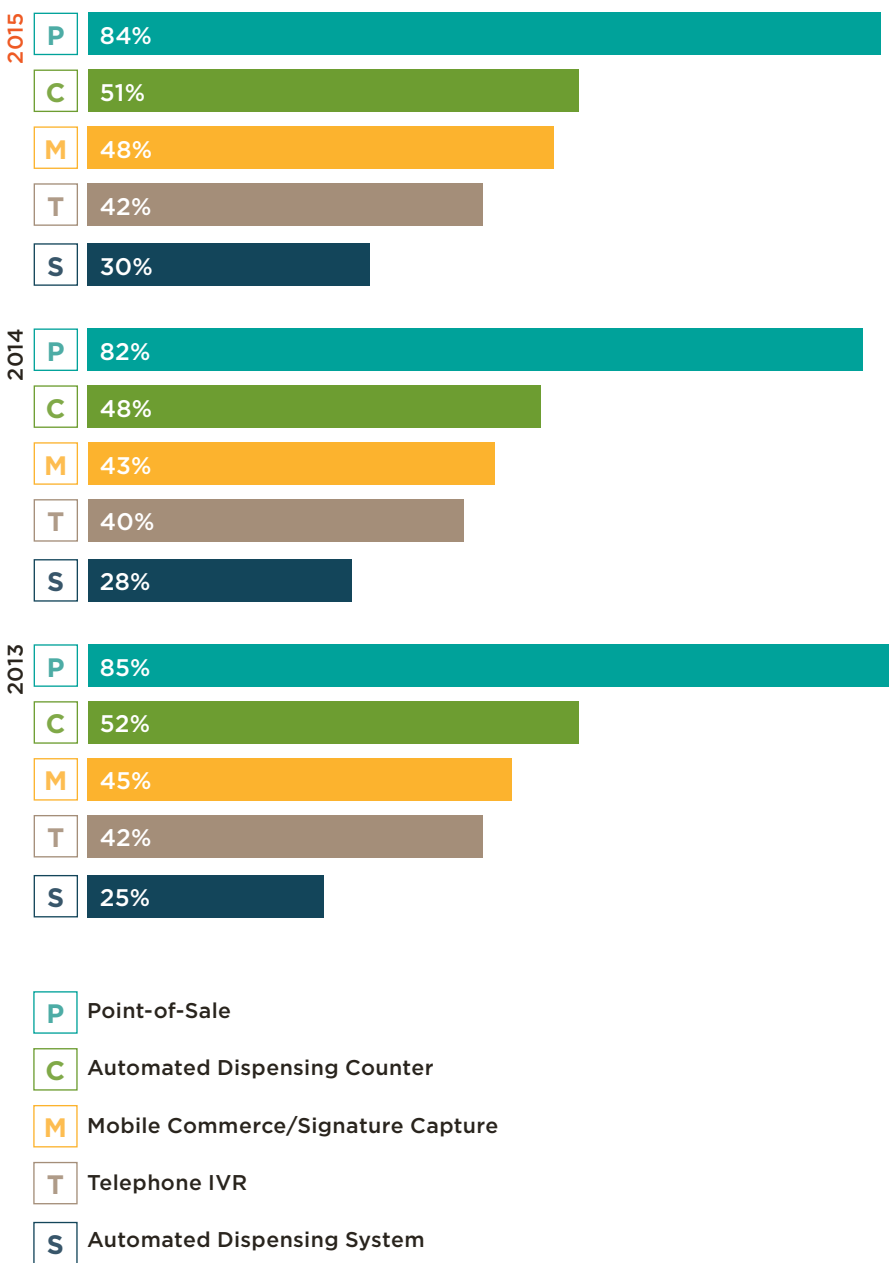
Figure 11: Pharmacist Interactions With Other Health Care Professionals – Percentage of Pharmacists Offering Recommendation for Therapeutic Interchange



Technology Trends

To remain competitive in today's marketplace, the use of technology in independent community pharmacy practice continues to increase. More and more, independents are taking advantage of emerging technologies to enhance pharmacy efficiency, reduce costs, improve patient care, and facilitate communications with health care providers and patients. The use of social media is also increasing.

Figure 12: Percentage of Pharmacies Utilizing Workflow Technology



- Independent pharmacies are embracing social media to some extent. Eighty-seven percent of independent pharmacies utilize Facebook, 28 percent have a Twitter account, and 62 percent use a mobile app (Table 6).
- Independent community pharmacists continue to embrace workflow technology to improve their effectiveness and efficiency. Eighty-four percent of pharmacies use point-of-sale technology (Figure 12).

Table 6: Social Media

| | 2014 | 2015 |
|------------|------|------|
| Facebook | 81% | 87% |
| Mobile App | 52% | 62% |
| Twitter | 28% | 28% |
| YouTube | 7% | 7% |

Third-Party Prescriptions



The most significant external pressure on the business of independent community pharmacy is the relationships with third-party payers. For independent pharmacy, public and private third-party payers dictate prescription drug reimbursement payments and introduce additional operational and financial challenges to the pharmacy. For example, forcing patients to use a mail order pharmacy for their prescription refills rather than the community pharmacy hurts patient care as well as impacts the financial performance of a community pharmacy. Mandatory mail order, including steering those patients taking specialty medications, and preferred networks most commonly in Medicare Part D may be contributing to the flat growth in prescription volume in independent pharmacies. This directly impacts the pharmacy and local economy. For most independent community pharmacies, achieving a functional and fair working relationship with third-party payers is essential to attain long-term profitability and overall business survival.

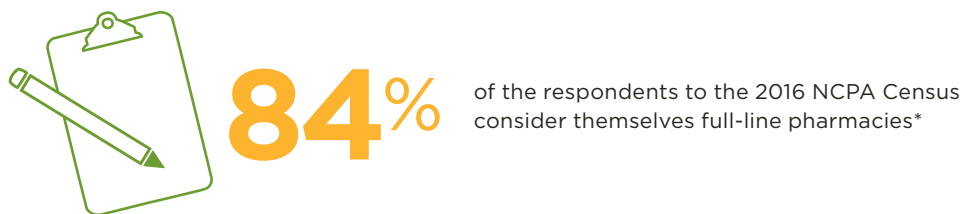
Highlights

- Ninety-one percent of prescriptions are covered by third-party contracts—52 percent are covered by government programs (Medicare and Medicaid), similar to last year (Table 7).
- Medicare Part D and Medicaid now cover 35 percent and 17 percent of prescriptions filled, respectively, in the average independent community pharmacy. With over half of the prescriptions filled by independents being paid for by a government program, the reimbursement strategies of government programs significantly affect the financial viability of independent community pharmacy.
- Nine percent of prescriptions are cash sales, indicating that there is a significant portion of patients who depend on independent community pharmacists to work with them and their physician to identify the most cost-effective, affordable medication therapy.

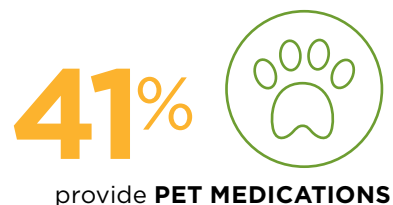
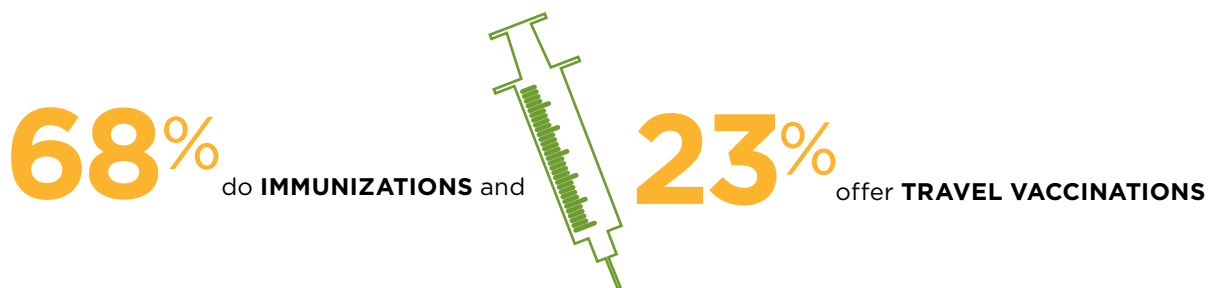
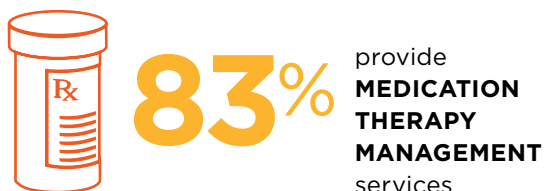
Table 7: Summary of Third-Party Prescription Activity

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|--------------------------|------|------|------|------|------|
| Medicaid | 17% | 18% | 17% | 17% | 17% |
| Medicare Part D | 32% | 33% | 34% | 34% | 35% |
| Other Third Party | 37% | 37% | 39% | 38% | 39% |
| Non-Third Party | 14% | 12% | 10% | 11% | 9% |

Figure 13: Full-Line Independent Community Pharmacies*



Here is what these pharmacies are offering...



*The 2016 NCPA Digest findings are based on pharmacies that self-identify as full-line, apothecary, compounding, long-term care, or specialty stores. These data are for the full-line stores.

Figure 14: Community Involvement Infographic



53%
**OWNERS AND
OR EMPLOYEES**

53% of owners and/or employees have direct personal relationships with a state representative or a state representative's key staff member.



59%
OWNERS
12%
EMPLOYEES

59% of owners and 12% of employees are members of the Chamber of Commerce.

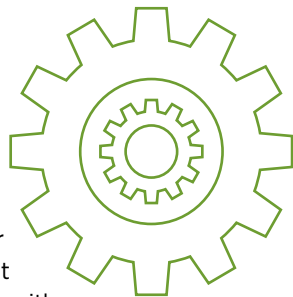
41% 

41% of owners provide monetary support to 10 or more community organizations.

26% 

An additional 26% provide monetary support to between 5-9 community organizations.

33%
**OWNERS AND
OR EMPLOYEES**



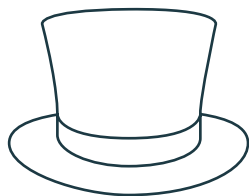
33% of owners and/or employees have direct personal relationships with a U.S congressman and/or senator.



24%
OWNERS
9%
EMPLOYEES

24% of owners and 9% of employees are members of a local business association.

63%



OWNERS AND OR EMPLOYEES

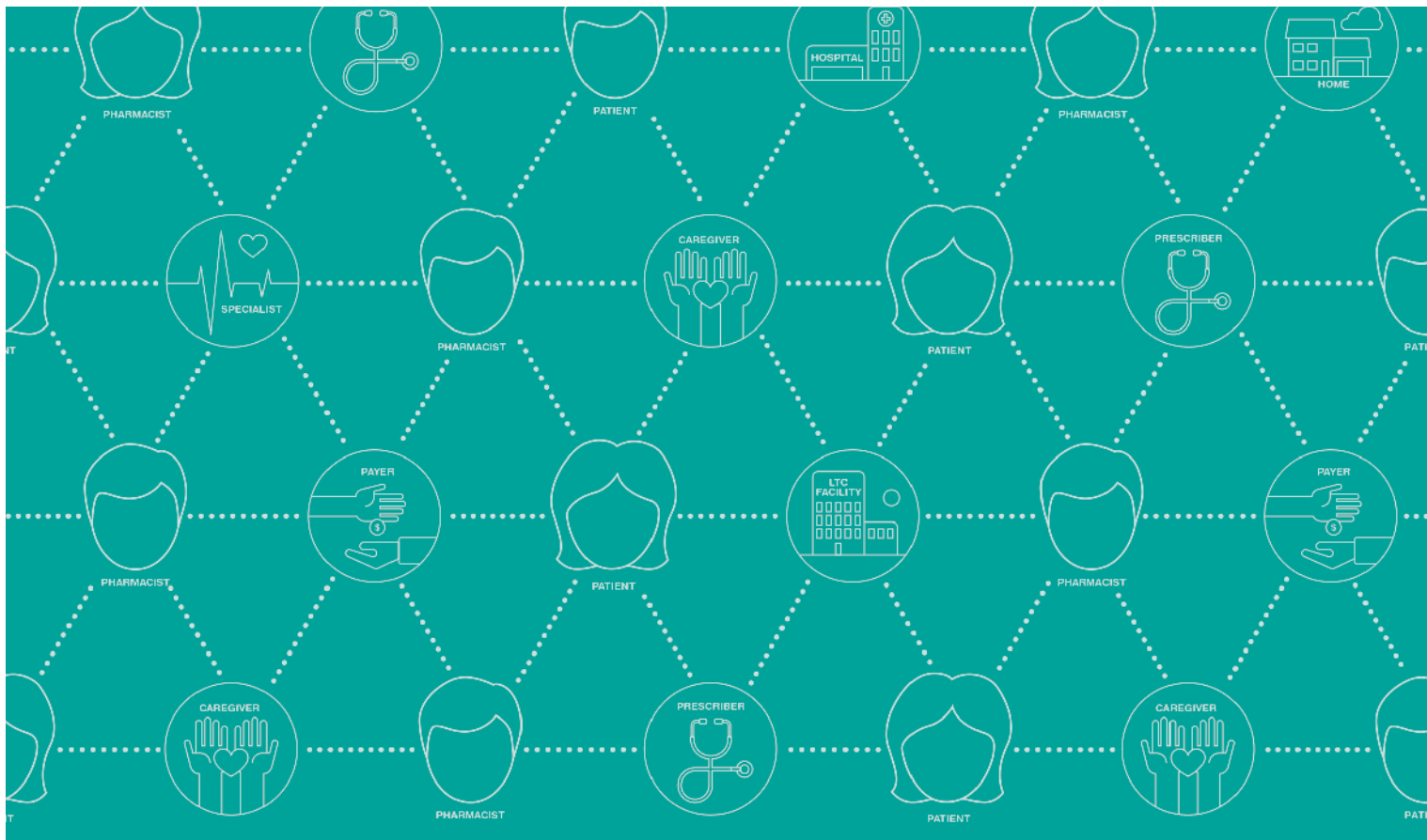
63% of owners and/or employees have direct personal relationships with a mayor or a mayor's key staff member.

7.2%

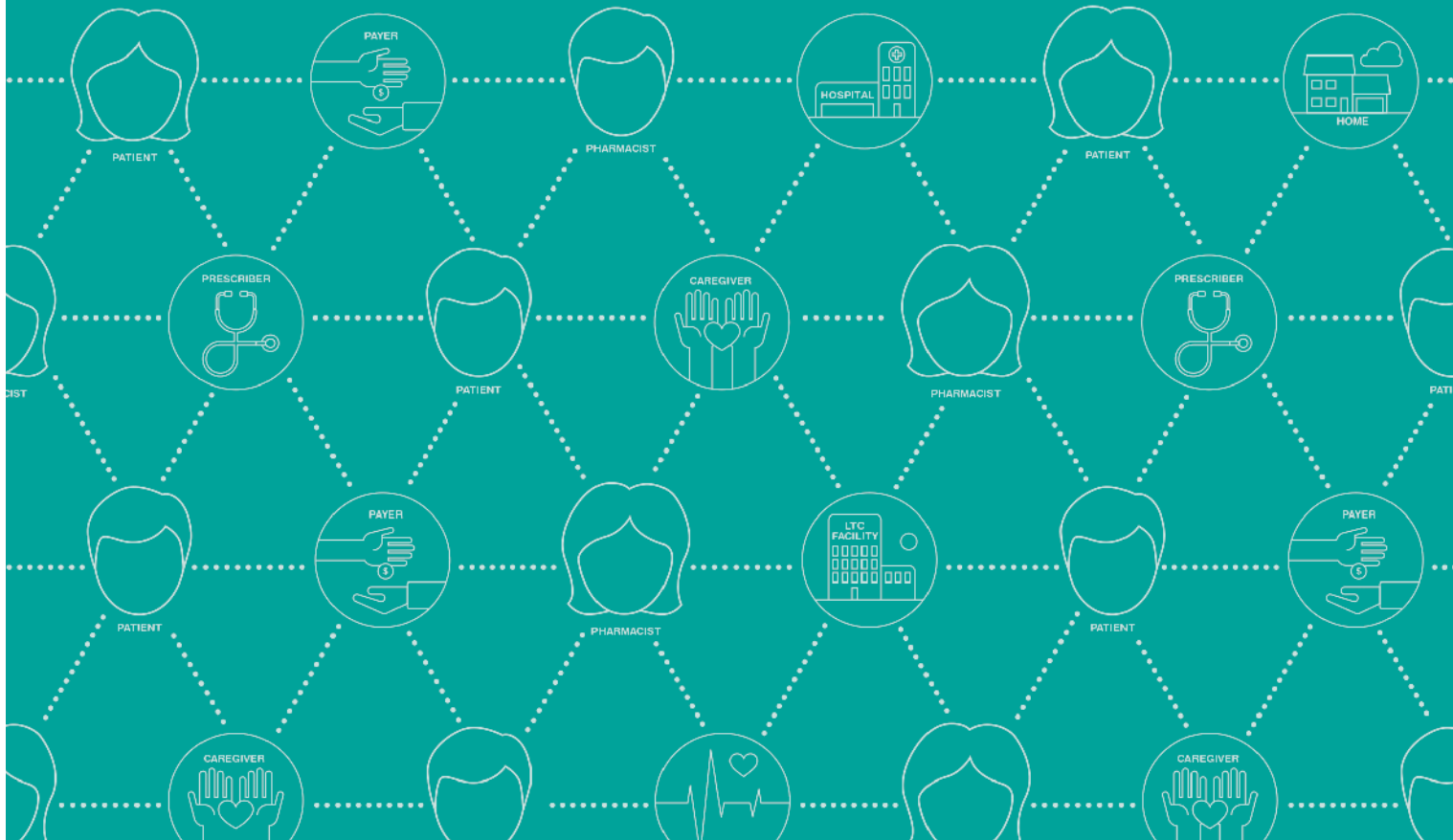


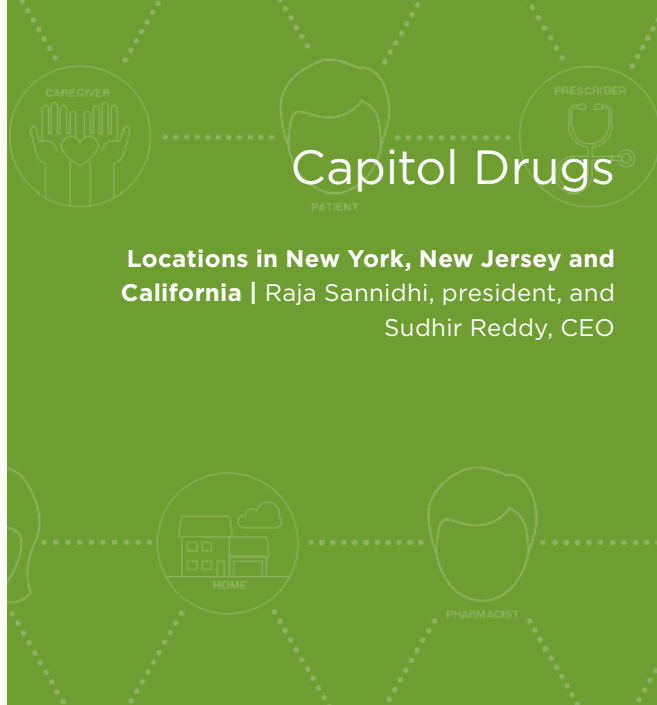
OWNERS AND OR EMPLOYEES

7.2% of all owners or employees hold an elected office.



NCPA 2016 PROFILES





Locations in New York, New Jersey and California | Raja Sannidhi, president, and Sudhir Reddy, CEO

When you consider all that Raja Sannidhi and Sudhir Reddy do with their six pharmacy locations—four on the West Coast and two on the East Coast—you wonder if they somehow have more hours in the day.

Sannidhi grew up with a community pharmacy background with the business his parents started 34 years ago, VLS Pharmacy in Brooklyn, N.Y. He learned at a young age how important it was to cater to the health needs of a community. “I knew it was my path, my journey,” Sannidhi says about becoming a community pharmacy owner. He now owns and operates two East Coast community pharmacies: Lane Drugs, a 60-year-old Brooklyn staple, and Tucker Drugs, a 40-year-old business in Hoboken, N.J.

Most recently, Sannidhi and Reddy purchased Capitol Drugs from Ruth Tittle. Capitol has locations in West Hollywood and Sherman Oaks, Calif. Tittle made it her mission to help HIV patients in West Hollywood and the nearby communities by offering the specialized medications along with alternative products needed

for their care. Now, Sannidhi and his staff are getting to know the community and educate its members about the prevention of HIV infection and the pre-exposure prophylaxis options.

“It’s all about educated and safer choices,” Sannidhi says. He and Reddy participate in several community and charitable events, including the LA Pride event, sponsored by the West Hollywood Chamber of Commerce and the Christopher Street West Association. They host a community health fair, Sample Saturday™, twice a year. Sample Saturday provides the community a direct interactive opportunity with available product representatives, where information related to alternative medicines and supplements and services are shared and free samples provided to patients.

Community outreach is the partners’ No. 1 goal with all of their pharmacies. Whether it be adding additional kosher manufactured products during Passover to cater to Lane Drug Pharmacy’s large Jewish population, or supporting

Tucker Drugs’ younger, working class community with free health checks, they pride themselves in learning about and listening to the needs of the community.

Sannidhi and Reddy also own Clayworth Healthcare Pharmacy in Castro Valley, Calif., which focuses on providing care for hospice and long-term care patients. “It’s not only about timing issues when it comes to these patients, but also about an extra level of care that we are able to offer,” Reddy says. In the East Bay area, the partners also own North Oakland Pharmacy and help support its community by offering free delivery and free bubble packing to promote adherence, medication therapy management, and free diabetes clinics to those in need.

So, how do they find the time to support all of these unique communities? “We don’t!” Sannidhi replies with a chuckle. “It’s the staff! The staff drives all of this and brings excitement to each project. We are really lucky to have the support we do from them.”



Greenbrier Medical Arts Pharmacy's Rick Leatherman (far right) joins volunteers assisting in the cleanup effort.

Greenbrier Medical Arts Pharmacy

Multiple locations in southeastern West Virginia | Principal Owner and CEO—Allen Carson, and additional owners Aaron Gwinn and Rick Leatherman

Thursday, June 23, 2016 was shaping up as just another early summer day in southeastern West Virginia. Then it all changed. Rain started falling that morning, and by noon it was coming down in torrents. A flash flood warning was posted, and the rain kept coming, creating a major flash flood situation in the residential areas around nearby streams. Those streams feed into the Greenbrier River, which was quickly overwhelmed, eventually cresting at 24-1/2 feet before it finally began receding the next morning.

When it was over, 23 people had lost their lives, and a rural region where life was already challenging was left devastated.

In the aftermath, Greenbrier Medical Arts Pharmacy, which opened 41 years ago, sprung into action to help in the recovery. The business has four locations and fortunately none of them suffered serious damage. But with the mayhem surrounding them, the pharmacy, which employs some 40 people full-time and part-time among its locations and serves

Greenbrier and Monroe counties, quickly activated its disaster plan.

Mary Page Nemcik, GMAP director of marketing and operations, says the business has generators at most of its pharmacies as a backup, which allows them to run basic systems—such as computers, phones, printers, refrigerators, and security systems. All of the locations are networked together, allowing for coordination of efforts.

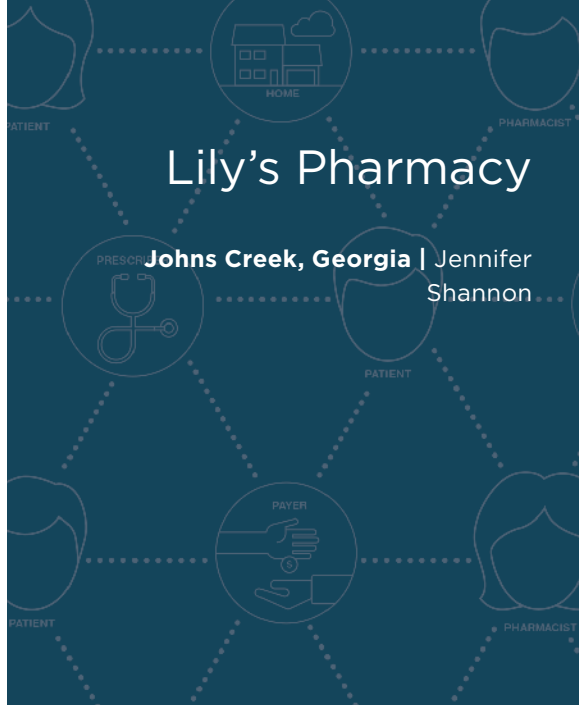
Among the towns devastated by the flood was Rainelle. GMAP has a long-term care division and serves a nursing home in the town. Nemcik says the pharmacy had to work with the National Guard to get medications to the nursing home, where fortunately the flood waters had stopped just short of the facility. However, the roads in the area were impassible so the nursing home could only be reached by boats.

GMAP also provides free delivery, which Nemcik says proved vital.

She also says the need for tetanus vaccine became apparent quickly.

The local health department initiated its statewide plan, but GMAP also worked directly with Cardinal Health to secure a large number of tetanus vaccine doses and then quickly activated its pharmacist team. She says that the nearby Greenbrier Resort employs as many as 1,800 people and obviously has a significant impact on the local economy. The resort sustained substantial damage, and GMAP worked directly with the resort's Sporting Club employees and sent two of its pharmacists into the field to help vaccinate and keep tetanus out of the community. GMAP's staff alone collectively contributed more than 450 hours of volunteer service to the recovery efforts.

"Life will never be normal here again," Nemcik says. "There will be a new normal at some point, but it's going to be take a tremendous amount of time for healing, rebuilding, and recovery, and our goal is to be as much a part of that process as we can, to be a resource and a source for comfort for the people in our community who have been affected."



Jennifer Shannon found herself with a decision to make as an undergraduate at Virginia Commonwealth University. Shannon had a passion for patient care, but she was unsure of which health care path to walk. Eventually she decided to seek a doctor of pharmacy degree. Before Shannon graduated, she secured a PGY1 residency at Grady Memorial Hospital in Atlanta.

Shannon knew she wanted an opportunity to continue helping patients transition care away from the hospital setting, while at the same time teaching students. Amassing this wealth of experience and knowledge prepared Shannon for another leap into the next segment of her life—opening a pharmacy of her own.

Shannon needed to make Lily's Pharmacy of Johns Creek, Ga., stand out from the other pharmacies surrounding her. With her passion for patient care, transitions of care made perfect sense as a critical service to provide her community. "People benefit by knowing their pharmacist,"

Shannon says. "Why not have someone work with you during this transition, especially as you begin to consume something potentially toxic, but keeps you alive?"

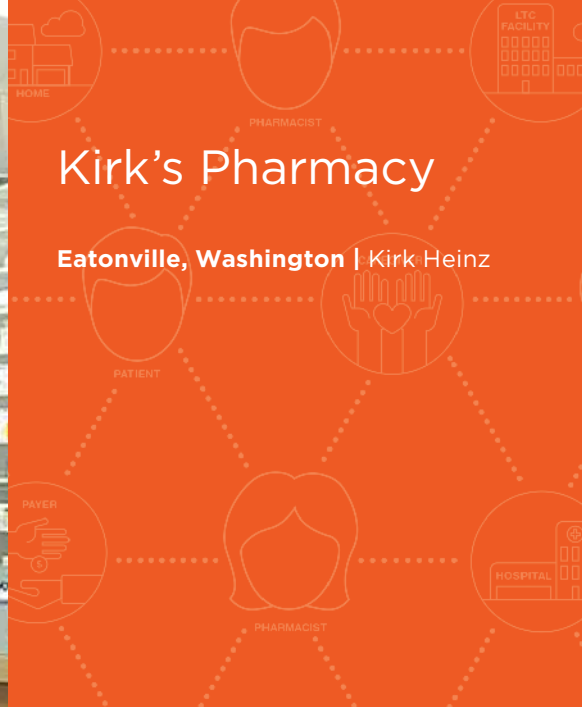
Shannon knew that her local hospital, the 110-bed Emory Johns Creek Hospital, discharged patients she could help transition back into the community. Shannon developed a plan for her pharmacy to fill in these gaps in care and began the process of talking to the hospital to share her ideas. She prepared her pitch, including how her pharmacy services would save the hospital money by avoiding readmission within 30 days and the resulting Medicare penalties, and that her services would improve patient satisfaction and outcomes.

The hospital eventually embraced Shannon's plan. One year after making her initial pitch to the hospital, Shannon received her first referral, and since then, the hospital has yet to see a readmission from a patient who went through Lily's Pharmacy's transition of care program.

Currently, the hospital sends two to three patients a day to see Shannon

and the rest of her staff, and here begins the next hurdle to providing these services: convincing patients of their benefit. Some patients have difficulty comprehending the value and need for extended pharmaceutical services after discharge from the hospital. Patients wonder why a pharmacist will be taking over their care. They need an explanation of the utility of the services, as they typically assume they can care for themselves. However, after being convinced to enroll, most patients realize the value of this continued care and recognize the benefits in these services, leading them to love the care, the pharmacist, and the pharmacy.

The model Shannon has created is designed to help transition her pharmacy into a role model for future pharmacies aiming to add patient-centered services. Lily's Pharmacy continues to grow from the idealistic goal of what a pharmacy should be into a place that employs multiple pharmacists and technicians.



Independent community pharmacists are often considered pillars of their communities, and that's certainly true for Kirk Heinz. Along with owning and operating three pharmacies, he has also found time to serve on the city council, as mayor of his hometown of Eatonville, Wash., as member and president of the local school board, and in multiple service functions with the Eatonville Lions Club.

"I've always been a giver," Heinz says. "It's just something for which I have a passion. I enjoy supporting my community, and believe if you support them they will support you."

Owning his own pharmacy was also a passion for Heinz. "From the first day of pharmacy school, my plan was to own an independent pharmacy in a small town," he says.

That plan became a reality in 1995 when Heinz, a 1986 Washington State University pharmacy graduate, opened Kirk's Pharmacy in Eatonville, a town of 2,865 residents about an hour south of Seattle. In 2004 Heinz opened Kirk's Pharmacy at Sunrise, 30 miles north of Eatonville in the Sunrise Medical Complex in Puyallup.

In 2009 Heinz opened his third location, Kirk's Pharmacy in Hartland, also in the Puyallup area. The Eatonville store is 4,000 square feet and what Heinz describes as a "your typical small-town pharmacy," with 13 employees and about 260 prescriptions dispensed daily. The two other stores are both about 1,500 square feet and situated within or next to medical clinics. All three pharmacies have compounding labs. Other services provided include vaccinations, medication synchronization and adherence strip packaging, diabetic shoes, medication therapy management, mail service, and some delivery.

Heinz says his guiding principles are "to provide the highest level of pharmacy service to our patients, the providers and caregivers in our community."

Technology investments have helped improve productivity and efficiency. Several years ago Heinz purchased a robot, and has upgraded its pharmacy software to enhance workflow. It also has an IVR system and its mobile app allows patients to call or send their refill requests and messages directly to the pharmacy after hours.

When asked to quantify his return on investment, Heinz says that paying the bills, covering wages, and having a bit left over is important, but not the primary measurement.

"The ability to take care of my patients" is the top priority, he says. "The most satisfying thing for me is when a patient comes in and thanks you for your advice and recommendations that helped them with their problem or ailments."

Heinz says he sees the pharmacist's role changing in a move to more direct care. He references legislation passed by the Washington State Legislature in 2015, making Washington the first state in the country to require that pharmacists be included in health insurance provider networks.

Heinz says, "Patients will continue to look to their pharmacist as their first point of contact for health care, and we will now be able to provide that effectively, as a more direct part of the health care team. We need to be ready."



Lehan Drugs

DeKalb, Illinois | Owners Tim and Ann Lehan, and DJ Larson, vice president of sales and marketing

In 1948, brothers and pharmacists Emory Lehan and James Lehan Sr. never imagined that their new pharmacy, Lehan Drugs, would soon become such a popular hangout for the community, but that's what happened, especially after they added a soda fountain and restaurant. This niche offering helped the Lehan brothers build a solid reputation for the DeKalb, Ill.-based pharmacy, and began a legacy of services that still lives almost 70 years later.

Today, the business has grown to include four locations in Illinois. The original store is still located in DeKalb. The current building is a 10,000-square-foot space that owners Tim Lehan (James Sr.'s son) and his wife Ann, both pharmacists, have transformed into one of the area's leading sources for women's health needs. And it's not just that the pharmacy offers women's health products; it's that it provides women who are faced with the devastation of breast cancer and mastectomies the opportunity to feel like themselves again. With three certified mastectomy

fitters on staff, the pharmacy specializes in bra fittings for post-mastectomy patients and post-surgical camisoles.

"When the alternative is an ace bandage with a drain pouch, something as simple as a post-surgical camisole can help the patient get back to feeling like herself again," says DJ Larson, Lehan's vice president of sales and marketing and one of seven family members on staff. The pharmacy also works with local nursing homes to offer bra fittings for their patients.

Since the pharmacy started focusing on women's health 10 years ago, it has "opened doors we never would have imagined," Larson says. Women are the pillar of many communities and are the heartbeat of the family, and often share positive experiences with their friends and families.

The store's enhanced popularity has also allowed the pharmacy to expand into other offerings, including an extensive mom and baby line of services and products. The pharmacy provides lactation

counseling, baby weighing, organic baby lines, and a line of products from "mompreneurs"—smart moms creating products for moms. The pharmacy also sells breast pumps and works with insurance companies to cover the cost for the patient, which over the course of just four years has warranted almost \$700,000 in additional pharmacy revenue.

Lehan's doesn't stop there, though. The pharmacy always looks to take it to the next level. It has a dedicated trained baby-wearing staff member who specializes in helping moms select the right baby sling and learn the proper wearing technique. Most recently, the pharmacy has been in discussions with the director of OB/GYN at the local hospital to bring its med-to-bed program, which allows Lehan's to fill and deliver discharge patients' medications right to a patient's bedside before discharge, to the hospital's OB/GYN patients for their post-delivery medications.



Tucked away in the small village of Iliion in upstate New York, with its picturesque mountainscape, you will find a Medicine Shoppe pharmacy so embedded into the community that the customers consider the staff family. “We had one lady make a special trip to the pharmacy just to let us know that her husband had passed,” says store operations manager Julie Zaykoski. “She received the kind of response she came for, too. We all stepped out from behind the counter to hug her and share our condolences.” It’s that kind of family atmosphere that separates the Medicine Shoppe from other pharmacies.

Owner Steve Pardi, RPh, had worked in both a hospital and chain pharmacy, and his patient-oriented nature drew him to community pharmacy ownership. That’s why 16 years ago Pardi opened his Medicine Shoppe store with his wife Colleen, who serves as president and chief financial officer.

“The best part about being a community pharmacist is being able to interact with people to help them when they are in need and share in a part of their life,” Steve says.

“Sometimes it involves clinical consultations to help them better understand their medications, choose an OTC product, or give an immunization. Sometimes our patients just need to talk and gain a little reassurance. Sometimes they simply need a smile and a hug.”

This is exactly why Steve makes it his mission to care for anyone who walks into the pharmacy as if they are part of his family. “We are a part of their care team, a part of their lives,” Zaykoski says. The pharmacy shows this in day-to-day activities, such as a medication synchronization program which already has 200 patients enrolled.

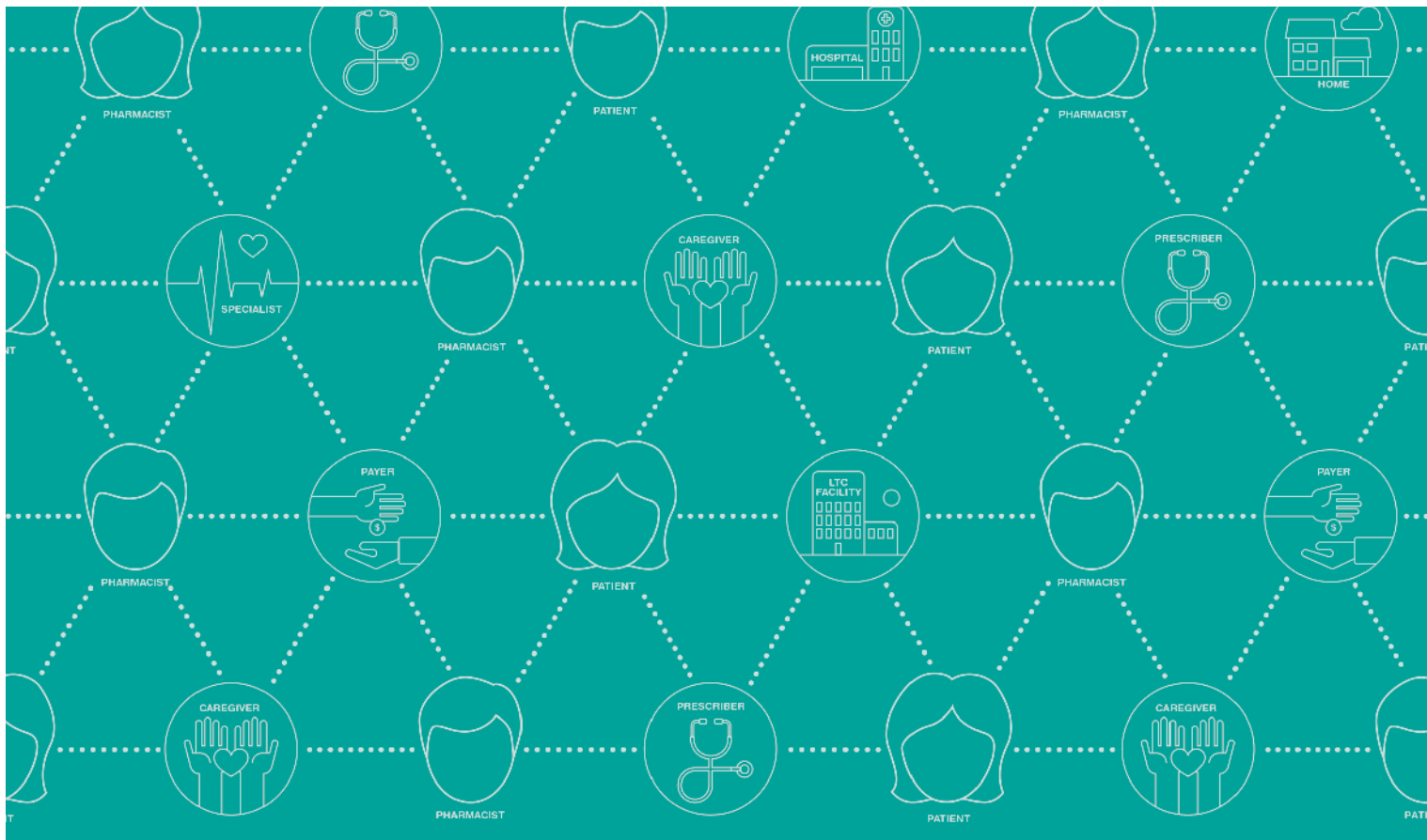
This is a huge advantage for patients who are unable to afford their medications. “If a patient knows they will have money at the beginning of the month, we are able to sync their medications for that time,” Zaykoski says. She also explains that it helps patients stay adherent with their medications. With a dedicated pharmacy technician in charge of the program and a coordinator to help assist, the pharmacy makes the program

personal for the patients. The team takes the time to reach out on a regular basis to check in and answer any questions and to ensure the patient is staying adherent.

The community experiences the Medicine Shoppe’s loyalty and generosity in various ways. The pharmacy works with the local Catholic Charities office to provide prescriptions at cost to individuals with one-time lapses in insurance coverage. Steve also allows patients to keep accounts with the pharmacy and pay them off on a monthly basis.

Steve goes above and beyond for his staff as well with small acts of kindness, whether it is bringing in green milkshakes for St. Patrick’s Day, or even buying groceries if someone falls a bit behind one month. “Steve and Colleen are the most giving people I ever met in my life,” Zaykoski says. And that is exactly the care and compassion that brings patients into Medicine Shoppe 1579.





NCPA[®]
NATIONAL COMMUNITY
PHARMACISTS ASSOCIATION

100 DAINGERFIELD ROAD
ALEXANDRIA, VA 22314
800.544.7447
WWW.NCPANET.ORG

