Challenges to the independent pharmacy community are fast and furious and 2016 appears to be no different than past years in terms of change and opportunity. “Think outside the box” is the quick message, but a deeper dive into the trends and options available to independent pharmacies drive an understanding of what can lead to change and growth.

One recent challenge is the impact of direct and indirect remuneration (DIR) fees. One thing is certain, DIR fees will continue to affect gross margins for community pharmacies as well as big box and chain stores. It is important to ensure a store’s contracted pharmacy services administrative organization (PSAO) is helping to identify DIR fee changes and is adept at negotiating with third-party payers.

Consolidation within the industry resulted in the CVS acquisition of Target and Omnicare and Walgreens’ acquisition of Rite Aid in just the past few years alone. The financial strength of the mega chains and big box stores gives ample room to grow, build on real estate with parking, and provide services such as drive-thru windows in convenient, high traffic areas.

Competition will remain fierce among pharmacists as pharmacist supply meets demand in many areas of the country. This trend can also affect community pharmacy as staff pharmacists with a few years of experience or who are displaced by the influx of new recruits are driven to seek startups where they live, a trend also indicated by the higher number of startup funding requests at lending institutions. The pressure to keep independents independent is also
prevalent from both a prescriber and patient perspective. Health plans, distributors, and manufacturers also have an interest in maintaining a high-performing independent pharmacy pool.

INNOVATE FOR GROWTH

While DIR fees and narrow networks have posed threats to margins over the past three years, it is not all gloom and doom for the independents. Innovation is the key driving force for 2016. Several initiatives, often coupled with widely available technology solutions, have paved the way to drive new income for the future. Independents can combat bottom line pressures with services that make sense for their community.

Each of these initiatives also play a role in the availability of funding for start-ups and acquisitions as well as in the selling prices for existing businesses.

Medication synchronization (aka "med sync") is one sure way to help the bottom line, increase interactions with patients, and develop relationships with prescribers. Med sync coordinates the refill orders for patients requiring multiple medications per month on the same day. A program can be developed with either a low-tech or high-tech solution that offers advanced reporting and measurement of success. Coordinating prescriptions also increases patient adherence and facilitates harmonization with prescribers.

A medication therapy management (MTM) program and patient adherence packaging solution is often added to the med sync program. These scheduled one-on-one consultations provide an opportunity to drive patient adherence and build customer relationships. MTM cases referred by a Medicare Part D plan or
other payer can add income as can patients who pay out-of-pocket for the service. Adherence not only keeps patients healthier, but also increases prescription counts. A study by NCPA found that patients enrolled in a med sync program were 21 percent of less likely to discontinue treatment, and 2.5 times more likely to be adherent to medications. More information can be found at www.ncpanet.org/medsync.

**PATIENT-CENTERED CARE**

Patient-centered care is the wave of the future. Personalized service cultivates loyalty and trust for long-term relationships with customers. Consider technology for mobile health and health information exchange with the patient’s care team. Share the MTM medication action plan form with the team.

It’s important to innovate and deliver better care than your competitors. This will help compensate for some of the challenges of falling reimbursements. In fact, pay-for-performance programs, such as those determined by the Medicare Part C & D Star Ratings, are directly affected by adherence measures.

Many independent pharmacies have gained traction by offering compounding services onsite or at a complementary, ancillary facility. With new technologies available, more pharmacists can expand highly personalized service levels by creating solutions for unique patient needs. Compounding medications provide a tailored approach to wellness. It enables disease state management, drives customer loyalty, and delivers solid margins. It also enhances working relationships with prescribers, adherence measures, and patient interaction for success in expanding business.

Consider becoming an expert in a disease state with specialty medications. This growth area offers advantages for prescribers and patients seeking attentive care for those requiring specific expensive and complex regimens for diseases such as HIV/AIDS, hepatitis C, rheumatoid arthritis, organ transplants and multiple sclerosis. Community pharmacies can offer an in-person, patient-centered high-touch approach. It begins with referrals from the physicians, and is dependent upon managing the communication continuum (doctor, patient, pharmacist, manufacturer). Take time to research evolving technology solutions that are bridging these gaps.

**Independents can combat bottom line pressures with services that make sense for their community.**

**A NEW WORLD OF MARKETING**

Independent pharmacy will continue to be challenged by the financial resources that chains and PBMs use to target your customers. Predatory marketing is luring unwitting patients to specific branded pharmacies. From targeted messages in prescription plan member materials to online, telemarketing, and direct mail campaigns, tactics are being employed that are cost-prohibitive for most community pharmacies. A proactive approach is essential. Evaluating regional demographics and hard data from network administrators to product distributors provides valuable insights for developing a strategic plan. Build a tactical plan by assessing the competitive landscape, researching local marketing opportunities, meeting with local providers, and developing staff training programs to meet higher service level expectations.

Independents should rely on affordable resources such as web-based and traditional print advertising, along with marketing programs offered by PSAOs, distributors, and local media outlets. Programs may include public health events, health screenings at community or extended-care facilities, schools, churches and large employers. Use these tactics to showcase differentiation in community pharmacy from mega chains. Focus on personalized services, accessibility, delivery, direct interaction with a pharmacist, prescriber relationships, franchise affiliations, and any other innovative services offered.

**PLANNING AND EXECUTION**

Innovation means developing new approaches to deliver medicine to your customers that improve their health, make smart use of their money, and result in happy patients. Implementing programs and processes that are patient-centered help reduce hospitalizations and other spending that results from poor adherence. Tactics and technological solutions that help pharmacists integrate with prescribers, distributors, and health care plans increase opportunities to grow margins and meet business goals.

There are great resources available to independent pharmacies to drive innovation. Use Google. All of the drug distributors have great solutions and are focused on helping you drive adherence. NCPA has a wealth of tools for re-engineering your practice and diversified revenue opportunities to examine. If you are frustrated and don’t know where to begin, call me and I’ll help get you started.

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