

2019 NCPA DIGEST

CHANGING THE PHARMACY PAYMENT MODEL

PATIENT FRIENDLY
IMPROVED OUTCOMES
VALUE BASED RECOGNITION
ALIGNED INCENTIVES

COMPLEX
CONFUSING
CUMBERSOME
COVERT



Sponsored by



NCPA[®]
NATIONAL COMMUNITY
PHARMACISTS ASSOCIATION

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

Erin Holmes, PharmD, PhD | Associate Professor, Department of Pharmacy Administration University of Mississippi, Oxford, Mississippi.

Creative

Michael Abernethy | NCPA Creative Director

Tyler Poirier | NCPA Design Manager

Contributors

Chris Linville | NCPA Director and Managing Editor, *America's Pharmacist*®

Jayne Cannon | NCPA Director of Communications

Jack Mozloom | NCPA Vice President, Public Affairs

The 2019 NCPA Digest, sponsored by Cardinal Health ("NCPA Digest") is © 2019 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. 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 IS PROVIDED FOR GENERAL EDUCATION AND INFORMATION PURPOSES ONLY AND IS NOT AN ENDORSEMENT OR RECOMMENDATION BY CARDINAL HEALTH OR NCPA OF ANY OF THE FEATURED PRODUCTS OR SERVICES. ALTHOUGH THE CONTENT IS BASED ON RELIABLE SOURCES, THE SOURCES HAVE NOT BEEN FULLY EXAMINED OR UPDATED. THUS, NEITHER CARDINAL HEALTH NOR NCPA WARRANT THAT THE INFORMATION PRESENTED IS ACCURATE, CURRENT, OR APPLICABLE FOR A PARTICULAR USE AND ACCEPTS NO RESPONSIBILITY OR LIABILITY WITH RESPECT TO SUCH INFORMATION.

Dear Reader:

Changing the pharmacy payment model is vitally important not only for community pharmacies but for the benefit of patients. But changing the pharmacy payment model for life saving prescription drugs is only a portion of the needed change. Pharmacists must be recognized for the services they do and can provide to help lower health care costs and improve quality care.

When complete, the payment model will evolve from one that is overly complex, cumbersome, covert, and restricts compensation for value into a model that is transparent, simple to understand, fair, and compensates for value. Independent pharmacies are at the forefront of this evolution, adapting and thriving under the new model by improving the health of their patients and the communities that they serve.

Independent pharmacies have begun the process by organizing in a manner that best facilitates payers being able to access their value. NCPA is at the forefront of this transformation, collaborating to create community pharmacy enhanced service networks under the umbrella of CPESN® USA as an important pathway to unite independent community pharmacies to improve patient care and diversify their revenue portfolio. CPESN USA focuses on chronic care, in particular, the chronic care of patients who need the most help and are costing the health care system the most money. CPESN USA's clinically integrated networks of pharmacy providers forge stronger relationships with patients and their local health care team. To date, over 2,300 community pharmacies have stepped forward and joined local networks in their state. Those numbers are growing every day.

In this 2019 *NCPA Digest*, presented by the National Community Pharmacists Association and Cardinal Health, we quantify and profile what makes independent community pharmacies successful and distinctive. Here, you have the foremost compendium of data on independent community pharmacy— a tool for gauging how your pharmacy business compares with others and for demonstrating the difference NCPA member pharmacists are making where they live and work.

Cardinal Health has long supported independent pharmacy, recognizing that community pharmacists occupy a distinct and essential place among health care providers.

Thanks to Cardinal Health's support, we provide in these pages a current, comprehensive profile of independent pharmacy in America. If you want to know what makes a successful pharmacy, you'll find it here.

Thank you for reading.

Sincerely,



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



Table of Contents

Foreword	4
Executive Summary	5
Methodology (Financial Data).....	8
The Independent Community Pharmacy Marketplace	9
Pharmacists as Health Care Providers	13
Vaccines: A “Booster” for Your Pharmacy	16
Community Pharmacy’s Clinically Integrated Networks Have Direct Contracts with Payers	17
Technology Trends	18
Third-Party Prescriptions.....	19
A Snapshot of Community Pharmacy in America	20
Profiles	22

FIGURES

1. 2018 Retail Pharmacies by State.....	10 - 11
2. CPESN® Networks as of September 2019....	17
3. Full-Line Independent Community Pharmacies	20
4. Local Roots of Community Pharmacy Owners and Employees.....	21

TABLES

1. Independent Pharmacy at a Glance.....	5
2. Average Annual Sales (In Thousands) Per Pharmacy Location, 10-Year Trend.....	7
3. Averages of Pharmacy Operations, 10-Year Trend	7
4. Pharmacy Staff Positions.....	9
5. Pharmacy Practice Settings.....	9
6. Percentage of Generic Prescriptions Dispensed.....	12
7. Average Hourly Wages	12
8. Long-Term Care Beds Served by Type of Facility.....	14
9. Services Included in Medication Synchronization	14
10. Emerging Models: Enhanced Services Pharmacies	15
11. Summary of Patient Care Services Offered.....	15
12. Summary of Disease State Management Services.....	15
13. Local CPESN® Networks Growth.....	17
14. Percentage of Pharmacies Utilizing Workflow Technologies.....	18
15. Social Media.....	18
16. Summary of Third-Party Prescription Activity	19



Foreword

This year's *NCPA Digest*, sponsored by Cardinal Health, is the annual report on the state of independent community pharmacy and may prove to be the benchmark against which the effect of clinically integrated networks of pharmacies and advocacy for drug reimbursement transparency are measured. For years, the *Digest* has reported that independent community pharmacies offer a great number of high-quality patient services aimed at improving the health of their patients and community. The steps being taken by independents strengthens their position as health care providers. This also highlights, for a diverse audience including media, government, and lawmakers, their ability to adjust to marketplace needs and healthcare innovation.

For over 80 years, the *Digest* has provided an inside look to measure industry trends and provide benchmarking information. This year's publication continues to follow an easy-to-use format that includes information regarding:

- **Financial trends.** Information showing average sales, cost of goods sold, gross profit and payroll expenses trended over 10 years.
- **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 point-of-care testing and medication adherence.
- **Progressive niches.** Trend analysis on the number of pharmacies that have collaborative drug therapy agreements, access to electronic medical records, or participate in a transitions-of-care program. These niches are helping owners differentiate their pharmacies in local markets and become better integrated in the overall health care system.
- **Community involvement.** Data showing the strong bond independent community pharmacies form with their local communities. Statistics include number of community organizations independent pharmacies support with time and financial assistance.
- **Third-party prescriptions.** Statistics about prescription reimbursement programs including Part D.



The *NCPA Digest*, sponsored by Cardinal Health, could not be published without the cooperation of hundreds of independent community pharmacies that 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 researchers at the University of Mississippi. The *Digest* is made possible by 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 10-year look back at sales and profitability.

In 2018, independent community pharmacy represented a \$75.8 billion marketplace, with 93 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 lack transparency on performance incentives and restrict network access. Independent pharmacies are responding to low reimbursements by forming clinically integrated networks to demonstrate their ability to provide high-quality care and value to health insurers.

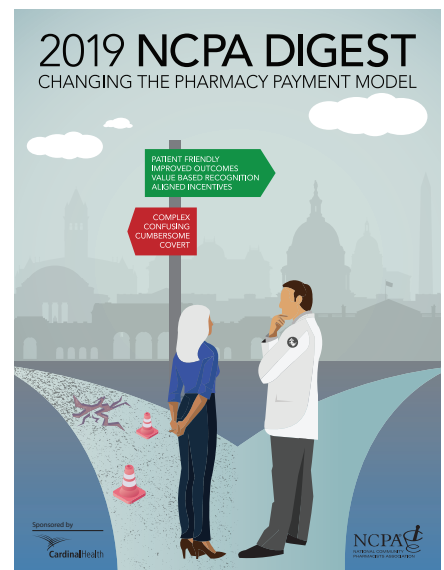
NCPA members remain interested in starting pharmacies from scratch, but the number of startups was smaller than closings and the number of independent

Table 1: Independent Pharmacy at a Glance

Year	2018
Average Number of Pharmacies in Which Each Independent Owner Has Ownership	2

Average Number of Prescriptions Dispensed Per Pharmacy Location	
New Prescriptions	27,881 (47.4%)
Renewed Prescriptions	30,942 (52.6%)
Total Prescriptions	58,823 (100%)
Average Prescription Charge	\$55.13

Percentage of Total Prescriptions Covered By	
Government Programs (Medicaid or Medicare Part D)	54%
Other Third-Party Programs	37%
Percentage of Generic Prescriptions Dispensed	85%



pharmacies has declined from 21,909 to 21,767 (Table 5, page 9). The more than 200,000 full-time equivalent workers employed in these stores stimulate local economies, pay state and local taxes, and provide 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, on page 5.

In general, the average independent community pharmacy location dispensed 58,823 prescriptions (189 per day) in 2018, a decrease from the 59,137 prescriptions dispensed in 2017. Preferred or narrow networks and mandatory mail order may have contributed to a steady decline of prescription volume in these independent pharmacies.

Many independents continue to operate multiple pharmacies. Thirty-two 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 2.0.

Data for the *Digest* have been collected for over 80 years, providing the opportunity to look at long-term trends for independent community pharmacies. Gross margins as a percentage of sales decreased from 23.8 percent in 2009 to 21.8 percent in 2018. Most of the decrease came over the past four years, caused by below-cost reimbursement and unpredictable DIR fees in Medicare Part D.

Tables 2 and 3 show the recent financial trends:

- Average sales in 2018 per location were \$3,484,449, a decrease of \$55,564 from 2017.
- Gross margin remained steady at 21.8 percent, but total gross profit decreased due to falling revenues
- A slight increase in wages caused payroll expenses, as a percentage of sales, to increase from 13 percent in 2017 to 13.2 percent in 2018.

It is important to note that this year's *Digest* data reflects the marketplace in 2018, the twelfth 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 2018, 37 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 16. See pages 5 and 19, respectively).

In 2018, independent community pharmacies continued to lead the way in innovations that define the future of pharmacy practice. As Medicare Part D and other payers focus on quality of medication use, independent community pharmacists are providing the patient care services to ensure optimal medication therapy. Community pharmacists are accessible and have the expertise to manage drug therapies. Community pharmacists are finding ways to be part of health care teams managing chronic patient care and facilitating transitions of care as patients move from inpatient to ambulatory settings. These small businesses not only affect their local communities by providing high-quality care, they also generate jobs and tax revenue and play a major role through civic contributions thereby helping their communities stay healthy and thrive economically.

- Sixty-five percent of independent community pharmacies provide monetary support to five or more





Table 2: Average Annual Sales (in Thousands) Per Pharmacy Location, 10-Year Trend

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
\$4,026	\$4,022	\$3,831	\$3,854	\$3,893	\$3,622	\$3,678	\$3,619	\$3,540	\$3,484

Table 3: Averages of Pharmacy Operations, 10-Year Trend

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Sales	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Cost of Goods Sold	76.2%	76.0%	77.1%	76.8%	76.7%	77.1%	77.7%	77.9%	78.2%	78.2%
Gross Profit	23.8%	24.0%	22.9%	23.2%	23.3%	22.9%	22.3%	22.1%	21.8%	21.8%
Payroll Expenses	14.1%	14.5%	13.4%	13.7%	13.4%	13.0%	12.8%	13.1%	13.0%	13.2%

community organizations. Thirty-three percent of these pharmacies provide support to between five and nine organizations, with an additional 32 percent providing support to 10 or more organizations. Fifty percent of owners provide more than \$4,000 per year in monetary support to community organizations. Fifty-eight percent of pharmacies have an owner and/or employee that is a member of the chamber of commerce and three percent of all stores have an owner and/or employee who holds

an elected local or state office (Figure 4, page 21).

- Ninety-one percent of *Digest* pharmacies are offering some type of medication adherence program, an increase from 74 percent in 2014. Improving medication adherence aligns the interest of patients, payers, pharmacists, and plans.
- Seventy-five percent of *Digest* pharmacies offer a mobile app, 40 percent have mobile commerce/signature capture, and 90 percent utilize a Facebook page to establish an

interactive web presence with their patients and customers (Table 14 and 15, 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 (Financial Data)

Independent community pharmacy owners who have completed at least one full 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 is provided for general education and information purposes only and is not an endorsement or recommendation by Cardinal Health or NCPA of any of the featured products or services. Although the content is based on reliable sources, the sources have not been fully examined or updated. Thus, neither Cardinal Health nor NCPA warrant that the information presented is accurate, current, or applicable for a particular use and accepts no responsibility or liability with respect to such information. The information on which the 2018 portion of the study is based was from the calendar year of Jan. 1, 2018 through Dec. 31, 2018. Results from prior issues of the *Digest* have been incorporated with the 2018 results to facilitate assessing industry trends.



The Independent Community Pharmacy Marketplace



Independent community pharmacies are all privately held small businesses, but they vary in practice setting. They include single and multiple store operations, regional chains, and franchises. At the end of 2018, there were 21,767 independent community pharmacies. Independent community pharmacy continues to represent a significant portion of pharmacies in the United States (Table 5).

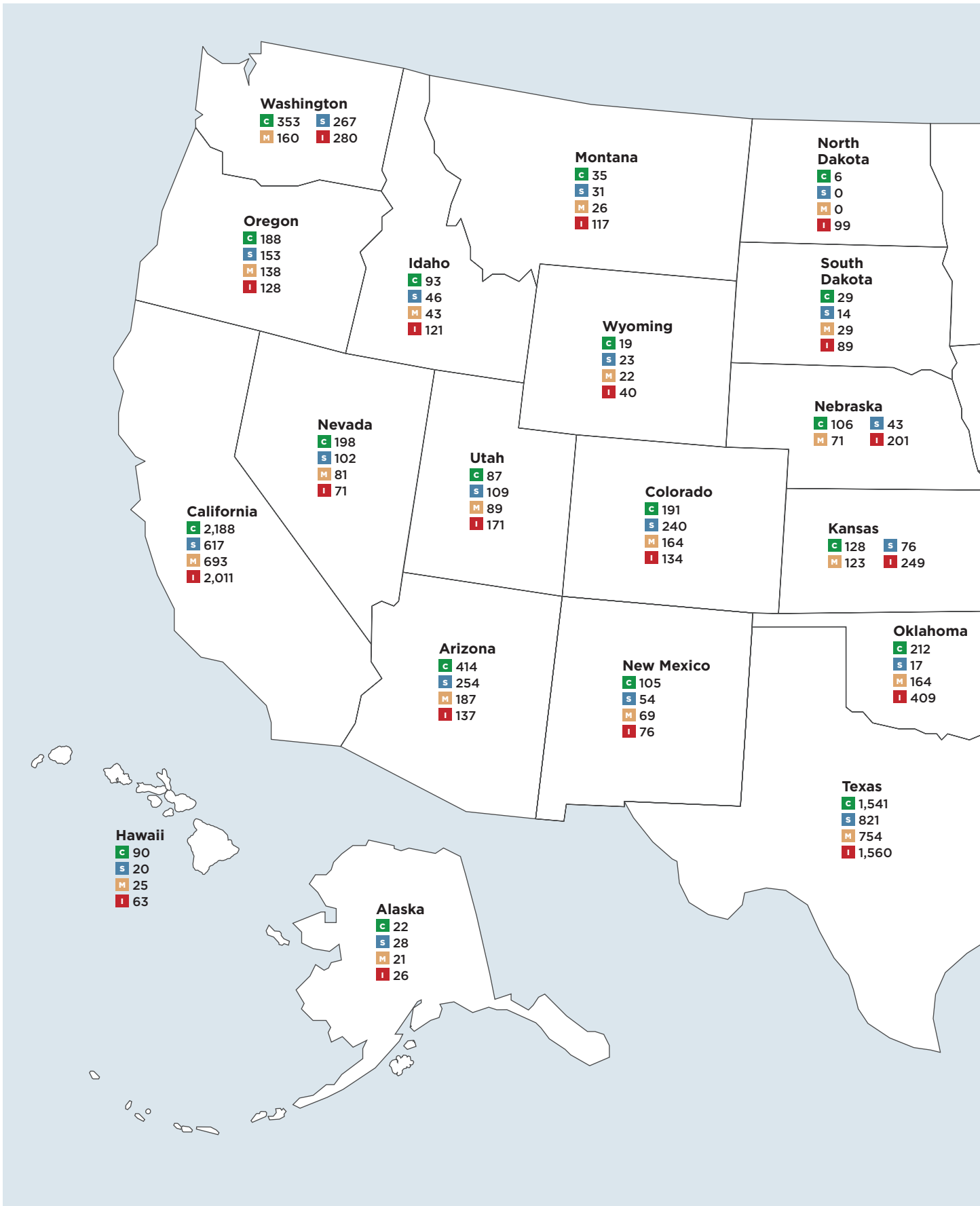
It is important to note that no single pharmacy chain has more stores than all independents combined, which represent 35 percent of all retail pharmacies in the U.S. and a \$75.8 billion marketplace.

Table 4: Pharmacy Staff Positions

	2015	2016	2017	2018
Non-Owner Pharmacists	1.5	1.6	1.5	1.4
Technicians	3.2	3.1	3.3	3.4
Other Positions	3.3	3.4	3.2	3.3
Total Non-Owner Employees	8	8.1	8	8.1
Working Owners—Pharmacists and Other Positions	1.4	1.3	1.3	1.2
Total Workforce (Full Time Employees)	9.4	9.4	9.3	9.3

Table 5: Pharmacy Practice Settings

	2014	2015	2016	2017	2018
Independents	22,478	22,160	22,041	21,909	21,767
Traditional Chains	21,514	22,164	22,400	22,720	22,812
Supermarket	8,356	8,208	8,402	8,618	8,523
Mass Merchant	8,382	8,477	8,640	8,873	8,698



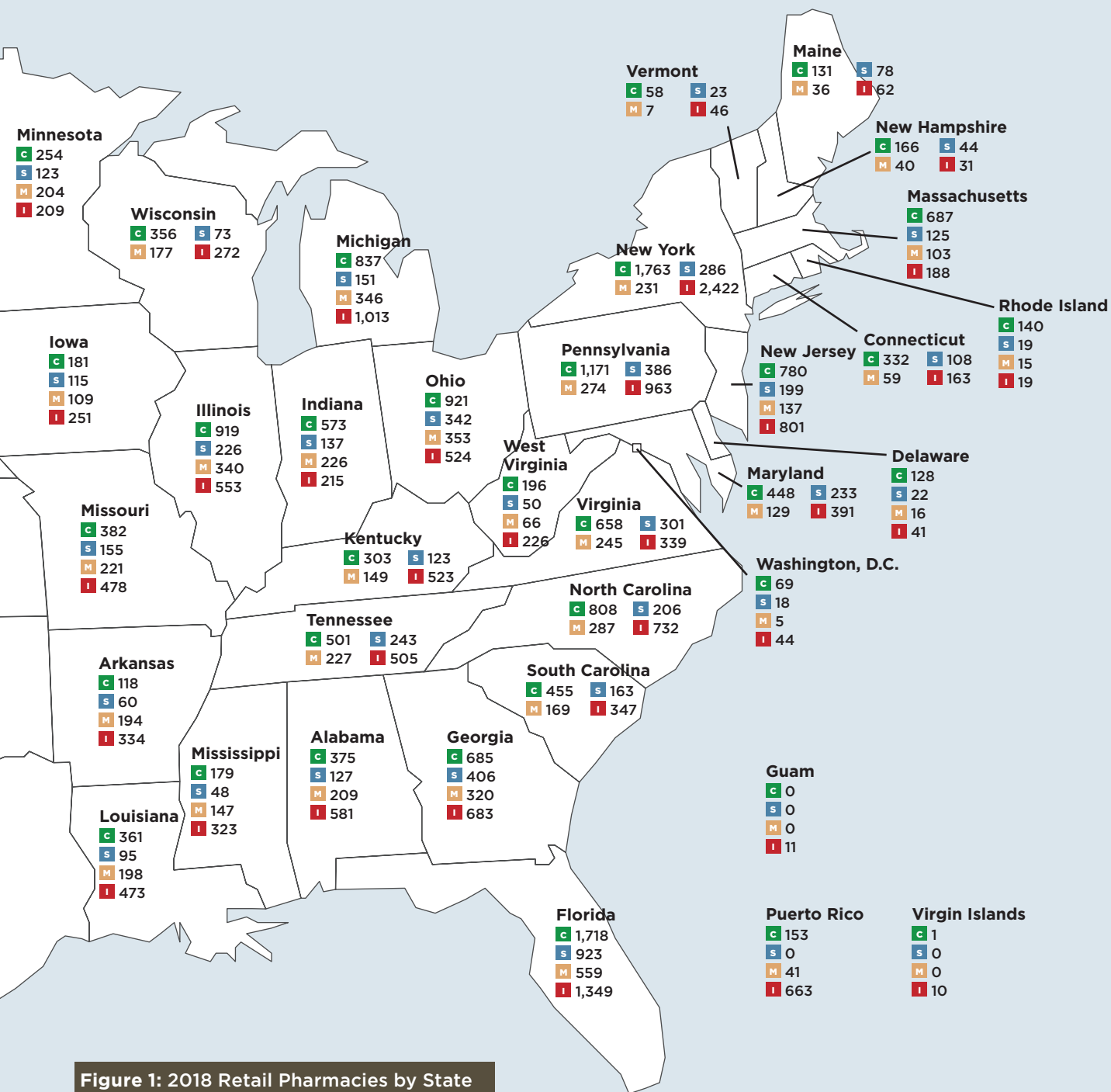


Figure 1: 2018 Retail Pharmacies by State

LEGEND

- Traditional Chain
- Supermarket
- Mass Merchant
- Independents

Source: NCPA analysis of NCPDP data and NCPA research



Table 6: Percentage of Generic Prescriptions Dispensed

2014	2015	2016	2017	2018
80%	82%	84%	85%	85%

Table 7: Average Hourly Wages

	2014	2015	2016	2017	2018
Pharmacist	\$55.37	\$55.89	\$57.21	\$58.10	\$58.82
Technician	\$14.31	\$14.37	\$14.87	\$15.05	\$15.56
Clerk	\$10.51	\$10.46	\$10.95	\$11.05	\$11.37

Other notable characteristics about independent community pharmacies:

- In 2018, independent pharmacy owners on average employed 8.1 non-owner, full-time equivalent employees (FTE) per location. Little change from the past two years. (Table 4, page 9).
- Hourly wages for staff pharmacists and technicians were up in 2018. Staff pharmacist wages increased by 72 cents per hour to \$58.82. Pharmacy technician wages increased to \$15.56, and clerk/cashier wages increased by 32 cents to \$11.37 per hour (Table 7).
- Despite unpredictability of drug plan cost sharing, independent community pharmacists continue to help patients keep costs low by encouraging the appropriate use of generic drug products, which are typically less expensive than their brand counterparts. As shown in Table 6, generic dispensing remained steady in 2018 at 85 percent of total prescriptions.
- Thirty-six 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. Thirty-eight percent are located in areas with a population between 20,000 and 50,000. Collectively, 74 percent of independent pharmacies are serving areas with a population less than 50,000.
- In 2018, 15 percent of independent community pharmacies had total sales over \$6.5 million, 31 percent with sales between \$3.5 and \$6.49 million, 25 percent with sales between \$2.5 and \$3.49 million, and 29 percent with sales under \$2.5 million.
- The majority (59 percent) of independent community pharmacies are organized as a small corporation (S-Corporation), followed by 26 percent which are a limited liability corporation (LLC). Ten percent are organized as a C corporation.
- The cost of dispensing for the average independent community pharmacy is \$10.85, up from \$10.79 in 2017.



Pharmacists as Health Care Providers



Independent community pharmacists are an easily accessible health care provider specializing in high-quality patient-centered care. One of the hallmarks of independent pharmacy has long been the services patients can access and receive in the pharmacy. Clinically integrated networks of community-based pharmacies are responding to the demand for demonstrable value. The following pages will show the patient care services and

niches that independent pharmacy is providing their patients.

LONG-TERM CARE SERVICES

Independent community pharmacists play an important role in caring for the nation's roughly 47 million seniors. Pharmacists provide medications and medication-related care for seniors in skilled nursing facilities, assisted living facilities, hospice, and home-based care. They also provide

many specialty services for seniors such as nutrition assessment and support, intravenous therapy, durable medical equipment, ostomy supplies, and pain management.

By innovating, independent community pharmacists provide needed services and improve their business financially. In 2018, 43 percent of independent community pharmacists provided long-term care services to their patients, and

Table 8: Long-Term Care Beds Served by Type of Facility

Type of Facility	Average Number of Beds in 2018
Skilled Nursing Facility	162
Assisted Living	139
Residential Facility	101
Correctional Facility	92

Table 9: Services Included in Medication Synchronization

	2017	2018
All chronic medications synchronized to a single monthly pickup date	93%	94%
Pharmacist meets with patient as needed to review medication use	66%	58%
Patient is called 4 to 10 days in advance of the monthly pick-up date	57%	60%
Patient is called the day before the pick-up date	28%	34%
Med sync optimized geographically for our delivery service	n/a	18%



PATIENT CARE SERVICES HIGHLIGHTS

- Table 11 shows that the top patient care services offered are medication therapy management (77 percent) and compounding (56 percent). 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.

DISEASE STATE MANAGEMENT SERVICES HIGHLIGHTS

- Table 12 shows that the top four disease state management services offered are flu immunizations (76 percent), non-flu immunizations (69 percent), blood pressure monitoring (57 percent), and diabetes training (33 percent). These reflect the high prevalence of diabetes and cardiovascular disease and the emphasis on wellness and patient outcomes.
- Lipid monitoring, immunizations, osteoporosis services, and asthma management are all services that complement dispensing prescription drugs. Payment for these services may be paid for out-of-pocket by the patient, from employer contracts, or third-party payers. These services are associated with better patient outcomes.
- 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 role of the pharmacist in immunizations.



serviced an average of 162 beds for skilled nursing facilities (Table 8).

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 economic cost of the non-adherence problem in the U.S. and improve patient health, 91 percent of independent community pharmacies have deployed comprehensive adherence programs, with nearly 79 percent offering medication synchronization (med sync) services to their patients. Med sync that leverages the appointment-based model results in all of a patient's medications coming due on the same day of each month, coupled with a mini medication reconciliation a few days prior. Both patient and pharmacy benefit from med sync programs. The med sync appointment date is used as a plan for a pharmacy visit, making note of any outstanding questions or clinical issues and maximizing the opportunity to provide any beneficial pharmacy services. Ninety-four percent of independent community pharmacies offering med sync services report synchronizing all chronic medications to a single monthly pick-up date and 60 percent report calling patients 4-10 days in advance of the monthly pick-up date (Table 9).

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 the community's overall health care system. Thirty-nine percent of pharmacists have a collaborative drug therapy agreement with a physician, and 24 percent have access to electronic medical records (Table 10). Pharmacists are part of the health care team providing

Table 10: Emerging Models: Enhanced Services Pharmacies

	2016	2017	2018
Collaborative Drug Therapy Agreements	35%	33%	39%
Access to Electronic Medical Records	23%	24%	24%
Conduct Patient Education Classes	19%	16%	16%
Transitions of Care Program	11%	11%	8%
Implemented Convenient Care Clinic	2%	3%	2%

Table 11: Summary of Patient Care Services Offered

	2016	2017	2018
Medication Therapy Management (MTM)	86%	79%	77%
Compounding	62%	60%	56%
Durable Medical Goods	52%	53%	53%
Ostomy Supplies	35%	37%	32%

Table 12: Summary of Disease State Management Services

	2016	2017	2018
Immunizations (Flu)	74%	70%	76%
Immunizations (Non-Flu)	n/a	n/a	69%
Blood Pressure Monitoring	61%	57%	57%
Diabetes Training	41%	35%	33%
Smoking Cessation	24%	24%	23%
Asthma Management	17%	16%	13%
Weight Management	13%	12%	11%
Lipid Monitoring	8%	7%	7%

innovative services, transitions of care, and patient education.

POINT-OF-CARE TESTING

As the emphasis on preventative care continues to grow, many states are expanding the role of pharmacists in providing point-of-care-testing. Pharmacy-based point-of-care testing helps build a relationship based on trust between the patient and the pharmacist. The top four point-of care services provided are influenza (13 percent), rapid strep (12 percent), cholesterol screening (10 percent), and hemoglobin A1c (6 percent).

SPECIALTY MEDICATION

Thirty-nine percent of independent community pharmacies dispense specialty medications. Independents have clear competitive advantage in dispensing specialty medications, but access to specialty pharmacy contracts and limited distribution drugs pose challenges to independents penetrating this market. The top disease states specialty medications dispensed by these pharmacies treat rheumatoid arthritis (83 percent), HIV infection (54 percent) and multiple sclerosis (40 percent). These pharmacies provide high-touch care to the patients in their local communities who need these medications.

Vaccines: A “Booster” for Your Pharmacy

Over the past 20 years, pharmacists have become actively involved in the routine immunization of patients. As the emphasis on preventative care continues to grow, many states are expanding the role of pharmacists as experts in immunizations. Currently, immunization is the No. 1 patient care service offered by community pharmacy, highlighting the important role pharmacists play in public health.

Offering immunizations provides opportunity for pharmacies far beyond the revenue that is generated from this service. Pharmacy-based immunization services help build a relationship based on trust between the patient and the pharmacist, leading the patient to rely more and more on the pharmacist for a wide array of other services such as medication therapy management, point-of-care testing, and health screenings. Immunizations go a long way

toward branding the pharmacy as a destination for health and wellness, an important differentiator as the profession moves from a business model focused on medication dispensing to patient-focused care.

With funding from the Centers for Disease Control and Prevention, NCPA collaborated with a team of researchers and clinicians from Auburn University School of Pharmacy to develop an online survey of pharmacy-based immunization services among independent community pharmacy owners.

Key results include:

90% of respondents provided influenza vaccinations. 76% of respondents utilize an Immunization Information System, otherwise known as an immunization registry.

Percent of respondents providing vaccinations to:

Adults

Zoster (86%)
Pneumococcal (84%)
Tetanus containing vaccines (80%)
Hepatitis B (42%)

Pregnant women

Influenza (65%)
Tdap (34%)

Adolescents

Meningococcal (18%)
Human Papillomavirus (14%)

These results show that there is a significant opportunity to increase immunizations given in independent community pharmacies.



Community Pharmacy's Clinically Integrated Networks Have Direct Contracts with Payers

CPESN® USA is the first, and only, clinically integrated network of community pharmacy providers in the United States. With steady growth, local CPESN networks have launched and expanded in 44 states across America.

More importantly, many of these networks already have direct contracts with medical-side payers – payers who find value in independent pharmacy's local relationships and ability to deliver patient care in their local community.

More and more, medical-side payers are finding value – and willing to invest – in community-based pharmacies with strong local relationships and the ability to deliver care services within their community.

Visit cpesn.com to learn more.

Table 13: Local CPESN Networks Growth

	Local Networks with Board Appointment	Participating Pharmacies
as of 8/1/2018	14	1597
as of 8/1/2019	26	2351

Local networks elect local representation to the CPESN Board of Managers

Figure 2: CPESN networks as of September 2019



As of Aug. 1, 2019

- 65 percent of CPESN networks with more than 40 participating pharmacies already have an active payer agreement.
- 25 percent of CPESN networks with more than 40 participating pharmacies **have at least two active payer agreements** in place.
- The number of payer engagements is at an all-time high with dozens of additional opportunities in the contracting phase.
- Over 1,600 CPESN pharmacies have documented patient interventions and electronically submitted care plans as a part of the eCare Plan initiative.
Visit www.ecareplaninitiative.com to learn more.
- CPESN networks experienced 42 percent growth in participating pharmacies and 86 percent growth in networks reaching the mark required to nominate a board appointment.

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 other health care providers and patients.

Table 14: Percentage of Pharmacies Utilizing Workflow Technologies

Category	2016	2017	2018
Point-of-Sale	88%	87%	89%
Automated Dispensing Counter	56%	60%	64%
Telephone IVR	50%	51%	53%
Mobile Commerce/Signature Capture	42%	44%	40%
Automated Dispensing System	32%	30%	29%

HIGHLIGHTS

- Independent pharmacies embraced the digital age years ago, having used computerized records and real-time claims billing for decades. Now in the era of near ubiquitous mobile devices, 90 percent of independent pharmacies utilize Facebook, 18 percent have a Twitter account, and 75 percent use a mobile app (Table 15). The cost of pharmacy verification programs is a barrier to independent pharmacies who want to maximize search engine and social media advertising programs.
- Independent community pharmacists continue to embrace workflow technology to improve their effectiveness and efficiency. Eighty-nine percent of pharmacies use point-of-sale technology (Table 14).

Table 15: Social Media

Category	2017	2018
Facebook	86%	90%
Mobile App	69%	75%
Twitter	24%	18%
YouTube	6%	4%



Third-Party Prescriptions



The most significant external pressure on the business of independent community pharmacy is third-party prescription coverage and the corporations that administer drug coverage, pharmacy benefit managers. 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 specific pharmacy chain or mail order pharmacy for their prescription refills when a patient may prefer their community pharmacy hurts patient care as well as impacts the financial performance of a locally owned business. Mandatory mail order, including steering those patients taking specialty medications, and preferred networks common in Medicare Part D may be contributing to the negative growth in prescription volume in independent pharmacies. This directly affects the pharmacy and local economy. For most independent community pharmacies, achieving a functional and fair working relationship with third-party payers is essential to long-term viability.

HIGHLIGHTS

- Ninety-one percent of prescriptions are covered by third-party contracts—54 percent are covered by government programs (Medicare and Medicaid), similar to last year (Table 16).
- Medicare Part D and Medicaid now cover 37 percent and 17 percent of prescriptions, respectively, filled 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 paid by cash customers, 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 16: Summary of Third-Party Prescription Activity

Category	2014	2015	2016	2017	2018
Medicaid	17%	17%	16%	17%	17%
Medicare Part D	34%	35%	36%	36%	37%
Other Third Party	38%	39%	39%	36%	37%
Non-Third Party	11%	9%	9%	11%	9%

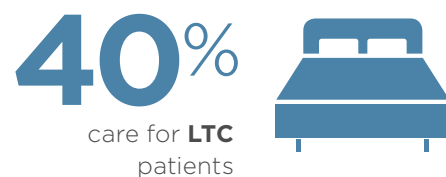
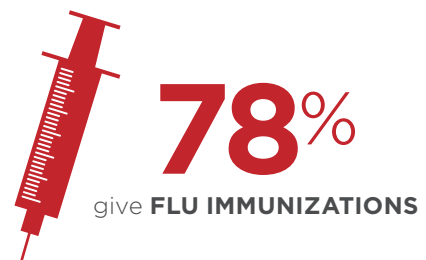
A Snapshot of Community Pharmacy in America

Figure 3: Full-Line Independent Community Pharmacies*



of the respondents to the 2019 NCPA Census consider themselves full-line pharmacies*

Here is what these full-line pharmacies are offering...



*The 2019 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 only.

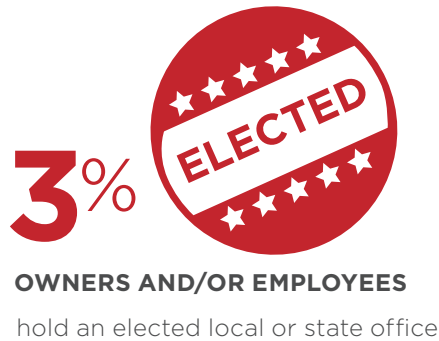
Figure 4: Local Roots of Community Pharmacy Owners and Employees



are lifelong friends with
a state representative



are members of the Chamber of Commerce



2019 NCPA PROFILES



PROFESSIONAL PHARMACY GROUP

Locations:

Annapolis, Md., Arnold, Md.
Glen Burnie, Md., Lanham, Md.

Established:

2008

Co-Owners:

Jeremy Cundiff, PharmD
Neil McGarvey, PharmD

Education:

University of Maryland
Baltimore School of
Pharmacy, 1998 (McGarvey)
University of Maryland
Baltimore School of
Pharmacy, 1999 (Cundiff)

Products and services:

Include prescription
compounding, home delivery,
flu shots and immunizations,
durable medical equipment,
adherence packaging,
medication synchronization,
medication therapy
management services,
private consultation room,
numerous OTC products,
cards and gifts.

Unlike many of his peers, Jeremy Cundiff (top left) says he didn't grow up dreaming of becoming a pharmacist. After being accepted into the University of Maryland at College Park as an undergraduate, he says with a laugh, "I was 18, and I thought, 'I need to declare a major.'" While there, he became acquainted with Neil McGarvey (top right). Both went on to earn PharmD degrees from the University of Maryland at Baltimore, McGarvey in 1998 and Cundiff a year later.

They spent about a decade working for chains after they graduated, and after a while the pair came to the conclusion that they could do just as well or better operating as independents.

"I became a regional manager, and I was seeing a lot behind the scenes," Cundiff says. "We started talking and both decided we had reached about as far as we wanted with the chains."

Initially they were planning to open an independent retail pharmacy, but their real estate agent knew somebody who wanted to open a long-term care facility in a medical building. Despite not having an LTC

background, Cundiff and McGarvey thought it was a good investment, and opened Kay Cee LTC Pharmacy in Lanham, Md., in 2008. In the next decade they acquired four more pharmacies within about a 40-mile radius of Annapolis, Md.

Cundiff admits that it "took a leap of faith" to open the initial LTC business, but he and McGarvey had done extensive research for about a year.

"We're both fiscally conservative in nature, so we kicked the tires a great deal before we did anything," McGarvey says.

The five locations collectively fall under the Professional Pharmacy Group umbrella. They offer a full suite of services, including medication synchronization, durable medication equipment, immunizations, and deliveries.

Cundiff and McGarvey took what they learned from the LTC pharmacy to integrate an extensive med sync program into each of Professional Pharmacy Group's retail locations. Cundiff says about 40 percent of its retail prescriptions are synchronized, and about 1,000 patients are signed up for med sync.

While Cundiff focuses on operations, McGarvey still works behind the counter. With the pharmacy's med sync and compliance packaging programs, he enjoys coordinating complex medication regimens for patients.

Of course, the focus is always on serving their patients. "The community has kind of shaped our business," Cundiff says. "We've had fantastic support from them."



DAVE'S PHARMACY

Location:

Marysville, Ohio

Established:

1997

Owner:

David Burke, PharmD

Education:

Ohio Northern University
College of Pharmacy, 1990

Products and services:

Includes med disposal, refillRx mobile app, text notifications, automatic refills, Simplify my Meds®, vitamins, prescription refills, drive-thru, durable medical equipment, free local delivery, compounding, and pet compounding.

David Burke is passionate about pharmacy. You can hear it in his voice. It first hit him as a youngster growing up in Marion, Ohio, when his family took him to the local independent pharmacy to get some medication.

“The pharmacist knew everyone who came into the store,” Burke says. “He seemed very positive and happy about what he was doing, and that just always stuck with me.”

From that point on, there was no turning back. Burke was going to be a pharmacist. “I never had another career path in my mind after that,” he says. “I never had a plan B.”

From there, things took off. After graduating from Ohio Northern University in 1990, and in 1997 he and wife Donna (also a pharmacist) opened Dave’s Pharmacy in Marysville, Ohio. A decade later, he was launching a state-level political career, first in the Ohio House of Representatives, and now in his second term in the Ohio Senate, serving District 26. Burke says he sees plenty of similarities between being a pharmacist and a legislator. It’s about providing service.

“It’s no different than what I do at the drugstore,” he says. “I don’t think pharmacists should be hesitant to run for office. I think politics is a natural way for pharmacists to deliver care. You are just doing it in a different type of setting.”

The Ohio General Assembly is comprised of 33 senate districts, and Burke is part of the 24-9 Republican majority. (The House

of Representatives has 99 members, with three per district.) The General Assembly operates in two-year cycles; the 133rd session started in January. Burke serves in several leadership roles, notably as Health, Human Services, and Medicaid Committee chairman.

Burke’s pharmacy is about 30 minutes northwest of the capital, Columbus. He works at the pharmacy on Mondays and Fridays, about 13 hours each day, and a few hours on Sundays to catch up on paperwork. The 3,000-square-foot pharmacy does standard retail and non-sterile compounding and dispenses about 2,000 prescriptions weekly.

“It’s a solid business,” Burke says.

Burke understands that politicians don’t rate highly in popularity contests, but he thinks as a pharmacist he can transcend that.

“Inherently our profession has trust, and that’s the No. 1 thing people want,” he says. “You are tangible, people actually see you, and you aren’t at some unknown address. People can come and see me, I’m on the corner of 5th and Maple. I don’t know of any other public official in the state where you can go and touch them out of the blue.”

Burke says what he is doing is the essence of democracy, as a citizen legislator. “It’s awesome to me that you can still have a business and a life, and still help people at the state level through participating in the political process,” he says. “I am honored to do what I do.”



PREMIER CUSTOM PHARMACY

Location:

Palm Beach Gardens, Fla.

Established:

2008

Owner:

Tracy L. Christian, RPh,
BPharm

Education:

University of Florida College
of Pharmacy, 1991

Products and services:

Includes retail products and compounding, specializing in hormone therapy, adrenals/thyroid, andropause, dentistry, dermatology, pain management, palliative care, podiatry, sports medicine, veterinary, women's health, wound care, and unavailable and discontinued medications.

After graduating with her pharmacy degree from the University of Florida in 1991, Tracy Christian worked for a large chain, and after a while became “completely frustrated.” After that she joined an independent community pharmacy and things changed.

“That’s where I thought I was making a difference in patients’ lives,” she says.

Then, at some point along the way while working at the independent, Christian says, “I figured if that guy can do it, I can do it, and I think I can do it better.”

With that, Christian opened Premier Custom Pharmacy in Palm Beach Gardens, Fla., in 2008. The business started as compounding only, and has since added retail. “We kind of do everything,” she says. “Our patients are very happy and we’ve had repeat customers since the day we opened. We’ve been really good at maintaining customer loyalty.”

Being in south Florida where people like to spend time outdoors year-round, it’s not surprising that Premier does a lot of work with local dermatologists. Christian takes pride in her relationships with local physicians, saying they feel comfortable working with Premier.

“We do as much hand-holding with the patients as we need to do,” Christian says. “If there’s not something commercially available to solve their problems, we look to compounding if we need to get more creative.”

Premier has also built a substantial

nutritional supplement front-end segment. “We’re promoting health as well as filling custom medication and prescription needs,” she says. “I think there’s a trend toward patients taking their health into their own hands.”

When Christian first opened Premier, she thought, “I would almost work bankers’ hours Monday through Friday, and just keep myself busy enough,” especially as her children were young at the time. Reflecting on her original plan, she says with a laugh, “It has consumed way more than the bankers’ hours, but I like that. I like the excitement that it brings, reaping the rewards for the efforts of growing your business and helping patients.

“For me it’s not just about the bottom line. I would rather help and do a good thing for the patients in my community.”



FOUR CORNERS PHARMACY

Location:

Delmar, N.Y.

Established:

2005

Co-Owner:

John Croce, RPh

Education:

Albany College of Pharmacy,
1984

Products and services:

Includes medication compounding, flavoring of liquid antibiotics, surgical supplies, immunizations, private prescription consulting areas, home delivery, drive-thru, 24 hour prescription drop box, refill reminders, medication synchronization, compliance packaging, medication take back, used syringe return, and private off street parking.

John Croce kind of came full circle in his career, starting out in community pharmacy, and then jumping into chain pharmacy management. But community pharmacy kept a pull on him, and in 2005 he and partner Paul Pagnotta opened Four Corners Pharmacy in the Albany suburb of Delmar, N.Y.

He enjoys the give-and-take of partnership, saying, "If you have a partner who agrees with you all the time, you don't need a partner."

Croce met his wife Karen while they were in pharmacy school at the Albany College of Pharmacy. Even though they are both pharmacists, they don't work together. None of their children are in pharmacy, but they have a granddaughter, so who knows?

Croce says Four Corners certainly holds its own against the big boys. Among its services is compounding, liquid antibiotic flavoring, surgical supplies, immunizations, private consulting, home delivery, refill reminders, medication synchronization, and compliance packaging.

"We offer the same health care products as the retail chain pharmacies, but we set ourselves apart with truly incomparable customer service," Croce says. "As a small town pharmacy, we treat our staff and our customers like family. We get to know our customers so that each time you come in, we know who you are and how to take care of you."

Croce certainly fits the role of independent pharmacist, saying he loves talking to people and

says helping them improve health outcomes is what he likes most.

Croce has devoted his time to professional pharmacy organizations throughout his career. He was a member of the New York State Board of Pharmacy from 2007 to 2017, served as chair of the state's practical exam for three years and was also the chairman of the board for the 2013-2014 session. Croce currently serves as an extended member of the board. He was also appointed to the New York State Medicaid Pharmacy Advisory Committee and continues to serve to this day. Croce is a member of the Albany County Medical Reserve Corp and participated in the first county-wide H1N1 vaccination clinic in 2009.

With 35 years of experience, you might think that Croce is looking for an exit strategy. Think again. He's not interested. "I can't leave now," he says. "It's just getting good."

That's in large part due to his involvement with CPESN® USA, where he was a finalist for the 2018 Luminary of the Year, representing CPESN of Upstate New York. Croce believes that CPESN networks represent the best opportunity for pharmacy to come to the health care table as a contributor in patient care. Croce sees CPESN networks as the clinical path for pharmacists in a community-based setting.

"I'm proud of the collaboration of independent pharmacies working toward the goal of improving patient outcomes and reducing health care costs," he says.



RIVERPOINT PHARMACY

Location:

Spokane, Wash.

Established:

2003

Owner:

Cathy Hudek, RPh

Education:

Creighton University School of Pharmacy, 1981

Products and services:

Includes compounding, scheduled consultations, custom non-sterile dosage forms, immunizations, hormone consultations, weight loss program, refill app, and OTC products.

Cathy Hudek was working for a pharmacy in Colorado Springs, Colo., when she fielded a call from a headhunter who was cold-calling in search of a pharmacist for a job at a compounding pharmacy in Spokane, Wash. She thought the job sounded interesting, even though she hadn't done much compounding. Hudek took it and moved 1,200 miles away to Spokane. Six months later, the pharmacy went out of business.

The job didn't work out but in Spokane, Hudek had discovered her passion. She fell in love with compounding. Her husband Dale had an idea.

"Why don't you open your own compounding pharmacy?" he asked her.

So that's what she did. Hudek, a 1981 pharmacy graduate of Creighton University, opened Riverpoint Pharmacy in 2003. For a few months, she worked two jobs. Today, Riverpoint is the only USP <800>-compliant pharmacy in the Inland Northwest. The pharmacy will move into a new location in 2020 to be totally compliant with new USP standards, which go into effect Dec. 1.

Hudek says Riverpoint's focus is on making the lives of its patients easier and eliminating the stresses that come when a prescription medication is produced in a form or dosage that is not ideal. Riverpoint's therapy areas also include hormone therapy for women and men, optimal thyroid therapy, topical pain creams, topical wound creams, specialized ENT formulations, dermatology

and customized pet medications.

"We work with patients and their physician to develop a plan that meets their needs that standard pharmacies are not able to do," she says.

Hudek has lent her compounding expertise in several ways, including serving on the NCPA Committee on Compounding. On the advocacy side, she has reached out to her member of Congress, Rep. Cathy McMorris Rodgers (R-Wash.), a longtime pharmacy champion.

"It's a positive experience," Hudek says. "She and her aides are receptive to pharmacy issues."

Hudek is also active with NCPA advocacy efforts, and appreciates the value NCPA brings for her.

"It's nice to have somebody who is advocating for independents," she says. "We need that squeaky wheel working for us."



PENINSULA PHARMACY

Location:

Marquette, Mich. (two locations)

Established:

1997

Owner:

Tyler Jenema, PharmD

Education:

Ferris State College of Pharmacy, 2009

Products and services:

Includes online/mobile app refills, free home delivery, 24 hour on-call service, reimbursement assistance, specialty compounding, specialty medications, adherence programs, professional consultations, ostomy supplies, diabetes testing supplies, catheter supplies, wound care supplies, walkers, canes, crutches and breast pumps.

It was a recent Monday morning and Tyler Jenema was having a relaxing conversation about Peninsula Pharmacy in Marquette, Mich.

Wait a minute, an independent pharmacy owner had time to talk on what is considered one of the busiest days of the week?

That's what having an effective medication synchronization program can do, Jenema says.

"Easily the biggest benefit has been the ability to control the workflow and the chaos by knowing when people are going to be coming in, so we are proactively managing patient refills instead of being reactive," he says. "It helps with inventory management also.

"And we no longer have crazy Mondays."

Marquette, located on the shores of Lake Superior, has about 20,000 people, making it the largest town in Michigan's Upper Peninsula, commonly known as the U.P., where many residents call themselves "Yoopers." Jenema is a Marquette native. His father Kent bought the business, formerly known as Bell Pharmacy, in 1997. Jenema began working at Peninsula full time after graduating from the Ferris State (Mich.) College of Pharmacy in 2009.

Peninsula Pharmacy has two locations in Marquette, with Jenema opening a second store in 2014. There are five full-time pharmacists, about 18 full-time technicians, and various other support staff among the two locations. It has standard retail offerings and also does non-sterile compounding, including bio-identical hormone replacement, specialty, and veterinary. The

pharmacies also have a large durable medical equipment offering and service several long-term care and group homes.

Peninsula Pharmacy, a PrescribeWellness client, began its med sync program about 10 years ago. Jenema says about 60 percent of patients are enrolled. He gets satisfaction from seeing his team work with patients who might have complex medication regimens and helping them get organized and making sure they get their medications.

"That's by far the most satisfying thing," Jenema says. "Patients are getting that personal touch and interaction at least once a month, which is how I feel retail pharmacy should operate."

Going forward, Jenema would like to get involved in pharmacogenomics, and is also hoping to find a collaborative practice agreement and do more point-of-care testing.

Jenema is involved with CPESN[®] Michigan and believes in its philosophy, along with PrescribeWellness's motto of "going beyond the fill."

"My long-term goal is to demonstrate the value and tangibly capture the value that we are providing to our patients," he says. "Things like the PrescribeWellness platform, eCare plans, medication therapy management - I think these are really important things for us to focus on as retail pharmacy, to capture what we're doing to advocate for our patients and create positive patient outcomes. We want to demonstrate that we are providing value instead of just putting pills in bottles."



PATIENT FRIENDLY
IMPROVED OUTCOMES
VALUE BASED RECOGNITION
ALIGNED INCENTIVES



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