

Consider Owning Your Own Business

Independent Voice

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Graduating Soon? Consider Owning Your Own Business

Many of you will graduate in the coming year and the thought of purchasing your own store might seem overwhelming and risky. Mounds of school debt, the lure of sign on bonuses, and potentially higher salaries offered by chain retailers may tempt one to over look the rewarding opportunities that owning your own store affords. Luckily, NCPA is in the business of keeping independents independent by matching pharmacy sellers with young entrepreneurs eager to embrace the challenges of owning a pharmacy. One common reluctance to purchasing an established business may be the tremendous initial financial input necessary to obtain a loan for the purchase of an existing business. Most of you will graduate either in debt or with very little savings to devote a substantial amount of money as a down payment to acquire the loan necessary to purchase an existing pharmacy. An alternative to out right purchasing a store is the junior partnership model. Most of you have probably heard this term thrown around a lot but hopefully this article will shed some light on exactly how this model works. In a nutshell, a buyer with little or no initial capital works to acquire a gradually increasing percentage of the store over usually 5-10 years. Thus, the sale takes place over several years while the new owner phases him/her self in and the current owner phases out. This may sound like a huge commitment and sacrifice and your right, it is. But let's be honest, how many students actually graduate with the necessary practical clinical, managerial, and business skills necessary to operate their own store? NONE! This model enables the former owner to show the future owner "the ropes" of running your own store. At the same time, the future owner can cultivate and experiment with their own ideas on how to better operate the business during this transitional period. It is a win-win situation both practically and financially from the existing owners perspective and the perspective of the future owner alike. Briefly, I will walk through an example to illustrate how this model could work. In this example, say a store does \$2 million in sales annually, the owner's discretionary income is \$ 175,000/yr, and the purchase price is \$ 1 million. The owner agrees to pay the junior partner \$85,000/year and the junior partner is working to acquire 5 % of the business beginning at the end of year 2. The first year the junior partner saves in anticipation of the toughest portion of the buy-in that will occur following year 2. At the close of year 2, the junior partner will put forth \$50,000 to purchase 5 % of the store meaning he/she would net \$ 35,000 in income that year. (remember the owner is paying the partner 85K/year) At the end of year 3, the junior partner will again purchase another 5 % of the store to bring his/her shares to 10 % ownership of the store. The only difference this year is that the owner will begin paying the partner dividends. In our scenario the junior partner will again shell over \$50,000 from their salary of \$ 85,000 to purchase another 5 % of the store. However, this year the owner will pay dividends from the owner's discretionary income (175K) which in our case would be 17.5K (10 % of 175K) So, the junior partner will net an income of \$45,700 for year 3. This process repeats itself, until the junior partner gradually breaks even in terms of their income of \$ 85,000/yr and eventually acquires 30 % of the store at which point he/she would have enough equity in the business to get the necessary bank financing to out right purchase the store. As you can see, this process is tough and requires a tremendous amount of patience, determination, and vision on the future owner's behalf. Check out Small Business Administration free information on-line if you would like to learn more.

Important Dates:

January 15, 2008: Summer Internship Application Deadline and Executive Residency Deadline

January 18, 2008: Student Regional Council (SRC) Application Deadline

January 31, 2008: NCPA Chapter Mid-term Report Deadline

February 22, 2008: Chapter Outstanding Member of the Year Award Deadline

March 1, 2008: Student Political Advocacy Challenge Award Application Deadline

March 15, 2008: Scholarship Application Deadline

March 31, 2008: Wellness Challenge Award Application Deadline

May 1, 2008: NCPA Foundation Loan Application Deadline for Fall, 2008

May 15, 2008: Business Plan Competition entry deadline

May 19, 2008: NCPA Legislative Affairs

Do you want to buy a pharmacy but don't know where to start or how to find one? Don't worry! NCPA has the resources and tools to help you! NCPA has teamed up with the Independent Pharmacy Matching Service (IPMS) to allow pharmacists who are interested in buying (or selling) a pharmacy to connect. IPMS is in partnership with Buy-Sellpharmacy.com® and together they provide a number of services to assist interested parties in the process. For more information, go to:
<http://www.ncpanet.org/ownership/IPMS.php>.

Not sure if you want to own a pharmacy but want to find out more? Check out virtual mentors for pharmacy ownership under NCPA Student Services! At this website, you can log in and search a database full of questions asked by students like you! If you don't see your question there or if you want more information, just log in and submit your question to a virtual mentor! This is a great opportunity for you to find out more about independent pharmacy, anytime, anywhere!

Medicaid AMP Cuts Postponed

Community pharmacy has won a delay in implementation of Medicaid generic drug reimbursement cuts set to take effect with devastating consequences Jan. 31, 2008.

Late Dec. 14, a U.S. District Court [ruled in favor](#) of NCPA and the National Association of Chain Drug Stores in their lawsuit against the Centers for Medicare & Medicaid Services (CMS) over its final Average Manufacturer Price (AMP) rule. Judge Royce C. Lamberth found there would be "irreparable harm" to community pharmacies and a likelihood of success on the merits of the lawsuit, both of which are required for an injunction, if CMS proceeded as scheduled. On one count, Lamberth said [from the bench](#) that it was "crystal clear" that CMS had violated the law, the Deficit Reduction Act. On CMS's AMP definition, he said it violated the plain language of the law and was "a wholesale rewrite" of what the Congress had mandated. "We are very gratified that Judge Lamberth has stopped CMS from implementing its ill-conceived rule on AMP," said Bruce Roberts, RPh, NCPA executive vice president and CEO. "We hope that CMS uses the redrafting process to make the next final rule far less onerous on community pharmacy. "But there're only so many changes CMS can make by regulation. NCPA will use this reprieve to convince Congress of the need for structural improvements in the Medicaid reimbursement system that will not handicap community pharmacies by paying them substantially below their acquisition costs." As of yet, there is no indication if CMS will appeal the decision—which would further delay the process—or how long it will take the agency to make changes in the AMP rule it issued July 17.

With Congress now in adjournment, time has run out this year for AMP fix legislation endorsed by NCPA: H.R.3140, H.R.3700, and S.1951. NCPA intends to keep working through

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