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Dear Reader:

It’s been a very exciting year within the field of health care. The U.S. health care system continues to evolve as public and private payers demand enhanced value and quality for their investment in employee health plans. Community pharmacists are playing a greater role as health care providers in helping health plans and patients achieve their desired goals. The National Community Pharmacists Association (NCPA®) and Cardinal Health understand that in this changing environment independent community pharmacists are on the front lines helping patients improve their health and control costs through facilitating the optimal use of prescription drugs. This is done by providing quality patient care services, promoting appropriate use of generic medications, and helping patients achieve strong rates of adherence to their prescribed medication regimens.

Health reform continues to provide independent community pharmacies with new opportunities and challenges. It has been demonstrated repeatedly that community pharmacists are very keen on finding innovative ways to adapt to a changing market. Many community pharmacists have found that by offering specialized services tailored to patients, and serving key niche markets, they are able to stay competitive and grow as small businesses. You’ll see a few examples of such community pharmacists in the pages to follow.

Cardinal Health values its relationship with independent community pharmacy, realizing that community pharmacists play a critical role in helping to improve our nation’s health care system. To support this role, NCPA and Cardinal Health continue to provide new services and resources that can help independent community pharmacies thrive in today’s competitive market.

NCPA, with the support of Cardinal Health, is pleased to continue the Digest tradition of providing meaningful information and insight into the independent community pharmacy marketplace. We are confident that you will find the 2011 NCPA Digest, sponsored by Cardinal Health, to be an excellent resource on the industry, providing you value throughout the year.

Sincerely,

B. Douglas Hoey, RPh, MBA  
Executive Vice President and CEO  
National Community Pharmacists Association

Mike Kaufmann  
CEO, Pharmaceutical Segment  
Cardinal Health

Note to NCPA members: The financial data of the Digest, including all benchmarking tables stratified by sales volume, geographic area, population size, and third-party utilization, are available online for members only at www.ncpanet.org.
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This year’s *Digest* provides the most exhaustive look at independent community pharmacy as health reform is implemented. Independent community pharmacies continue to capitalize on the opportunity to improve medication use, through providing a wide range of specialized services tailored to their patients. This comprehensive report describes some of the steps being taken by independents to strengthen their position and adequately adjust to the market. The NCPA Digest, sponsored by Cardinal Health, continues to grow as a resource not only for independent community pharmacists, but for a diverse audience of interested parties such as media, government, and lawmakers who wish to view this continuously evolving marketplace. This year’s *Digest* provides an in-depth look into the $92.8 billion marketplace that independent community pharmacy represents. For over 75 years the *Digest* has provided an inside look to measure industry trends and provide benchmarking information. This year’s publication follows an easy-to-use format that includes information regarding:

- **The marketplace.** This includes information regarding employment trends among pharmacists and technicians, the number of retail pharmacies nationally, as well as pharmacist interactions with physicians.

- **Patient care services.** There are many charts that provide information about the services offered by independent community pharmacies, including medication therapy management, disease state management, long-term care services, and collaborations between physicians and pharmacists.

- **Technology trends.** This section provides information about trends in technology resulting from independent community pharmacies trying to find new and innovative ways to increase their productivity and differentiate themselves from competition.

- **Third-party prescriptions.** Information about third-party prescription activity including Medicare Part D is provided.

The NCPA Digest, sponsored by Cardinal Health, could not be published without the cooperation of hundreds of independent community pharmacists across the United States who confidentially completed the *Digest* survey. NCPA and Cardinal Health would like to thank the pharmacists who 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.
The NCPA Digest, sponsored by Cardinal Health, provides an annual overview of independent community pharmacy, including a comprehensive review of the financial operations of the nation’s independent community pharmacies for 2010.

In 2010 independent community pharmacy represented a $92.8 billion marketplace, with 92 percent of sales for independents derived from prescription drugs. Although most independents continue to face slim margins from private third-party contracts and government reimbursement programs, they have strived to reduce their overhead costs through running a more efficient business. They are using labor-saving technologies to control payroll expenses. The number of employees per pharmacy location did not increase in 2010; however, the wages paid to pharmacists and technicians increased slightly, resulting in increased payroll expenses. In 2010 there were 23,064 independent community pharmacies employing over 315,000 workers helping to stimulate local economies, paying state and local taxes, and providing high quality services that are greatly valued by patients.

An overview of the average independent community pharmacy is provided in Table 1. In general, the average independent community pharmacy location dispensed 64,169 prescriptions (205 per day) in 2010, which is a slight decrease from last year’s prescription volume of 64,635. Total sales slightly decreased this year due to the flat prescription volume and the increased use of lower-cost generic medications. It is interesting to note that the percent of prescriptions which are refills continues to increase, reflecting the number of maintenance medications or chronic medications people are taking.

Many independents continue to operate multiple pharmacies. Twenty-six percent of independent
community pharmacy owners have ownership in two or more pharmacies and the average number of pharmacies in which each independent owner has ownership is 1.89.

Data for the *Digest* have been collected for over 75 years, providing the opportunity to look at long-term trends for independent community pharmacies. Since 2001, gross margins as a percentage of sales have remained relatively flat at 22 to 24 percent. Figure 1 and Table 2 show these trends:

- **Average sales per location for 2010 was $4,022,455, similar to 2009.**
- **Gross margin increased slightly from 23.8 percent in 2009 to 24 percent in 2010, but remained in the 22-24 percent range seen over the last 10 years.**
- **Payroll expenses, as a percentage of sales, increased by 0.4 percentage points in 2010 to 14.5 percent.** To keep overall expenses similar to last year, operating expenses had to be carefully monitored.
- **Through attempts by independents to control operating expenses, the average net operating income remained similar to last year at 3 percent.** Since sales decreased, the net operating income dollars before tax decreased slightly.
- **The average monthly prescription drug inventory was $228,152, and the annual turnover rate of prescription inventory was 11.6.** (See Table 1.)

It is important to note that this year’s *Digest* data reflect the marketplace in 2010, the fifth year for the Medicare Part D prescription drug benefit. Similar to 2009, 30 percent of prescriptions in independent community pharmacies were covered by Medicare Part D. Government programs such as Medicare Part D and Medicaid continue to purchase 46 percent of prescriptions sold in independent community pharmacies.

In the first half of 2011, NCPA has received reports indicating margins on generic prescriptions have dropped since the first of January. Changes in the marketplace since Jan. 1 will be reflected in the 2012 *Digest.*

In 2010, independent community pharmacies faced many challenges both old and new. However, even in the most challenging times, independent community pharmacies continue to lead the way in innovations that define the future of pharmacy practice. The industry has responded by expanding and diversifying their businesses to include enhanced patient care services, such as long-term care services, providing access to durable medical equipment products and training, and other valuable community services. For years, independent community pharmacies have been the nation’s leaders in tying together medication management with disease management services to patients with chronic health conditions such as diabetes, asthma, hypertension, and hyperlipidemia. They promote public health initiatives, such as immunizations and smoking cessation programs. Independent community pharmacies are embracing the concept of medication therapy management (MTM) services and integrating these services into their practices. Other pertinent information about the independent community pharmacist’s professional interactions includes the following:

- **Similar to 2009, 67 percent of independent community pharmacies indicate that they provide MTM, and 60 percent have received some level of reimbursement for their MTM services under Medicare Part D.** (See Table 4.)
- **Independent community pharmacists talk with their patients about non-prescription items 11.8 times a day.**
Independent community pharmacists consult with physicians seven times daily on prescription drug therapy. This includes generic product recommendations and therapeutic interchange recommendations. Physicians in turn accept pharmacists’ generic product recommendations 80 percent of the time and 73 percent of the time for other therapeutic recommendations, thereby providing evidence of the important role pharmacists are playing as part of the health care team. (See Figure 8–10.)

Independent community pharmacists have proven throughout the last 75 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 every shape and size, including key locations in rural and underserved areas.

*Independents continue to lead the way in innovations that define the future of pharmacy practice.*
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. We have exercised the utmost professional care 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 upon which the 2010 portion of the study is based was from fiscal years of Jan. 1, 2010 through May 30, 2011, with 83 percent of the responses reporting for the year ending Dec. 31, 2010. Results from prior issues of the Digest have been incorporated with the 2010 results to facilitate assessing industry trends.
Independent community pharmacies are all privately-held small businesses but they vary in practice setting. They include single-store operations, and other independent, pharmacist-owned operations such as regional chain, franchise, compounding, long-term care (LTC), specialty, and supermarket pharmacies. At the end of 2010, there were 23,064 independent community pharmacies, which is similar to 23,117 in 2009. Independent community pharmacy represents a significant portion of pharmacies in the United States. (See Figure 2.)

It is important to note that this independent community pharmacy industry still represents 38 percent of all retail pharmacies in the U.S. and a $92.8 billion marketplace.

Other notable characteristics about independent community pharmacies:

- Almost fifty-two percent of independent community pharmacies are located in an area with a population of less than 20,000.
- In 2010, 12.7 percent of independent community pharmacies had total sales over $6.5 million, 31 percent with sales between $3.5 and $6.5 million, 21.3 percent with sales between $2.5 and $3.5 million, and 35 percent with sales under $2.5 million.
- The majority (57 percent) of independent community pharmacies are organized as a small corporation, followed by 20 percent which are a C corporation. Eighteen percent are organized as a limited liability corporation.

continued on page 12…
Figure 3
The average independent community pharmacy is open six days a week and 55 hours per week. (See Table 1.)

Independent community pharmacies are attempting to control payroll costs through a myriad of ways. In 2010, independent pharmacy owners on average employed 10.6 full time employees (FTE) per location, similar to 2009. (See Table 3.)

Hourly wages for staff pharmacists and technicians continued to increase in 2010. Staff pharmacist wages increased to $53.39 and pharmacy technician wages increased to $13.70. Clerk/cashier wages decreased by 23 cents per hour to $9.74. (See Figure 4.)

Independents continue to provide health insurance and retirement plans to their employees. Seventy-five percent offered retirement plans, and 71 percent offered a health insurance plan.

Twenty-two percent of pharmacies surveyed indicated that they plan to hire a new pharmacist in the coming year.

The 2011 Digest pharmacy’s cost of dispensing for all pharmacies is $12.44, up from $11.97 last year.

During these difficult economic times, independent community pharmacists continue to help patients lower their costs through encouraging the appropriate use of generic drug products, which are less expensive than their brand counterparts. As shown in Figure 5, generic dispensing increased again in 2010 to 72 percent of total prescriptions.
Independent community pharmacies are an easily accessible health care provider specializing in high quality patient-centered care. One of the hallmarks of independent community pharmacy has long been the services to which patients have access and receive in the pharmacy. As Medicare Part D continues to be implemented, community pharmacists are positioned best to provide medication therapy management (MTM) services to patients, and the data indicate that almost 70 percent of independent community pharmacies are offering MTM services. (See Table 4.) As shown on the following pages, independent community pharmacists continue to offer patient care services and find niches to serve their communities. Pharmacists are providing outstanding care to improve patient outcomes.

Medication Therapy Management

Medication therapy management (MTM) programs are designed to optimize the benefits of prescribed drugs, improve medication use, reduce the risk of adverse drug events and drug interactions, and increase patient adherence to prescribed regimens. Pharmacists are ideally positioned to administer MTM programs for their patients at the community pharmacy—the most accessible health care professional. The Medicare Part D prescription drug benefit requires participating insurers to develop MTM programs for certain high risk beneficiaries. These programs may or may not involve community pharmacists. As indicated in Table 4, the number of independent community pharmacies offering MTM services as well as the percentage of independent community pharmacies receiving reimbursement for their services from Medicare Part D providers remains stable compared to last year.

<table>
<thead>
<tr>
<th>Medication Therapy Management in Independent Community Pharmacy</th>
<th>Table 4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
</tr>
<tr>
<td>Percentage of pharmacies offering MTM</td>
<td>62%</td>
</tr>
<tr>
<td>Percentage of pharmacies receiving MTM reimbursement under Medicare Part D</td>
<td>54.4%</td>
</tr>
</tbody>
</table>
The most offered service in 2010 was delivery, followed by durable medical equipment (DME) and patient charge accounts. These services have been in high demand among patients for the past three years. Additionally, these services provide a competitive advantage for independent community pharmacy.

The percentage of pharmacies providing compounding services has remained almost constant at nearly 67 percent over the past three years. The number of prescriptions compounded per day increased from 6.5 to 7.4 per day, with the average price being $2990. It appears that pharmacists who compound are compounding more prescriptions at a lower price compared to last year.

As independents provide more prescriptions to Medicare beneficiaries, they are also offering more services to the elderly. Compared to 2009, more community pharmacists are scheduling patient appointments and providing patient education programs to ensure patients are taking their medications appropriately.

The average revenue for selling durable medical equipment increased from $121,796 in 2009 to $157,000 in 2010.
Disease State Management
As pharmacists adopt practice models that include patient care services, they also provide disease state management services. Many independent community pharmacists offer generalized MTM services as well as specific patient care services for patients with certain disease states. Numerous studies have documented that pharmacist intervention can significantly reduce overall health care costs in patients with diabetes, heart disease, asthma, and other chronic conditions. Moreover, pharmacists can play a significant role in improving public health by promoting cancer awareness, educating patients about the dangers of smoking, and promoting immunizations. Independent community pharmacists continue to lead the industry by providing these valuable services regularly and nationwide, as shown in Figure 7.

<table>
<thead>
<tr>
<th>Service</th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Immunizations</td>
<td>58%</td>
<td>55%</td>
<td>46%</td>
</tr>
<tr>
<td>Diabetes Training</td>
<td>48%</td>
<td>49%</td>
<td>50%</td>
</tr>
<tr>
<td>Blood Pressure Monitoring</td>
<td>50%</td>
<td>46%</td>
<td>41%</td>
</tr>
<tr>
<td>Smoking Cessation</td>
<td>22%</td>
<td>18%</td>
<td>12%</td>
</tr>
<tr>
<td>Lipid Monitoring</td>
<td>13%</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>Asthma Management</td>
<td>14%</td>
<td>12%</td>
<td>11%</td>
</tr>
<tr>
<td>Weight Management</td>
<td>12%</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>Osteoporosis</td>
<td>8%</td>
<td>9%</td>
<td>8%</td>
</tr>
<tr>
<td>HIV/AIDS Services</td>
<td>5%</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>Anticoagulation Monitoring</td>
<td>5%</td>
<td>5%</td>
<td>2%</td>
</tr>
<tr>
<td>Cancer Awareness Education</td>
<td>8%</td>
<td>6%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Summary of Disease State Management Services—Frequency of Services Offered in Pharmacies that Offer at Least One Disease State Management Service

Figure 7

Note: The 2008 and 2009 data have been recalculated to ensure consistent measurement with 2010.

Highlights
- In 2010, 78 percent of independent community pharmacies indicated they offer at least one disease state management service or MTM service.
- The top three disease state management services offered are immunizations (58 percent), blood pressure monitoring (50 percent), and diabetes training (48 percent). (See Figure 7.)
- To provide these services, a pharmacist is often required to use sophisticated medical equipment to measure and monitor the patient condition. Thus, a majority of pharmacists bill separately for lipid monitoring, immunizations, osteoporosis services, MTM, and asthma management. Pharmacies bill both patients and third-party providers, charging based on service provided, time needed to perform the intervention, and value of service.
- It is important to note that the number one service offered is immunizations, highlighting the public health role of pharmacists. Pharmacies supplemented their total revenue by more than $15,000 by offering immunizations.
Interactions with Other Health Care Professionals

An independent community pharmacist is a vital link between the patient and the entire health care system. Pharmacists fulfill a major need in most communities because of the unique accessibility and the knowledge about medications that these professionals possess and share with their patients. As pharmacists are engaged in providing patient care services and helping patients obtain needed medications at an affordable price, it is important that they communicate with physicians and other health care professionals. Often the pharmacist is the health care provider that is helping the patient understand their prescription benefit design and facilitating compliance with its requirements. Additionally, it is the pharmacist who is often seeing the entire medication profile of a patient and using his/her expertise to determine safety and appropriateness of each prescription. Thus, it is important that pharmacists, physicians, and patients interact. Fortunately, physicians and other health care providers continue to trust and value the recommendations offered by independent community pharmacists.

Highlights

- Independent community pharmacists consult with physicians or other health care professionals about seven times daily regarding prescription drug therapy. (See Figure 8.) Pharmacists continue to intervene and contact prescribers to make recommendations and improve medication therapy for their patients.

Pharmacist Interactions with Other Health Care Professionals—Discussion with Physician or Other Health Care Professional Regarding Patient’s Drug Therapy

Pharmacist Interactions with Other Health Care Professionals—Percentage of Pharmacists Offering Recommendation for Brand to Generic drug Change

Pharmacist Interactions with Other Health Care Professionals—Percentage of Pharmacists Offering Recommendation for Therapeutic Interchange
Approximately 93 percent of independent community pharmacists recommend brand to generic drug changes when appropriate to other health care professionals. (See Figure 9.) Eighty percent of these recommendations were accepted by other health care providers and a change to a less expensive generic medication was made. A slight decrease in the number of recommendations and accepted recommendations may be due to the fact that a growing majority of prescriptions filled are generic.

When independent community pharmacists recommend therapeutic changes to prescribers, 73 percent of the recommendations are accepted. (See Figure 10.)

The consistent trend of therapeutic recommendations being accepted by physicians and other health care professionals demonstrates that pharmacist recommendations are highly valuable and trusted by other health care professionals.

Long-Term Care Services
Independent community pharmacists play an important role in caring for the nation's 40.2 million seniors. They provide pharmacist care for seniors in nursing homes, 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, and pain management. By thinking innovatively, independent community pharmacists provide needed services and improve their business financially.
Independent community pharmacists play an important role in caring for the nation’s 40.2 million seniors. They provide pharmacist care for seniors in nursing homes, assisted living facilities, hospice, and home-based care.
Independent community pharmacies not only provide prescription products and services, but they also offer an array of nonprescription products and services, including cough and cold medications, antacids, vitamins, smoking cessation products, and ear and eye products.

### Average Pharmacy Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>All other sales</th>
<th>Prescription Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>8%</td>
<td>92%</td>
</tr>
<tr>
<td>2009</td>
<td>5.7%</td>
<td>94.3%</td>
</tr>
<tr>
<td>2008</td>
<td>5.7%</td>
<td>94.3%</td>
</tr>
</tbody>
</table>

### Front-End Products Offered

<table>
<thead>
<tr>
<th>Product Type</th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greeting Cards</td>
<td></td>
<td></td>
<td>65%</td>
</tr>
<tr>
<td>Gift Department</td>
<td></td>
<td>48%</td>
<td>56%</td>
</tr>
<tr>
<td>Seasonal Merchandise</td>
<td></td>
<td>49%</td>
<td>55%</td>
</tr>
<tr>
<td>Cosmetics</td>
<td></td>
<td>28%</td>
<td>36%</td>
</tr>
<tr>
<td>Diabetes Food</td>
<td></td>
<td>27%</td>
<td>38%</td>
</tr>
</tbody>
</table>

**Highlights**

- In 2010, non-prescription sales increased to 8 percent as a percentage of total sales. (See Figure 12.)
- Independent community pharmacists discuss with their patients about non-prescription items about 12 times per day.
- Some pharmacies appear to be focusing their front-end offering on more health-related products and less on gifts and greeting cards. For example, 7 percent of Digest pharmacies offer gluten-free products.
In order 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>
<thead>
<tr>
<th>Percentage of Pharmacies Utilizing Workflow Technology</th>
<th>Figure 14</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Point of Sale</strong></td>
<td>72%</td>
</tr>
<tr>
<td></td>
<td>73%</td>
</tr>
<tr>
<td><strong>Telephone IVR</strong></td>
<td>41%</td>
</tr>
<tr>
<td></td>
<td>39%</td>
</tr>
<tr>
<td><strong>Automated Dispensing Counter</strong></td>
<td>30%</td>
</tr>
<tr>
<td></td>
<td>31%</td>
</tr>
<tr>
<td><strong>Automated Dispensing System</strong></td>
<td>24%</td>
</tr>
<tr>
<td></td>
<td>23%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Technology Capabilities</th>
<th>Table 6</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Electronic Prescribing Use</strong></td>
<td>2008</td>
</tr>
<tr>
<td>Connected to receive electronic prescriptions</td>
<td>74%</td>
</tr>
<tr>
<td>Percent of prescriptions received electronically</td>
<td>5.12%</td>
</tr>
</tbody>
</table>

**Highlights**

- As in 2009, the number of Digest pharmacies with a store website was 61 percent. Seventy-one percent of those with websites allow for patients to submit refill requests via the site.

- More independents are using the Internet for inventory purchasing and completing continuing education. It is important to note pharmacists are also using the Internet for ordering non-prescription items from vendors as well as ordering items from generic wholesalers.

- Ninety percent of independent community pharmacies indicate that they are connected for electronic prescribing, with 15 percent of their prescriptions received electronically. Last year, 12 percent of prescriptions were received electronically. This trend in community pharmacy reflects the national trend of more physicians adopting e-prescribing practices. (See Table 6.)

- Independent community pharmacists continue to embrace workflow technology to improve their effectiveness and efficiency. Seventy-two percent of pharmacies use point-of-sale technology. (See Figure 14.)
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 community pharmacies, public and private third-party payers dictate prescription drug reimbursement payments and introduce additional operational and financial challenges to the pharmacy. For most community pharmacies, achieving a functional and fair working relationship with third-party payers is essential to attain long-term profitability and overall business survival.

Although most independents continue to face slim margins from private third-party contracts and government reimbursement programs, they have strived to reduce their overhead costs through running a more efficient business.

### Summary of Third-Party Prescription Activity, 5-Year Trend

<table>
<thead>
<tr>
<th>Year</th>
<th>Non Third-Party</th>
<th>Other Third-Party</th>
<th>Medicare Part D</th>
<th>Medicaid</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>2007</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Figure 15*

#### Highlights

- Eighty-nine percent of prescriptions are covered by third-party contracts—46 percent are covered by government programs (Medicare and Medicaid), which is up 2 percent from last year. (See Figure 15.)

- Implemented in January 2006, Medicare Part D now covers approximately 30 percent and Medicaid covers 16 percent of prescriptions filled in the average independent community pharmacy. With nearly 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.

- The average gross margin percentage paid by Medicaid, Medicare, or a private third-party usually ranges from 18 to 20 percent. Independent community pharmacies must be selective in accepting or rejecting third-party contracts.

- 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.
Profiles: Independent Community Pharmacists Represent Diverse Services

Sonia Martinez

The connection with her patients has been the primary focus for Sonia Martinez. Martinez has always had a firm belief that people need relationships. And this belief has proven to be the key to the success of her pharmacy, Marco Drugs and Compounding in Miami. Her desire to become connected with her patients has helped her pharmacy become a staple in the local community.

Eighteen years ago, Martinez came to America as a foreign pharmacist from Venezuela. With her vigorous spirit, she learned the English language and pursued her dreams of taking the pharmacy equivalency examination and getting her pharmacist license in Florida. After getting licensed, Martinez worked at a chain pharmacy. She soon became frustrated with all of the sudden changes within a “corporation” and subsequently realized the value of independent pharmacies.

“Independent pharmacies offer better patient care. I believe people need relationships. I know my patients by name and what prescriptions they take,” Martinez says.

It wasn’t easy, but Martinez became owner of Marco Drugs and Compounding on June 1, 2006. The experience proved to be challenging for her—she was a female in a male dominated industry. However, this did not stop her from creating her ideal pharmacy and focusing on the relationships with her patients.

Martinez has also established the compounding service within her pharmacy, which allows her to play an even bigger role in the patient’s care and further their relationships with the patients.

“I get a sense of fulfillment knowing the patients and the doctors,” she says. “We are a compounding pharmacy and I get to help the doctors think ‘outside-the-box’ as they care for our patients.”

The sincerity Martinez displays for her patients has helped her become more than just a pharmacist; she has become a friend and prominent member of the local community. And, her knack for being genuine and passion for forming relationships has helped her pharmacy grow. Marco Drugs and Compounding has become a go-to destination within the community. Doctors look to the pharmacy for suggestions and new ideas. Patients continue to come back because they know that it is the place in the community where they will find the care they deserve.

“Getting involved within my community is very important to my pharmacy’s success. I think all independent pharmacies should continue to explore ways to connect to their community,” she says.

Martinez is not done yet. She is constantly pursing new ways to expand her services and reach more people within the community. Based on how far she’s come, it’s a good bet that she’ll do it.
Profile:

**Empire Drugs**

Patient care is a top priority for Scott Guisinger of Empire Drugs in Rome, N.Y. Guisinger became owner of Empire Drugs in 2004 and he has since expanded the store into two locations. The success of his independent pharmacies can be attributed to the hands-on approach to customer care that Guisinger and his pharmacy staff have taken.

“Provide a place that offers comprehensive health care services, where the local owners are trusted professionals that know the patient’s name when they walk in the door,” Guisinger says.

Before becoming the owner, Guisinger was an intern at Empire. However, after graduation he worked in both chain and hospital pharmacy settings, where he discovered what sets independent pharmacies apart from the rest.

“[Independent community] pharmacy is a profession that can provide that total patient health care experience,” he says. “It is important that patients feel comfortable talking to their pharmacist; that is what drives my pharmacy. Pharmacists are accessible to the patients, so that we can provide professional advice and better understand their needs.”

With the foundation for the independent pharmacy already built, Guisinger hit the ground running, providing his patients the health care they deserve. In 2007 he expanded the original store to 4,800 square feet. Empire Drugs is now equipped with a counseling room located in the pharmacy, which is also used for immunizations and soon will serve as a Heart Health Specialized Care Center—a program which helps educate patients on chronic heart conditions and diseases.

Under Guisinger’s leadership, Empire Pharmacy continues to host many other programs, including diabetes education classes and an annual fair. The fair provides skilled dieticians and knowledgeable pharmacists to explain medications. Guisinger has implemented many such ongoing patient events that continue to help his independent pharmacy become a valuable asset to patient health care.

As he continues to expand his offerings, Guisinger ensures that the pharmacy is always fully staffed. “This allows for the pharmacists to step away from filling prescriptions and truly focus on the patient interaction,” he says.

Guisinger strives to make the patient’s experiences more efficient at Empire Drugs by using technology to help eliminate any complications and promote adherence. With the capability to send text messages to patients, staff can alert them about prescription renewal.

Guisinger and his pharmacy staff at Empire Drugs have a great appreciation for their patients and customers. This philosophy continues to help make the pharmacy a valuable part of the community.

“We do a lot for the community and give back to it in many ways,” added Guisinger. “Our connection to our community and connectivity to its patients is what makes us very successful.”
The Lehan Family

In many ways, Lehan Drugs is the epitome of a family owned independent community pharmacy. The business started when brothers Emory and James Lehan Sr., both pharmacists, opened their first store in DeKalb, Ill., in 1946.

Through the years, the pharmacy became a landmark in DeKalb, a town of some 45,000 residents and home to Northern Illinois University. Now in its fourth generation, there are seven members of the Lehan family helping run the business, which also has a location in nearby Sycamore. Lehan Drugs provides most of the offerings available in many community pharmacies.

Despite its success, the Lehan family isn’t content to rest on its laurels. Sensing a void in specialized health options for women, Lehan Drugs began offering women’s health products to its patients more than 10 years ago. It began with compression stockings, and has continued to evolve into an entire department, providing services and products to meet a wide array of women’s health needs in the community. For women battling breast cancer, it offers education and fittings for post-mastectomy products and related accessories. The women’s health department and boutique also provides maternity and postpartum support for women during and after pregnancy, along with compression garments for women with lymphedema, varicose veins, edema, and other venous conditions.

“It all began by simply listening to our customers,” says Terri (Lehan) Hettel, the pharmacy’s store manager and a certified fitting specialist. “We found that our patients suffering from breast cancer had no local options for post-mastectomy bras and prostheses while undergoing treatment.”

It was also a personal experience that motivated her. “My grandmother Marie Lehan had breast cancer. So knowing what she went through, and knowing what others are going through, it was something we needed in the community.”

In the fall of 2010, Lehan Drugs held the grand opening for its women’s health department and boutique inside Lehan Drugs’ DeKalb location. The 2,500-square-foot space has an expanded line of post-mastectomy forms, apparel, and accessories. Additionally, two dressing rooms were created, along with an education area.

“The area that is now the boutique was originally part of our gift and card department,” says Jim Lehan, the pharmacy’s business operations director. “We remodeled, adding the two dressing rooms for consultations and fittings, and gave the boutique the space and feel it needed.”

Based on some of the feedback, patients are pleased with the new department.

“It think we’ve always had great relationships with our patients, but especially with the cancer patients now,” Lehan says. With Hettel listening nearby and laughing, he adds, “Terri will be out in the community, and people will just walk up to her and give her a hug. She judges how well she’s doing by how many hugs she gets.”

The original version of this article appeared in the March 2011 issue of America’s Pharmacist. NCPA members can access the article at www.americaspharmacist.net.
Kristen Riddle

Through the years, independent pharmacy has mostly been on the outside looking in when it comes to high end skin care products. To Kristen Riddle, PharmD, that wasn’t acceptable. “Even though we’re professionals that have knowledge of physiology, most of those lines would not let us sell it because we are in a retail setting,” she says. “But we saw that we need to be able to sell this science to our patients who walk in our store every single day. We are literally leaving money on the table by not having this in our pharmacies.”

So taking matters into her own hands, she sought to incorporate her knowledge of cosmeceutical compounding to create products made by pharmacists for pharmacies. The result is Rx Solutions Skin Therapy (www.rxskintherapy.com), which launched nationwide in June 2010 as a unit of parent company US CosmeCeuticals. The line, carried primarily in pharmacies, has 17 products, with day and night creams specific to oily, normal, or dry skin.

For Riddle, her goals are simple. “We want to be able to provide the best quality skin care anywhere through independent pharmacies,” she says. “We also want to increase traffic to their stores, increase upfront sales, and increase their profits. So this is a way for us as pharmacists to have a high end cosmeceutical line that works.”

As a pharmacist, Riddle also wanted to emphasize the science that is integrated into product development.

“The consumer really appreciates that,” she says. “It’s especially important in our setting, because our primary market is pharmacy.”

Compounding is certainly nothing new for Riddle. Her father Eddie Glover, also a pharmacist, purchased College Pharmacy in Conway, Ark., in 1997. The pharmacy dispensed both traditional and compounded prescriptions. The pharmacy (since renamed US Compounding) is now licensed to provide compounds in 46 states. Riddle says the pharmacy does between 150–200 prescriptions per day, though those can vary based by seasons.

Riddle began working with her father after receiving her degree from the University of Arkansas for Medical Sciences College of Pharmacy in 2002. She is director of clinical services, specializing in women’s health. US Compounding and US CosmeCeuticals employ about 50 people, including those who work in a product manufacturing facility a short distance away from the main location in Conway.

At press time, Rx Solutions was located in 132 stores in 35 states. Riddle says her goal is to be in 200 stores by the end of the first quarter of 2012.

“I think it just goes to show that there’s a need for this in pharmacy,” she says. “We’ve seen pharmacies have financial success, and clinically there have been success stories as well, and that has been so much fun.”

The original version of this article appeared in the December 2010 issue of America’s Pharmacist. NCPA members can access the article at www.americas-pharmacist.net.
When asked about her philosophy as an independent pharmacy owner, Tracie Ezzio, RPh, has a simple yet succinct reply. "Our job is to help people," she says. "I don’t want anyone to do without. If patients come in and want their blood pressure taken, they aren’t going to sit in a machine that might not work. Someone here will take the time to do it. If they have a question, we want to be available all of the time."

It’s a mindset that has served Ezzio well in the four years since she opened Pepperell Family Pharmacy in an old train depot in her adopted hometown of Pepperell, Mass., located just south of Nashua, N.H., and about 45 minutes north of Boston. The business is a family affair, as her daughter Larissa joined her full time after graduating in 2009 with her PharmD from the Massachusetts College of Pharmacy.

Ezzio and her husband moved to Pepperell, a town of some 12,000 residents, some 25 years ago. She raised five children there, and says she has an intense sense of loyalty to the community. A few years ago Ezzio received a call from a woman expressing concern that her 90-year-old homebound mother wasn’t remembering to take her medications. Both the woman and her sister lived out of town and weren’t able to check on their mother. Ezzio learned that the woman lived five minutes away from her, so she offered to stop by every day on her way to the pharmacy and watch her take her morning medications.

“She had a short-term memory, so she didn’t even know my name," Ezzio says. "We gave her a year of her life in her own home, and she was so happy. [She later moved to an assisted-living facility]. We were happy to be able to help her.”

Ezzio was raised in a pharmacy environment. She was born in Freeport, Maine, where her grandfather owned a small corner drugstore.

“My grandfather was an inspiration to me," she says. "He was born in 1901, and he became a pharmacist when all you had to do was basically study on your own and take a one-year course. He became licensed in the 1940s, when he opened his store across the way from L.L. Bean, and that’s where I grew up, within walking distance. I began working there in junior high, and continued through my senior year in high school.” Ezzio went to the University of Connecticut and received her pharmacy degree in 1977.

Ezzio was also excited about working with her daughter. When she was in school, she says that Larissa would come home and help out. When Larissa started working full-time, it created a rare situation within independent pharmacy that isn’t lost on Ezzio: a mother-daughter ownership group.

“You don’t see that very often," Ezzio says with obvious pride.

The original version of this article appeared in the January 2011 issue of America’s Pharmacist. NCPA members can access the article at www.americaspharmacist.net.
Scott Campbell

When he’s not busy running his business, Scott Campbell spends plenty of time in the great outdoors. The owner of Ocean Healthmart Pharmacy in Charlestown, R.I., says, “I live in the ‘Ocean State’ so I enjoy playing in the environment. I hike, I ski, I just like being active.”

And Campbell wants to ensure that the environment that he loves so much is protected, so he’s trying to do his part through his pharmacy.

“As a company we wanted to get greener,” Campbell says. “We could see the problem society is having with all the medications that are dispensed every year and figuring out what to do with the leftovers.”

In early 2010, Campbell heard about NCPA’s Prescription Disposal Program, launched in 2009 to provide members with the tools to successfully design, implement and market medication return programs.

“When we saw this solution to the environment and the social problems that excess and expired medications pose, we ran to it,” Campbell says.

When Campbell decided to start a drug disposal program at Ocean Pharmacy, it wasn’t a public relations stunt to gain new customers. In his words, “It was the right thing to do.”

Campbell says the pharmacy held its first take back program on Earth Day, April 22, 2010. At the time, an NCPA student chapter was starting at the University of Rhode Island, and the students helped out at the event.

“It gave them exposure to independent community pharmacy, and they were able to use the hours worked as part of their community service requirement at school. It was a win-win,” Campbell says.

To publicize the event, bag stuffers were put in the pharmacy bags, and Campbell advertised with the local weekly newspaper. He says the response was modest.

Realizing that having an event on just one day limited its effectiveness, Campbell says, “We decided to make the drug disposal program a permanent feature of our pharmacy. We placed the ‘dispose my meds’ window decal in our front door so customers will see it every trip in. We also placed the ‘dispose my meds’ box behind the pharmacy checkout with a colorful poster on it describing what it is. The customers see this every time they check out in the pharmacy. We filled a 20-gallon box in 30 days. We then got a 10-gallon box for portable use. My business partner brought it to her church, and it didn’t take long to fill that box. We then ordered another 20-gallon box that we left in the pharmacy.”

Overall, Campbell says he couldn’t be more pleased with how the drug disposal program has progressed.

“Our customers love the program,” he says. “It also has brought in customers from other stores. This gives us an opportunity to showcase our pharmacy to them.”

The original version of this article appeared in the April 2011 issue of America’s Pharmacist. NCPA members can access the article at www.americas-pharmacist.net.
John Motsko

On Jan. 6, 2011, Apple Discount Drugs, located in Salisbury, Md., received American Association of Diabetes Educators (AADE) accreditation for its diabetes education program, Apple Drugs Diabetes and Education Center.

The program at Apple is one of only a few AADE accredited education programs located in a community pharmacy. The AADE accreditation will allow Apple Drugs’ Diabetes Center to bill Medicare, state and privately insured patients for diabetes education services, expanding on the role of pharmacists as a key member of the health care community. The diabetes center is only one of Apple’s innovative services offered by owner Jeff Sherr, RPh. Apple also provides durable medical equipment, oxygen, infusion, long-term care and an extensive compounding service. It also provides a state of the art traditional pharmacy dispensing service.

The diabetes center’s coordinator and primary instructor is John Motsko, a long-time friend of Sherr. Motsko, also a registered pharmacist, spent 35 years in sales and marketing with Eli Lilly and Co., primarily in the diabetes care division. Motsko also earned his CDE certification in November of 2010. Together with his registered dietitian, Nicole Acle and his medication therapy management specialist Geoff Twigg, the team offers individual and group diabetes self-management education and training, MTM and MNT.

“The response from the community has been absolutely wonderful” says Motsko. “We are able to spend adequate time with the patients to empower them to take the lead in managing their diabetes.” Motsko says the physicians and other providers of diabetes care appreciate this added service, because spending more than 10–15 minutes with a patient during an office visit is extremely difficult in today’s health care environment.

Patients are also appreciative of the service. They feel comfortable coming to their pharmacy for diabetes education services and blood glucose meter support (including downloads of their meter data). Many have stated this is the “first time they really understood how to take charge of their diabetes.”

Motsko uses the AADE 7 System as his primary data base to track patients’ progress and to measure outcomes (a requirement of AADE certification). Group classes (a total of nine hours) are offered monthly and one-on-one assessment appointments are offered daily as needed. While the preparation and accreditation were somewhat tedious and time consuming, Motsko believes that all the effort was worth it.

“It’s been the most gratifying thing I have ever done, both personally and professionally in my 42 years as a pharmacist,” says Motsko. “Thanks to Jeff, Apple is raising the bar for pharmacy service in the 21st century.”

The original version of this article appeared in the February 2011 issue of America’s Pharmacist. NCPA members can access the article at www.americaspharmacist.net.