

NCPA 2018 DIGEST

COMMUNITY PHARMACIES LEADING
LOCAL CARE COORDINATION



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NATIONAL COMMUNITY PHARMACISTS ASSOCIATION THE VOICE OF THE COMMUNITY PHARMACIST®

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Dear Reader:

What makes a successful community pharmacy? It goes beyond the ability to dispense medications.

It's also having roots in a community, being a part of the civic, social and economic fabric of a place. It's having a compassionate, relationship-oriented team whose members are trusted advisers to pharmacy patients. And more and more, it's offering vital patient services that fill a health care void in communities across our nation.

Community pharmacy owners are getting out from behind the counter, actively recruiting business, and not relying on it to find them. They're offering essential services like in-person home delivery, adherence packaging, and medication synchronization. They're working with patients and employers to customize solutions to local health care challenges — from impediments to access, to boosting medication adherence, to lowering prescription drug costs.

In short, independent pharmacies have the freedom and autonomy to be early adopters to improve the health of the patients and communities they serve.

Community pharmacists have always been innovators, adapting to the changing health care needs of their communities. Many have formed clinically integrated networks of pharmacy providers (known as CPESN®) to forge stronger relationships with patients and patients' local health care team. CPESN network pharmacies provide the integrated care and enhanced services that have proven to improve overall patient care, and especially the health of complex, chronically ill patients.

But in a world of low margins and complex reimbursement models, success depends on good business management, too. Controlling costs and identifying new revenue streams through information tools that transform data into

meaningful metrics — all of which allow owners to make informed business decisions.

In this *2018 NCPA Digest*, presented by the National Community Pharmacists Association and Cardinal Health, we quantify and profile what makes community pharmacies successful and distinctive. Here, you have the foremost compendium of data on community pharmacy — a tool for gauging how your business compares and for demonstrating the difference NCPA member pharmacists make 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



Debbie Weitzman
President
Pharmaceutical Distribution
Cardinal Health

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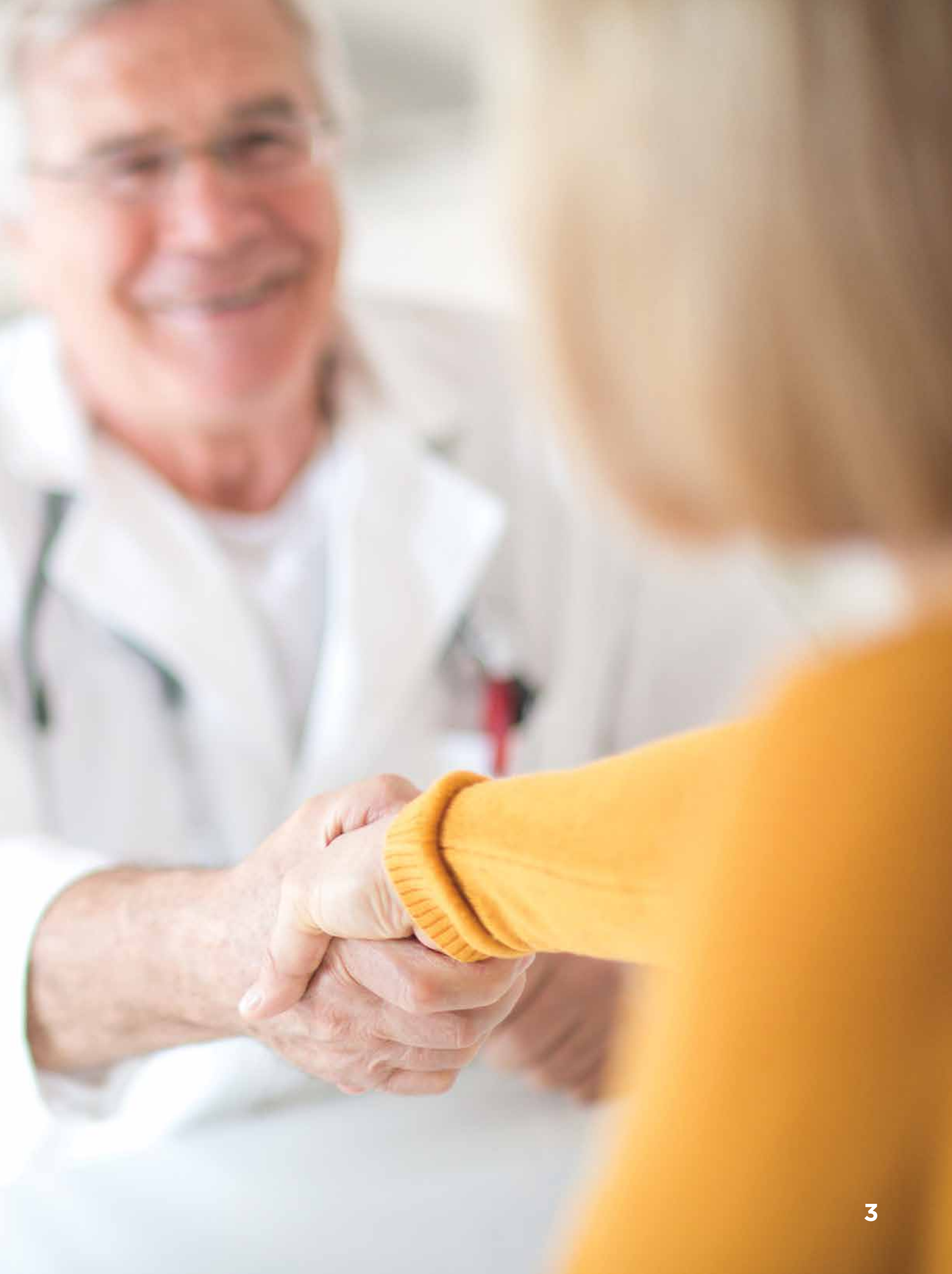
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Foreword

The *NCPA Digest*, sponsored by Cardinal Health, is an annual report on the state of independent community pharmacy and may prove to be the baseline against which the effect of clinically integrated networks and advocacy for drug reimbursement transparency are measured.

For years, the *Digest* has reported that independent community pharmacies offer a greater number and higher caliber of services than their competitors, all aimed at improving the health of their patients and community. This strengthens their position as health care providers and highlights to media and policymakers their ability to adjust to marketplace needs.

For more than 80 years, the *Digest* has provided an inside look at industry trends and benchmarking metrics for pharmacy owners. In an easy-to-use format, this year's publication 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, and the number of retail pharmacies nationally, as well as pharmacist interactions with other healthcare professionals.
- 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 to which independent pharmacies provide monetary support, and local organizations to which pharmacy owners are members.
- 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 10-year look back at sales and profitability.

In 2017, independent community pharmacy represented a \$77.6 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 lack transparency on performance incentives and network fees. Independent pharmacies are responding to low reimbursements by forming networks of clinically integrated pharmacists to demonstrate their ability to provide quality and value to health insurers.

NCPA members remain interested in starting pharmacies from

Table 1: Independent Pharmacy at a Glance

Year	2017
Average Number of Pharmacies in Which Each Independent Owner Has Ownership	2

Average Number of Prescriptions Dispensed Per Pharmacy Location	
New Prescriptions	28,106 (47.5%)
Renewed Prescriptions	31,031 (52.5%)
Total Prescriptions	59,137 (100%)
Average Prescription Charge	\$55.15

Percentage of Total Prescriptions Covered By	
Government Programs (Medicaid and Medicare Part D)	53%
Other Third-Party Programs	36%
Percentage of Generic Prescriptions Dispensed	85%



scratch, but the number of startups was smaller than closings and the number of independent pharmacies has declined from 22,041 to 21,909 (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 59,137 prescriptions (190 per day) in 2017, a slight decrease from the 59,746 prescriptions dispensed in 2016. Rural pharmacy closings, preferred or narrow networks, and mandatory mail order may have contributed to the flat growth in 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 two.

Data for the *Digest* have been collected for more than 80 years, providing the opportunity to look at long-term trends for independent community pharmacies. Gross margins as a percentage of sales decreased from 23.2 percent in 2008 to 21.8 percent in 2017. While it's interesting to note that major provisions of the Affordable Care Act went into effect at the midpoint, most of the decrease came over the past three 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 2017 per location were \$3,540,013, a slight decrease from 2016.
- Gross margin decreased for a fourth straight year to 21.8 percent.
- Payroll expenses, as a percentage of sales, decreased from 13.1 percent in 2016 to 13 percent in 2017.

It is important to note that this year's *Digest* data reflect the marketplace in 2017, the eleventh 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 2017, 36 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 2017, 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





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

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
\$3,881	\$4,026	\$4,022	\$3,831	\$3,854	\$3,893	\$3,622	\$3,678	\$3,619	\$3,540

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Sales	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Cost of Goods Sold	76.8%	76.2%	76.0%	77.1%	76.8%	76.7%	77.1%	77.7%	77.9%	78.2%
Gross Profit	23.2%	23.8%	24.0%	22.9%	23.2%	23.3%	22.9%	22.3%	22.1%	21.8%
Payroll Expenses	13.5%	14.1%	14.5%	13.4%	13.7%	13.4%	13.0%	12.8%	13.1%	13.0%

and facilitating transitions of care as patients move from inpatient to ambulatory settings.

- Eighty-eight 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 pharmacy personnel who visit patient homes while making medication deliveries are becoming an important part of the care delivery team, checking on patients' well-

being and connecting them to any needed services. Seventy-one percent of *Digest* pharmacies are offering delivery services and they have been providing these services for decades. Seventy-six percent of these pharmacies do not charge for delivery services, and 59 percent deliver most orders within six hours.

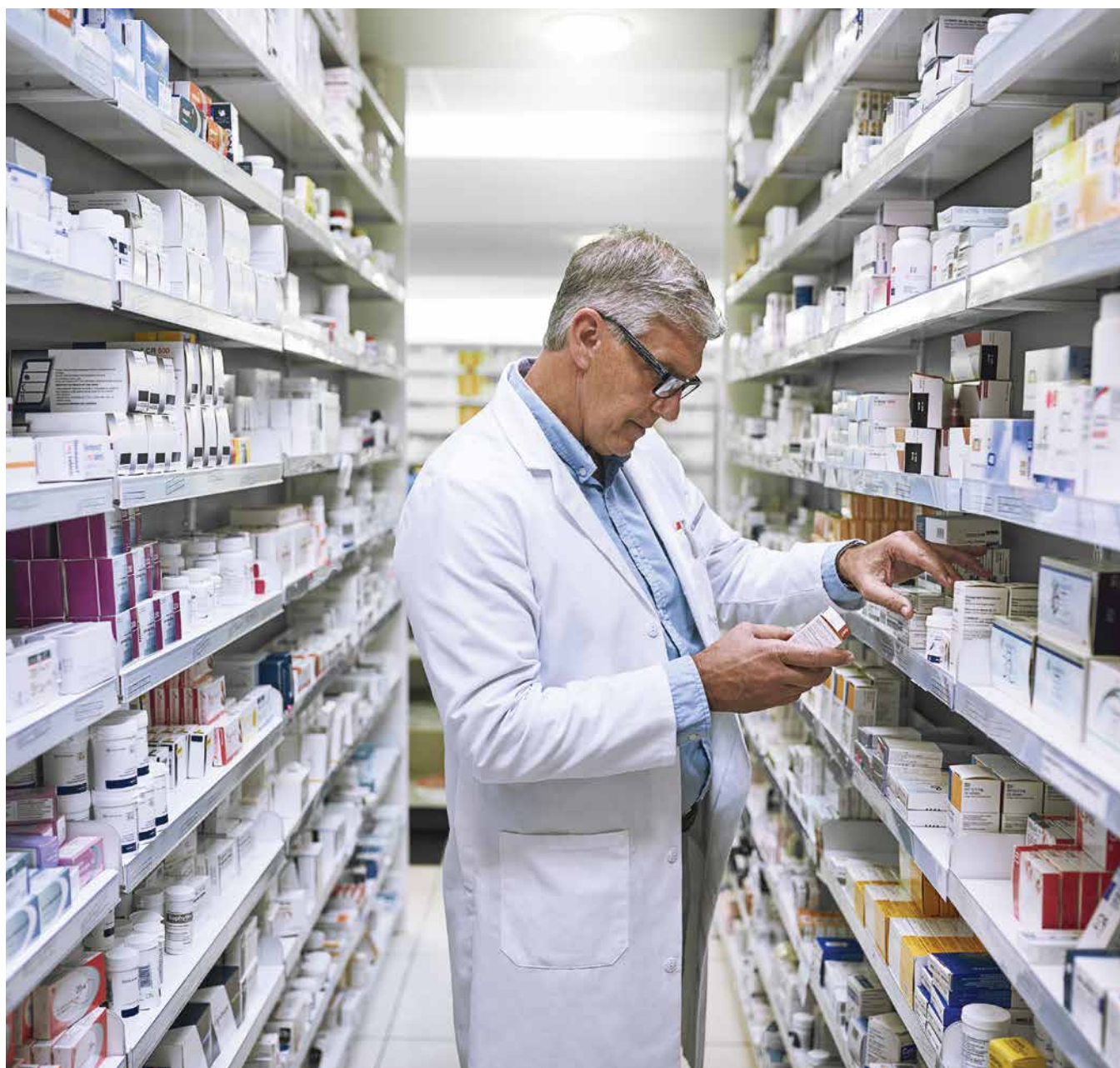
- Sixty-nine percent of *Digest* pharmacies offer a mobile app, 44 percent have mobile commerce/signature capture, and 86 percent have a Facebook page to establish an

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, 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 2017 portion of the study is based was from the calendar year of January 1, 2017 through December 31, 2017. Results from prior issues of the *Digest* have been incorporated with the 2017 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 2017, there were 21,909 independent community pharmacies. Independent community pharmacy continues to represent a significant portion of pharmacies in the United States (Table 5).

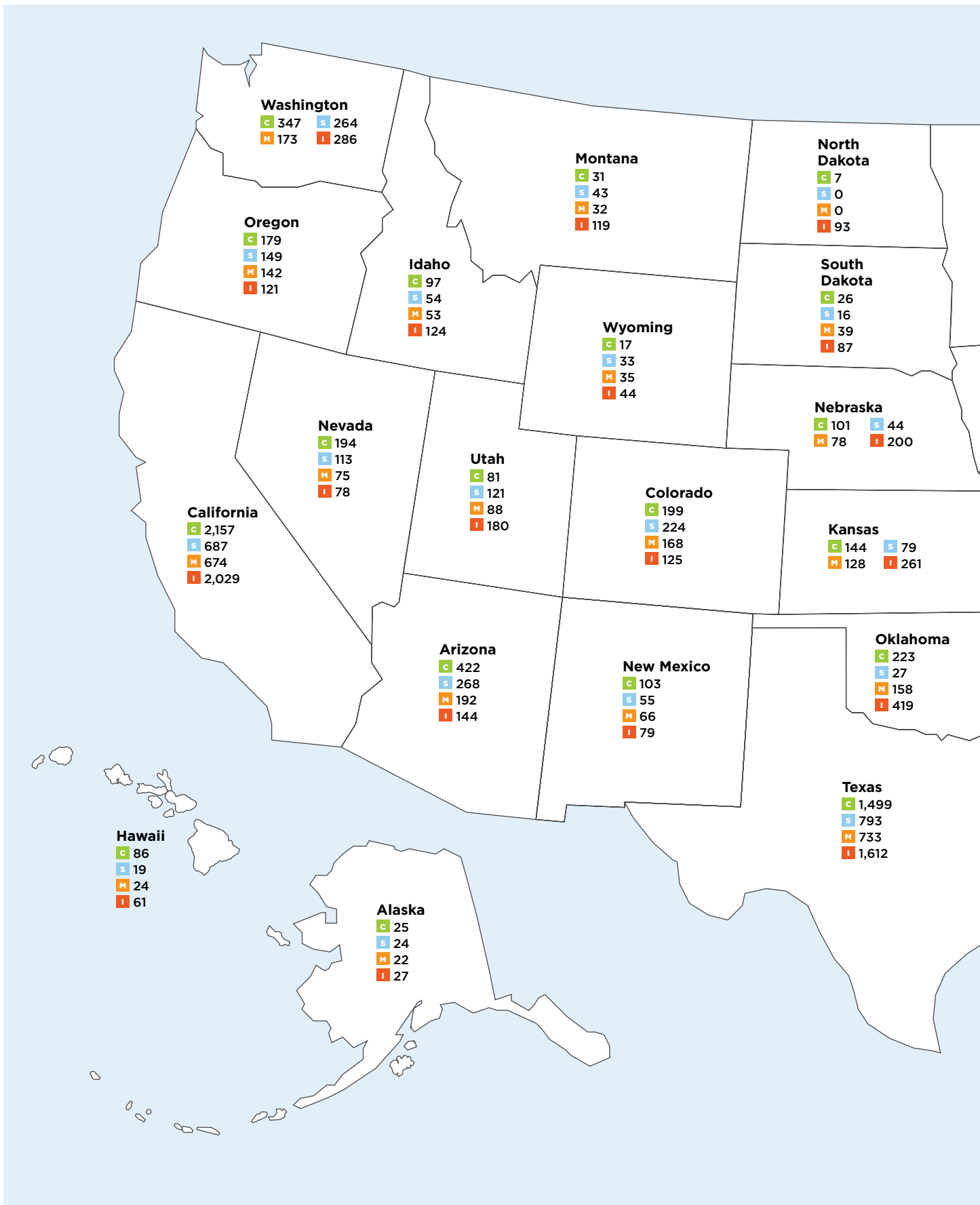
It is important to note that no single pharmacy chain has more stores than all independents combined, which represent 35 percent of all retail pharmacies in the U.S. and a \$77.6 billion marketplace.

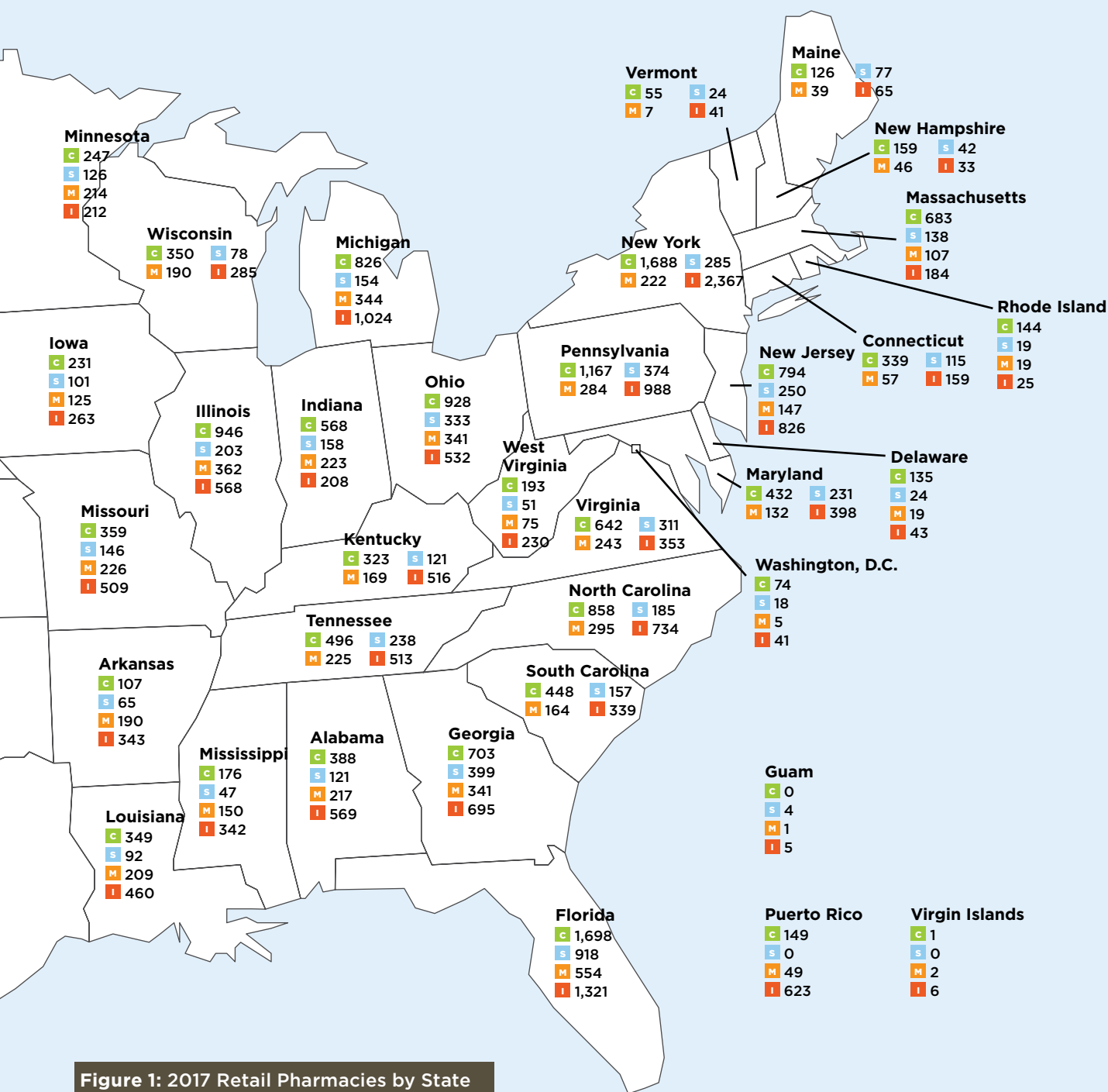
Table 4: Pharmacy Staff Positions

	2014	2015	2016	2017
Non-Owner Pharmacists	1.5	1.5	1.6	1.5
Technicians	3.5	3.2	3.1	3.3
Other Positions	3.4	3.3	3.4	3.2
Total Non-Owner Employees	8.4	8	8.1	8
Working Owners—Pharmacists and Other Positions	1.5	1.4	1.3	1.3
Total Workforce (Full Time Employees)	9.9	9.4	9.4	9.3

Table 5: Pharmacy Practice Settings

	2013	2014	2015	2016	2017
Independents	22,814	22,478	22,160	22,041	21,909
Traditional Chains	21,394	21,514	22,164	22,400	22,720
Supermarket	8,301	8,356	8,208	8,402	8,618
Mass Merchant	8,330	8,382	8,477	8,640	8,873





LEGEND

- Traditional Chain
- Supermarket
- Mass Merchant
- Independents

Source: NCPA analysis of NCPDP data and NCPA research



Table 6: Percentage of Generic Prescriptions Dispensed

2013	2014	2015	2016	2017
78%	80%	82%	84%	85%

Table 7: Average Hourly Wages

	2013	2014	2015	2016	2017
Pharmacist	\$55.62	\$55.37	\$55.89	\$57.21	\$58.10
Technician	\$14.00	\$14.31	\$14.37	\$14.87	\$15.05
Clerk	\$10.40	\$10.51	\$10.46	\$10.95	\$11.05

Other notable characteristics about independent community pharmacies:

- In 2017, independent pharmacy owners on average employed eight 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 2017. Staff pharmacist wages increased by 89 cents per hour to \$58.10. Pharmacy technician wages increased to \$15.05, and clerk/cashier wages increased by 10 cents to \$11.05 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 increased again in 2017 to 85 percent of total prescriptions.
- Thirty-five 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. Forty percent are located in areas with a population between 20,000 and 50,000. Collectively, 75 percent of independent pharmacies are serving areas with a population less than 50,000.
- In 2017, 15 percent of independent community pharmacies had total sales over \$6.5 million, 32 percent with sales between \$3.5 and \$6.5 million, 22 percent with sales between \$2.5 and \$3.5 million, and 31 percent with sales under \$2.5 million.
- The majority (60 percent) of independent community pharmacies are organized as a small corporation (S-Corporation), followed by 25 percent which are a limited liability corporation (LLC). Eleven percent are organized as a C corporation.
- The 2018 *Digest* pharmacy's cost of dispensing for all pharmacies is \$10.79, down from \$11.09 last year.

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 to which patients have access and receive in the pharmacy. The growing emphasis on value being the intersection of quality and cost, community pharmacists are positioned best to offer these services. The following pages show the patient care services and niches that independent pharmacies are providing their patients.

LONG-TERM CARE SERVICES

Independent community pharmacists play an important role in caring for the nation's 49.2 million seniors. Independents provide pharmacist care for seniors in skilled nursing facilities, assisted living facilities, hospice, and home-based care. Independent community pharmacists also provide many specialty services for seniors such as nutrition assessment and support, intravenous therapy, durable medical equipment, ostomy, and pain management.

By innovating, independent community pharmacists provide needed services and improve their business financially. In 2017, 45 percent of independent community pharmacists provided long-term care services to their patients, and the average LTC facility serviced 182 beds (Table 8, page 14).

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-ef-



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

Type of Facility	Average Number of Beds in 2017
LTC Facility	182
Assisted Living	125
Residential Facility	57
Correctional Facility	41

Table 9: Services Included in Medication Synchronization

	2016	2017
All chronic medications synchronized to a single monthly pick-up date	94%	93%
Pharmacist meets with patient as needed to review medication use	64%	66%
Patient is called 4 to 10 days in advance of the monthly pick-up date	58%	57%
Patient is called the day before the pick-up date	35%	28%

PATIENT CARE SERVICES HIGHLIGHTS

- Table 11 shows the top patient care services offered are medication therapy management (79 percent) and compounding (60 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

- The top three disease state management services offered are immunizations (70 percent), blood pressure monitoring (57 percent), and diabetes training (35 percent). These reflect the increased prevalence of diabetes and cardiovascular disease, as well as 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 role of the pharmacist in immunizations.

fective course of treatment, yet many patients don't take their medication. To help combat the \$290 billion dollar medication non-adherence problem in the

U.S. and improve patient health, 88 percent of independent community pharmacies have deployed comprehensive adherence programs, with nearly 76 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 medications to come 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-three percent of independent community pharmacies offering med sync services report synchronizing all chronic medications to a single monthly pick-up date and 57 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-three 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 innovative services, transitions of care, and patient education.

DISEASE STATE MANAGEMENT

Many independent community pharmacists offer patient care services for patients with certain disease states. Numerous studies

Table 10: Emerging Models: Enhanced Services Pharmacies

	2015	2016	2017
Collaborative Drug Therapy Agreements	31%	35%	33%
Access to Electronic Medical Records	23%	23%	24%
Conduct Patient Education Classes	17%	19%	16%
Transition-of-Care Program	10%	11%	11%
Implemented Convenient Care Clinic	2%	2%	3%

Table 11: Summary of Patient Care Services Offered

	2015	2016	2017
Medication Therapy Management (MTM)	81%	86%	79%
Compounding	61%	62%	60%
Durable Medical Goods	61%	52%	53%
Ostomy Supplies	38%	35%	37%

Table 12: Summary of Disease State Management Services

	2015	2016	2017
Immunizations	67%	74%	70%
Blood Pressure Monitoring	57%	61%	57%
Diabetes Training	35%	41%	35%
Smoking Cessation	20%	24%	24%
Asthma Management	11%	17%	16%
Weight Management	10%	13%	12%
Lipid Monitoring	7%	8%	7%

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 health risks of tobacco and nicotine use, and providing immunizations. Independent community pharmacists continue to lead the industry by providing these valuable services regularly across the nation (Table 12).

SPECIALTY MEDICATION

Forty-four percent of independent community pharmacies dispense specialty medications.

Access to specialty pharmacy contracts and limited distribution drugs make this a segment to watch. The top disease state specialty medications dispensed by these pharmacies include rheumatoid arthritis (87 percent), HIV (58 percent) and MS (46 percent). These pharmacies provide high-touch care to the patients in their local communities who need these medications.

Delivery Service



Independent pharmacy personnel who visit patient homes while making medication deliveries are becoming an important part of the care team, checking on patients' well-being and connecting them to any needed services. These pharmacies have been making deliveries for decades. In recent years, many other retailers have decided they want to replicate the type of delivery services provided by independent pharmacy. With 71 percent of Independent pharmacies reporting that in 2017 they provided deliveries, and given that

the average independent pharmacy can deliver most orders within six hours, competing retailers have a long way to go if they are to match the excellence provided by independents. Other notable characteristics include:

- Seventy-six percent of independent pharmacies do not charge for delivery services.
- Fifty-nine percent of independents deliver most orders in less than six hours, with eight percent delivering in less than

two hours. An additional 18 percent deliver most orders within six to 12 hours.

- Forty-five percent of independent pharmacies that offer delivery services provide their delivery personnel with pharmacy technology/devices.

Many independent pharmacy owners have compelling stories about overcoming hurdles to make deliveries and other extraordinary services but are often too humble to widely share them:

- *"One of our delivery personnel was making a delivery to a longtime patient, a lady in her 80s. Our patient did not answer the door, and he knew that she was just newly discharged from the hospital and waiting for her medication. After no response, our driver called the pharmacy, we called her son, the son called 911, and the patient was readmitted to the hospital. It was an intervention that saved a life."*
- *"One of our delivery personnel is also a medical assistant. She has been responsible for making sure patients get care in critical situations and has called a patient's doctor for the patient to get a response, or, if necessary, to get to the hospital."*

So take a fresh look at your delivery services and decide how you can promote them to current and prospective patients to keep your competitive advantage.

The First Clinically Integrated Network of Pharmacies Takes Shape

CPESN® USA is the first clinically integrated network of community pharmacy providers in the United States. In less than two years, local CPESN Networks have developed in 40 states across America. Uncovering the growth of CPESN USA comes with a look at its underlying principles:

First, its mission is to help sustain community-based pharmacy practice through developing and enabling patient-centered enhanced services. These services are integrated with the patient's care team and exceed a pharmacy's typical dispensing services. CPESN USA is focused on alternative models of care and reimbursement that require a local presence to be successful.

Second, and more importantly, CPESN USA is a network by, of, and for community-based pharmacies.

Third party self-interest is eliminated. CPESN USA is a collection of community pharmacy networks — primarily of independent pharmacies — working for the advancement of local care delivery that cannot be replicated by a mail order facility and a call center. Networks of sufficient size make appointments to the CPESN USA Board of Managers, who must be pharmacy owners. The board directs the CPESN USA team. The USA team works for the local networks. The local networks are comprised of the community pharmacies who lead them. It's a system of checks and balances ensuring trust from all involved.

Finally, CPESN USA is a clinically integrated network of pharmacies. This antitrust concept utilized by physicians for decades, affords pharmacies the opportunity to join together with other high performing

pharmacies. In so doing, they are improving the quality of care offered to patients and the value offered to plan sponsors and medical-side payers through enhanced services and lower costs. Community-based pharmacies can now express their value through patient outcomes, not spreadsheet games and gimmicks.

Simply filling prescriptions as fast as possible is no longer a viable business model for most community-based pharmacies. Strong local relationships and a focus on local health care service delivery is the backbone — and the future — of community pharmacy in America.

CPESN pharmacies are advancing the pharmacy profession through providing these kinds of services every day. They are woven into the fabric of their communities through relationships with patients and other care team members to make a difference in patient health. That is value medical-side payers are looking to find and are willing to invest in.

Visit cpesn.com to learn more.

Table 13: Local CPESN® Networks Growth

	Local Networks with Board Appointment	Participating Pharmacies
as of 8/1/2017	5	256
as of 8/1/2018	14	1597

Figure 2: CPESN USA Launch — August 2017

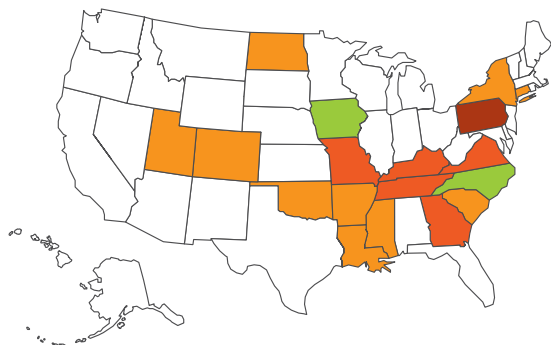
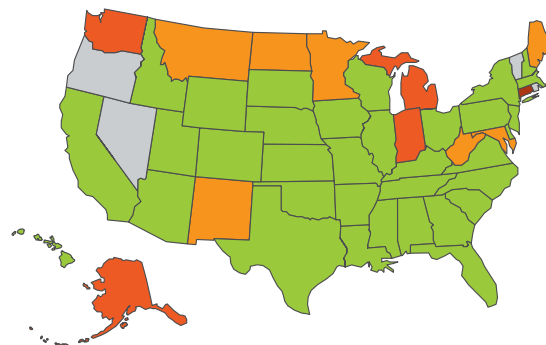


Figure 3: CPESN USA — August 2018



■ CPESN Launched ■ Contact Established ■ Phase 1 - Determining Interest ■ Phase 2 - Develop Network Framework ■ Phase 3 - Preparing to Launch

Technology Trends



HIGHLIGHTS

- Independent pharmacies are embracing social media to some extent. Eighty-six percent of independent pharmacies utilize Facebook, 24 percent have a Twitter account and 69 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-seven percent of pharmacies use point-of-sale technology (Table 14).

Table 15: Social Media

Category	2016	2017
Facebook	86%	86%
Mobile App	64%	69%
Twitter	23%	24%
YouTube	7%	6%

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.

Table 14: Percentage of Pharmacies Utilizing Workflow Technologies

Category	2015	2016	2017
Point-of-Sale	84%	88%	87%
Automated Dispensing Counter	51%	56%	60%
Telephone IVR	42%	50%	51%
Mobile Commerce/Signature Capture	48%	42%	44%
Automated Dispensing System	30%	32%	30%



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 (PBMs). 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 rather than the community pharmacy hurts patient care and 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 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 long-term viability.

HIGHLIGHTS

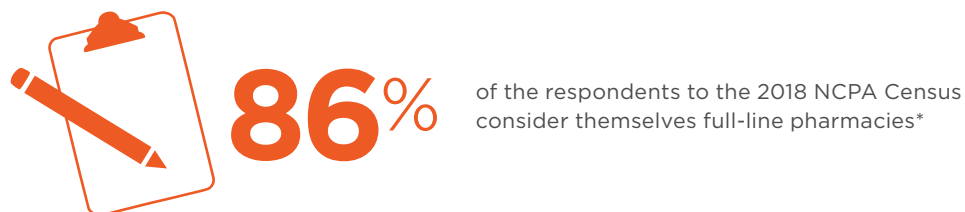
- Eighty-nine percent of prescriptions are covered by third-party contracts—53 percent are covered by government programs (Medicare and Medicaid), similar to last year (Table 16).
- Medicare Part D and Medicaid now cover 36 percent and 17 percent of prescriptions, respectively, filled in the average 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.
- Eleven 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

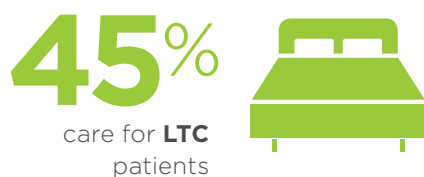
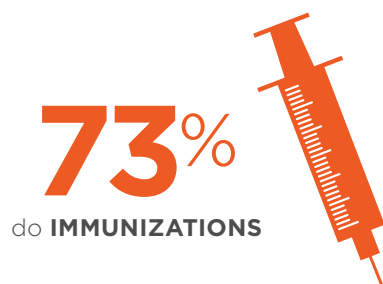
Category	2013	2014	2015	2016	2017
Medicaid	17%	17%	17%	16%	17%
Medicare Part D	34%	34%	35%	36%	36%
Other Third Party	39%	38%	39%	39%	36%
Non-Third Party	10%	11%	9%	9%	11%

A Snapshot of Community Pharmacy in America

Figure 4: Full-Line Independent Community Pharmacies

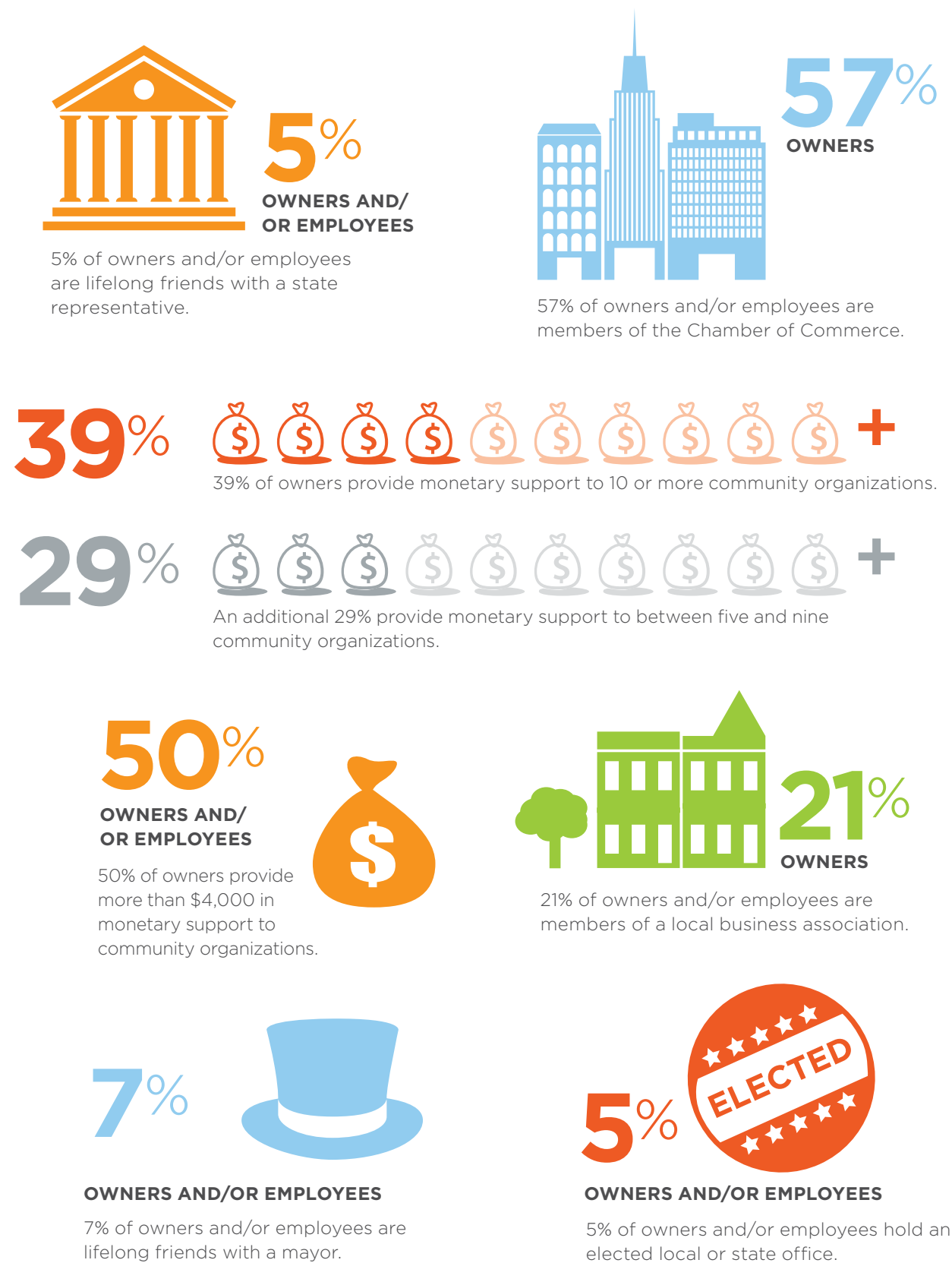


Here is what these full-line pharmacies are offering...



*The 2018 *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 5: Community Involvement Infographic



NCPA 2018 PROFILES



BULLOCH DRUGSTORE AND TOWNSHIP PROFESSIONAL PHARMACY

Cedar City, Utah

Owner: Evan Vickers, RPh



“It’s been really rewarding ... Politics isn’t for everybody; it’s not for the faint of heart. Campaigning can be tough.”

For Evan Vickers, a sense of civic duty and community engagement has always been a guiding principle, whether it was spending 12 years on the city council of his hometown of Cedar City, Utah, operating a couple of successful community pharmacies, or serving in the Utah Legislature, where he is a senator.

“I think it’s important to be involved,” Vickers says. “Even if you aren’t in elected office, it’s important to be an advocate and stay engaged with elected officials.”

Vickers owns two businesses, Bulloch Drugstore and Township Professional Pharmacy. He is still active with the pharmacies, spending a couple of hours a day behind the counter and handling overall management duties. Much of the day-to-day operations are maintained by a son and daughter who are also pharmacists, allowing him flexibility to work on legislative issues.

Vickers, a Republican, served two terms in the Utah House of Representatives before he was elected to the Utah Senate in 2012. He is favored to win a third term this fall. Vickers is the only pharmacist in the legislature, so his expertise in that area is valued. In the 2018 session his background helped with anti-gag order legislation, which passed without major opposition from PBMs.

Vickers was chief sponsor of S.B. 208, which addressed DIR fees. In this case it was physicians who were being hit with DIR fees from Medicare through the PBMs.

“I told them we can’t do away with them through legislation,” Vickers says. “But what we could do was require some additional transparency from the PBMs so when they do assess a DIR fee, the

dispenser can understand what it is, why they were charged it and what they can do to improve so they can avoid that DIR in the future.”

Vickers didn’t think it was a big deal, so he was surprised when PBM representatives showed up in force and spent a significant amount of money lobbying against the bill. In the end the bill passed.

Reflecting on a decade in the legislature, Vickers says, “It’s been really rewarding ... Politics isn’t for everybody; it’s not for the faint of heart. Campaigning can be tough.”

Still, he says, “If you have the passion for it and the time and ability to do it, it’s certainly worth it. We really need at least one pharmacist in every legislature across the country. If you don’t get involved and help drive the policies, somebody else is going to make it for you and you’re not going to like it.”

HUTTON PHARMACY

Blackwell, Okla.

Co-Owner/Pharmacy Manager: Clark Bishop, PharmD



“I stayed in my lane as a Mental Health First Aid provider. It works, and I got to see it firsthand.”

May 20, 2013 is a day residents of Moore, Okla., aren't likely to forget. A tornado, stretching up to a mile wide and packing maximum winds of 210 miles per hour, hit Moore, killing 24 people and injuring 377.

Clark Bishop, pharmacy manager at Hutton Pharmacy in Blackwell, Okla., has vivid memories of that day. What he experienced in its aftermath shaped his pharmacy career, leading him to become a certified instructor of Mental

Health First Aid, and it changed his attitude about people suffering from mental health-related issues.

A few months after the tornado, Bishop was diagnosed with post-traumatic stress disorder. He's since learned that when people suspect they might have a mental health issue, they are often reluctant to address it. The negative stereotypes often produce barriers to admitting the problem and getting treatment. Only 41 percent of people living with a mental illness get the help they need, Bishop says.

But he got help. “I did a combination of drug therapy and cognitive behavior therapy, and research shows that those two in combination are the best way to treat and ultimately overcome most mental health issues, including the one that I suffered from,” he says.

Last year, Bishop went to Las Vegas for a five-day session on Mental Health First Aid training, conducted by Mental Health First Aid USA, which is managed by the National Council for Behavioral Health. Bishop's expenses were paid by a grant from the Community Pharmacy Foundation.

The program included eight-hour sessions each day. After the first day, he was certified in Mental Health First Aid. It takes five full days to become certified as a first aid trainer, so the next four days were spent on additional exercises

and training. Bishop says there are web elements and resources that need to be used to stay certified, similar to CE.

The training “is not meant to treat or diagnose,” Bishop says. “It's that first line of defense. It would be a very valuable tool for every community pharmacy.”

Bishop's training has already produced results in his pharmacy. He has a longtime customer who he sensed might be having some issues. The next time the customer came in, Bishop says he put his plan into action, and the customer completely opened up. Bishop gave him a card for a local mental health specialist, and that customer is now receiving professional help.

“All I did was follow that action plan to a T — it wasn't something I came up with, but it was exactly what I was trained to do,” he says. “I stayed in my lane as a Mental Health First Aid provider. It works, and I got to see it firsthand.”

It's important, he says, to show grace and dignity toward others and especially to those who might seem to be struggling with mental health issues.

“We need to try our best,” he says. “I think we'll come out ahead, and probably better our business, too. It's going to do nothing but create goodwill. That's what we are as independent pharmacists.”

Williamsburg, Va.

Owner: TW Taylor, RPh



“It doesn’t matter if you are 5 years old or 105 years old, we are trying to find healthy solutions for everyone.”

Williamsburg Drug Co. owner Thomas “TW” Taylor has a passion for finding healthy solutions for patients. “The objective is for people to be healthy, both mentally and physically, for as long as they can be,” he says. “It doesn’t matter if you are 5 years old or 105 years old, we are trying to find healthy solutions for everyone.”

Finding solutions has become the driving force for Williamsburg Drug

Co., which has two locations in Williamsburg, Va. The pharmacy has standard retail offerings but is also heavily focused on functional medicine, which looks at the root causes of health issues.

“We look at the person as a whole as opposed to just treating the symptoms,” Taylor says. “Say that a person goes to the doctor with stomach issues and is prescribed Nexium. Now you’ve raised the pH level of the stomach, and it can’t absorb minerals. Then the patient can’t sleep and can’t understand why. So he’s given Ambien, when in fact all he needed was magnesium.”

For 2018, Taylor says that Williamsburg Drug developed a detailed strategic plan to clearly define its core patient care and business objectives for the business, which was founded in 1895 and employs about 25 people. They are:

- Nutraceuticals/supplements
- Compounding
- Hospice
- Durable medical equipment/home medical equipment

Taylor says that seemingly complex conditions often have simple solutions if you dig a bit deeper. He mentioned a 50-something patient who came in with leg cramps and leg pains and couldn’t sleep.

“I got him to lick a pH strip, and his saliva pH was low, which means he’s mineral deficient,” he says. “We put him on magnesium, and two

days later he came in and said he hadn’t felt that good and slept that well in years. It was just because he was magnesium deficient. It wasn’t really that complicated.”

Taylor says that the pharmacists and staff are constantly challenged to enhance their skill set. Several months ago the pharmacy had a class to train everybody about the KETO (ketogenic) diet, and later held a KETO seminar for the public. The pharmacy also does things such as a brain and gut health seminar. “Just some really cool stuff,” he says.

Taylor says any success that Williamsburg Drug has achieved is because “we have great people accomplishing great things because we are a team. We trust each other. Everybody has their area and everybody produces in their area. Working here has been one of the most fun things I’ve ever done.”

And Taylor says there’s no reason why other community pharmacists and pharmacies can’t enjoy the same satisfaction.

“My message to other pharmacists should be you don’t want to be stuck in the same rut,” he says. “Look around and see who is really killing it and either emulate or improve on what they are doing. Pharmacists have to understand that there is plenty of good, profitable business out there, and you can get lots of personal and professional satisfaction from what you are able to do.”

COLEMAN PHARMACY OF CRAWFORD COUNTY

Alma, Ark.

Owner: Justin Boyd, PharmD



“I was interested in medication, in health, in anatomy, in physiology, those kinds of things.”

As an eighth grader growing up in Van Buren, Ark., Justin Boyd recalls attending a career orientation class. Of course, for most kids that age, thinking about what they might be doing in 20 or 30 years is probably not high on the priority list.

But for Boyd, the class brought everything into focus. “I made up my mind then that I wanted to be a pharmacist,” he says.

It’s a decision that’s worked out well. In August 2008, Boyd, a

2000 graduate of the University of Arkansas for Medical Sciences College of Pharmacy, acquired an ownership stake in Coleman Pharmacy of Crawford County in Alma, Ark. A decade later he and the pharmacy, located the western part of the state near Fort Smith, are going strong.

Boyd describes the pharmacy as a typical retail outlet where he tries to provide products the community needs. It offers non-sterile compounding, primarily bio-identical hormone replacement therapy, along with other items such as topical pain medication and lip balms.

Adherence is a priority, Boyd says. The pharmacy uses Prescribe Wellness for not only medication synchronization, but also other areas such as inventory management. “We really try to stay focused on adherence, especially those patients who might have diabetes, high blood pressure, or high cholesterol,” he says.

Among Coleman Pharmacy’s other offerings are medication therapy management, comprehensive medication reviews, and vaccinations.

Boyd also has a strong advocacy mindset. “I grew up in a household where my parents voted, and when I was old enough I began to vote,” he says. “But I didn’t have any aspirations to be in politics or hold elected office.”

But he says early in pharmacy school he had a professor in a history of pharmacy class who made a comment that not enough pharmacists were in politics and more were needed in elected office. “At some level that planted a seed,” he says. “As I continued through pharmacy school and entered practice I became more involved in advocacy, so I started to understand the political process.”

In 2014, the Arkansas House of Representatives seat in his district (77) came open because the incumbent was term-limited. He says that after a lot of prayer and thought, he decided to run, and won the seat.

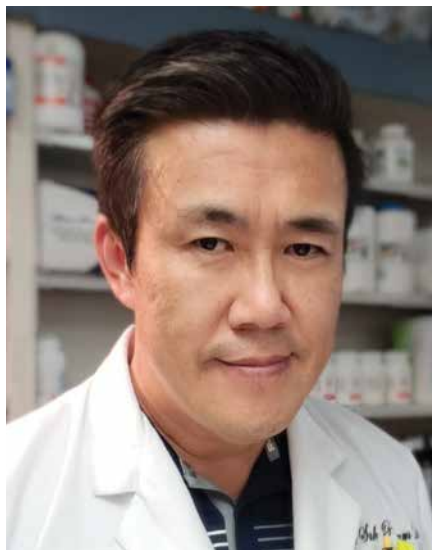
Boyd won a second two-year term in the 100-seat House in 2016, and will seek a third term in November 2018. He is the only pharmacist in the Arkansas General Assembly. Not surprisingly, Boyd is valued for his health care expertise, and he says his background as a pharmacy owner who has to be aware of customer needs serves him well.

Boyd is unsure where his political path might lead, but he’s happy where he is now, serving his constituents. “I’ve enjoyed it. It’s been a wonderful experience,” he says. “There’s not another experience that’s quite like it.”

OLYMPIC GERHART PHARMACY

Commerce, Calif.

Owner: Jae Suh, RPh



“It was just filling prescriptions. There was no say or control over taking care of patients. It was very repetitive.”

When Jae Suh was asked about challenges facing independent pharmacy, he paused for a moment, then says with a laugh, “Challenges? That’s a long list.” Of course that list is familiar to community pharmacists – low reimbursements and DIR fees being prominent.

But on balance, Suh, owner of Olympic Gerhart Pharmacy in Commerce, Calif., says that community pharmacy has significant

advantages compared to any other segment of the profession. “There’s just a lot of things we offer that the chains won’t provide,” he says.

Suh, who was born in South Korea, moved to Kansas City, Mo., when he was 11, and graduated with his pharmacy degree from the University of Missouri-Kansas City in 1990. When considering professions, one of his high school teachers told him that pharmacists would be in high demand. Figuring it was a way to always have a job, he said, “Wow, that’s great.”

After graduation, Suh did an internship at the University of Kansas hospital before moving to Seattle, where he worked in a hospital pharmacy for three years. He spent most of his time looking at charts and doing paperwork. “It was boring,” he says. “There was no patient interaction.”

Eventually Suh moved to Los Angeles and worked for the Sav-On pharmacy chain for 10 years, managing several stores in Southern California. Again, over time the work became unfulfilling. “It was just a job,” he says. “It was just filling prescriptions. There was no say or control over taking care of patients. It was very repetitive.”

In 2003, Suh joined Olympic Gerhart Pharmacy as a partner, learning the ropes about community pharmacy before assuming ownership a few years ago when the senior partner retired.

Olympic Gerhart Pharmacy is located in the East Los Angeles area, and has a heavily Hispanic patient base. Diabetes, high blood pressure, and cholesterol are health issues he and his staff of 13 (including three pharmacists) see on a daily basis. Teaching, counseling, and answering questions are a big part of his job.

“Patients aren’t educated in these disease states,” he says. “There are so many with chronic conditions.”

Obviously adherence is key for patients who often have a laundry list of ailments. Suh’s wholesaler Cardinal Heath™ provides tools to help promote success.

“We are constantly focused on patient compliance,” he says. “We get daily reports about patients who are due for their medications and talk to them to see how they are doing.”

Suh says that the pharmacy does a lot of blister packs and compliance packaging. And since many of his customers don’t drive or lack transportation options, the pharmacy provides free home deliveries.

“Patients love it because they are getting their medications on time,” he says. “And with compliance, the doctors are often lowering the dosage. Sometimes patients can discontinue taking blood pressure medicines because they are taking it every day on time.”

SHATTO'S FRONTIER DRUG

Douglas, Wyo.

Staff Pharmacist: Tanisha Dexter, PharmD



“I wanted to be somebody’s pharmacist.”

Tanisha Dexter’s father, Gary Shatto, opened Shatto’s Frontier Drug before she was born. It was a family business — her mom, Jan Shatto, kept the books and worked as a pharmacy tech. So Dexter grew up in the pharmacy.

“I just followed my dad around,” says Dexter, now 37. “I admired the respect my dad had in the community and the way he cared for people.”

Watching her dad interact with patients sparked her interest in a pharmacy career. She loved math and chemistry and felt that pharmacy was a perfect

career choice. After high school, she went to the University of Wyoming in Laramie, two hours away from Douglas. After earning her undergraduate degree, she stayed there for pharmacy school, graduating in 2005.

After graduation, Tanisha worked at a hospital pharmacy in Gillette, Wyo. She enjoyed the experience, mainly because she had access to complete medical records. “You know so much about the patient,” she says. “All the records are there. You’re able to see everything.” She left the hospital for a chain pharmacy, an experience she does not remember fondly. In that job, she had little time to interact with patients and no time to counsel them. It was all about speed and quantity, not quality and personal touch. Every month, her supervisor gave her critical feedback, telling her she wasn’t dispensing as much as she was expected to.

“A chain was not quite what I was looking for,” she says. “You’re supposed to fill a certain number of prescriptions every day. You’re not encouraged to counsel patients. There’s no time built in for counseling. To me, it felt like they were just in it for the money. That’s not me.”

She also noted that they had nowhere near the repeat customers she’s seen at her dad’s pharmacy, something she attributed to the personal connection with patients. That

experience led her to feel the tug of community pharmacy and her hometown. “I wanted to be somebody’s pharmacist,” she says.

Back at the family pharmacy, she delights in a parade of familiar faces — her childhood friends, their families and her former teachers. Douglas is a town of less than 5,000, and Shatto’s serves a large mining population. High snow drifts are common during the winter, but the pharmacy stays open, and life goes on.

Gary Shatto still owns the pharmacy, as he has for 40 years. He has five staff pharmacists, one of which is Dexter. There are always three pharmacists in the store, she says. “Other pharmacies think we’re crazy,” she says, “but we staff the way we want to be treated.” Shatto’s puts patients first, sometimes driving 60 miles for a medicine they don’t have on hand. That patients-first attitude paid off this year, when Shatto’s Frontier Drugs was named 2018 Good Neighbor Pharmacy of the Year.

Dexter hopes to own the pharmacy one day, and as she looks toward that goal, she’s immersing herself in the issues important to the professional. “I have to think about issues. I think every pharmacist has to. The future of my passion to help patients lies in connection to those who create the laws that bind us. NCPA has the numbers to make our lawmakers listen.”

