



2023 NCPA

DIGEST

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NATIONAL COMMUNITY PHARMACISTS ASSOCIATION THE VOICE OF THE COMMUNITY PHARMACIST*

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Dear reader:

Independent community pharmacies are the cornerstones of the communities they serve. Patients value the personalized care offered by their community pharmacist and have come to expect the expanded services offered at the pharmacy, including clinical care services and consultative services.

The role of the community pharmacist has expanded to meet the growing needs of their communities, as many pharmacists served on the front lines during the pandemic, providing point-of-care testing and vaccination administration. As of August 23, 2023, more than 307.4 million doses of COVID-19 vaccine have been administered and reported by Federal Retail Pharmacy Program participants in the US¹.

Independent pharmacies are experiencing a period of rapid change. Not since the establishment of Medicare Part D has there been such a dramatic shift in the industry. At the same time, the role of the pharmacist has continued to expand beyond administering and dispensing prescriptions. Increasingly, pharmacists are integrative and collaborative health partners improving the overall health outcomes for their community through clinical services that help maximize revenue.

Pharmacists and pharmacy owners still confront challenges with reimbursements from third-party payers, and their teams are finding new revenue sources that are not tied to health insurance plans. Patients want wellness solutions that put them in control of their own health with the counsel of independent pharmacists.

The 2023 *NCPA Digest* highlights the commitment of independent community pharmacists to implementing new innovative services that are improving their patients' outcomes. At the same time, these community pharmacies are supporting local organizations, volunteering for events and serving on boards, with some holding elected official roles.

The U.S. health care system is an enormous ecosystem with opportunities to revolutionize patient care. Independent community pharmacies are quietly leading that revolution by offering individualized attention, to millions of Americans. No matter how the health care ecosystem evolves in the coming years or decades, the 2023 *NCPA Digest* illustrates it will always be stronger for the influence and practices of independent community pharmacies.

Sincerely,



B. Douglas Hoey, RPh, MBA, CEO
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Foreword

The 2023 *NCPA Digest*, sponsored by Cardinal Health, is a snapshot of the independent community pharmacy environment. For more than 90 years, the *Digest* has given readers important statistics about these pharmacies.

In 2022, the pharmacist profession made inroads at the state level on expanding scope of practice to include initiating drug therapy in certain circumstances. This addresses multiple important public health issues that deserve an all-hands approach. One headwind was a tight labor market for pharmacy staff, as reflected by rising wages and a mid-year pulse survey capturing difficulty filling open positions. Having open positions can limit the ability to sustain clinical services, which bring in increasingly important revenue.

At the same time, the profitability of dispensing prescription drugs was as lean as ever. Drug list prices were up so much so that the *Inflation Reduction Act* of 2022 gave the Centers for Medicare & Medicaid Services the duty of negotiating directly with the manufacturers of the drugs costing Medicare the most starting in 2025.

Independent pharmacy owners depend on the *Digest* as a benchmark on how they measure up to their peers. Academics and industry experts rely on the *Digest* to identify trends. Policymakers use it as a basis for health care policy that affects millions of Americans. This year's publication continues to follow an easy-to-use format that includes information regarding:

- **Financial trends.** Information showing average sales, cost of goods sold, gross profit, and payroll expenses trended over 10 years.
- **The marketplace.** Current store counts by pharmacy category and state plus information on wage and staffing levels of pharmacists and technicians.
- **Pharmacy practice.** Information on the number of pharmacies that have collaborative drug therapy agreements or employ a clinical coordinator. These activities are helping owners differentiate their pharmacies in local markets and become better integrated in the overall health care system.
- **Patient care services.** Information about the services offered by independent community pharmacies, including point-of-care testing, medication adherence, long-term care pharmacy and compounding.
- **Community involvement.** Data showing the strong bond independent neighborhood pharmacies form with their local communities. Statistics include the number of community organizations to which independent pharmacies provide monetary support, and local organizations of which pharmacy owners are members.

The *NCPA Digest* 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* are obtained via electronic surveys and Excel worksheets sent to independent community pharmacies across the United States. Survey data collected by NCPA are assessed for accuracy and analyzed by the researchers at the University of Mississippi for NCPA to interpret and report. The *Digest* is provided through the financial support of Cardinal Health.

Executive summary



Photo by Allison Isley

The *NCPA Digest*, sponsored by Cardinal Health, provides an annual overview of independent community pharmacy, including a 10-year lookback at sales and profitability.

In 2022 independent community pharmacy represented a \$94 billion marketplace, with nearly 94 percent of sales for independents derived from the prescription department. High inflation showed up in drug prices, and consequently, pharmacy revenue and cost of goods.

The nearly 12 full-time-equivalent workers (Table 4, page 9) employed in independent pharmacies stimulate local economies, pay state and local taxes, and provide high quality services that make a difference in the daily lives of patients. They and their employing independent pharmacies are sometimes patients' only accessible health care option, access points that must be protected. However, even a sustained demand for health care services and prescription drugs paired with continued interest in pharmacy ownership couldn't keep the number of independent pharmacies from falling to 19,432 locations from 19,479 (Table 5, page 9). Additionally, the USC-NCPA Pharmacy Access Initiative tracks pharmacy closures and monitors closures that cause neighborhoods to no longer meet pharmacy access standards. According to the project's Pharmacy Shortage Areas Mapping Tool, 25 percent of neighborhoods in the United

Table 1: Independent pharmacy at a glance

Year	2022
Average number of pharmacies in which each independent owner has ownership	2

Average number of prescriptions dispensed per pharmacy location	
New prescriptions	31,687 (48%)
Renewed prescriptions	34,531 (52%)
Total prescriptions	66,218 (100%)
Average prescription charge	\$59.84

Percentage of total prescriptions covered by	
Government program (Medicaid or Medicare Part D)	51%
Other third-party programs	39%
Non-third party	10%

States are pharmacy shortage areas. This information reiterates that independent pharmacies are a key factor in both losing and maintaining access to health care in rural, suburban, and urban communities.

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 66,218 prescriptions (212 per day) in 2022, an increase from the 63,228 prescriptions dispensed in 2021.

Many independent owners continue to operate multiple pharmacies. Thirty 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. Tables 2 and 3 show the recent financial trends:

- Average sales in 2022 per location were \$4,847,000, which may be in large part due to inflation. In a news release touting the potential effect of the 2022 *Inflation Reduction Act*, the U.S. Department of Health and Human Services reported the average list price increase was 10 percent and that 1,200 drugs saw prices increase an astonishing average of 31.5 percent between July 2021 and July 2022.
- Payroll expenses decreased from 13.3 percent in 2021 to 11.8 percent in 2022. Lower expenses on this line may reflect a paradoxical combination of unfilled positions and rightsizing staff

after hundreds of millions completed their primary COVID-19 vaccine series.

- In 2022, average hourly wages rose in two of three staff categories with historical data. New to the analysis this year is the average wage for certified pharmacy technicians, which was \$18.42 per hour in 2022 (Table 7, page 12).
- Gross profit margin fell from 23.3 percent to 21 percent between 2021 and 2022. This again reflects inflation, and also the much smaller volume of vaccines administered from U.S. government supplies. COVID-19 vaccines were authorized for the pediatric population in the spring of 2022 and bivalent boosters were authorized for adults in late summer 2022, but only 17 percent of people in the U.S. are up to date on their COVID-19 vaccines.
- In 2022, 35 percent and 16 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 17, respectively.)

The pharmacy profiles that comprise the last section of this report clearly portray the crucial role community pharmacists fill by solving health care problems. Services such as medication compliance packaging and

delivery help patients overcome social determinants of health such as low health literacy and lack of access to a personal vehicle, respectively. Screening events help detect early signs of disease for timely intervention which improves population health management. Additionally:

- Nearly two-thirds of independent community pharmacies provide monetary support to five or more community organizations. Sixty-nine percent of owners provide more than \$3,000 per year in monetary support to community organizations. Fifty-nine percent of pharmacies have an owner and/or employee that is a member of the local chamber of commerce and 9 percent of all stores have an owner and/or employee who holds an elected local or state office, up from 8 percent last year (Figure 5, page 21).
- More than 90 percent of independent pharmacies are offering some type of medication adherence program, a number that has held steady for five years. Improving medication adherence aligns the interest of patients, payers, pharmacists, and plans.

Independent community pharmacy owners are driven by the urge to improve the health outcomes of their patients and by the satisfaction of practicing pharmacy the way they dreamed. Like with any other business, the result of taking on the risk of ownership and exercising diligence in operations ought to be a reliable and fair



Photo by Fengze Liang, Fragic Films

Table 2: Average annual sales (in thousands) per pharmacy location, 10-year trend

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
\$3,893	\$3,622	\$3,678	\$3,619	\$3,540	\$3,484	\$3,400	\$3,460	\$4,031	\$4,847

Table 3: Averages of pharmacy operations, 10-year trend

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Sales	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Cost of goods sold	76.7%	77.1%	77.7%	77.9%	78.2%	78.2%	78%	78.1%	76.7%	79%
Gross profit	23.3%	22.9%	22.3%	22.1%	21.8%	21.8%	22%	21.9%	23.3%	21%
Payroll expenses	13.4%	13%	12.8%	13.1%	13.0%	13.2%	13.1%	12.9%	13.3%	11.8%

income for the owner in addition to goodwill and local recognition for keeping jobs in the community and providing a necessary service. Independent pharmacies 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

Independent community pharmacy owners who have completed at least one full year of operations were invited to participate in this study. Pharmacy owners or their designees were asked to complete the surveys. NCPA has exercised the utmost professional care in compiling the information received. While we have tested the information for clerical accuracy, the data supplied were not necessarily based on audited financial statements. NCPA and its partners do not make any assurances, representations, or warranties with respect to the data upon which the contents of this report were based. The information is provided for general education and information purposes only and is not an endorsement or recommendation by Cardinal Health, IQVIA, or NCPA of any of the featured products or services. Although the content is based on reliable sources, the sources have not been fully examined or updated. Thus, neither Cardinal Health, IQVIA, nor NCPA warrant that the information presented is accurate, current, or applicable for a particular use and accepts no responsibility or liability with respect to such information. The survey information on which the 2023 *Digest* is based was from the calendar year of Jan. 1, 2022 through Dec. 31, 2022. Results from prior issues of the *Digest* have been incorporated to facilitate assessing industry trends.



Photo by Fengze Liang, Fragic Films

The independent community pharmacy marketplace



Independent community pharmacies are all privately held small businesses, but they vary in practice setting. As of June 2023, there were 19,432 independent community pharmacies according to IQVIA. 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 \$94 billion marketplace.

Other notable characteristics about independent community pharmacies:

- Year after year, patients save money on prescriptions at independent pharmacies where, on average, 86 percent of prescriptions are filled with a generic drug.
- In 2022, independent pharmacy owners on average employed 12 full-time-equivalent employees per location (Table 4).
- Hourly wages for clerks/cashiers increased to \$13.50, up from \$12.91. Certified technician wages averaged \$18.84, while non-certified technicians

averaged \$16.49. Staff pharmacist wages increased by \$1.41 to \$59.78 per hour (Table 7, page 12).

- The cost of dispensing for the average independent community pharmacy is \$12.90, up 15 percent from \$11.22 in the prior year. Given the significant increase in labor costs, a higher cost of dispensing isn't a surprise.

Continued on page 12



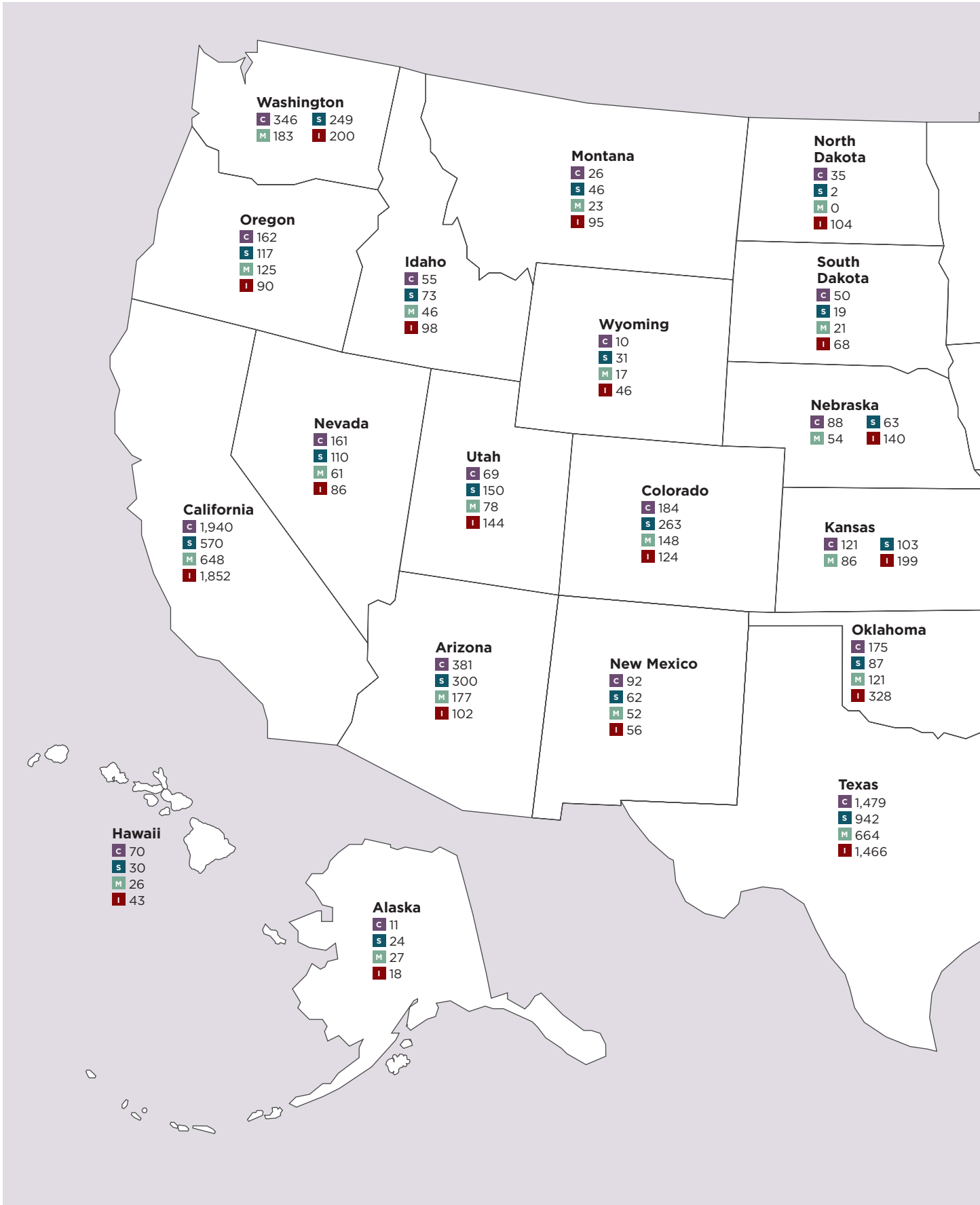
Photo by Stanley Shelton

Table 4: Pharmacy staff

	2022
Full-time workers	7.4
Part-time workers	4.5
Total full- and part-time	11.9

Table 5: Pharmacy practice settings as of June 2023

	2023
Independents	19,432
Traditional chains	20,210
Supermarkets	9,367
Mass merchants	7,280



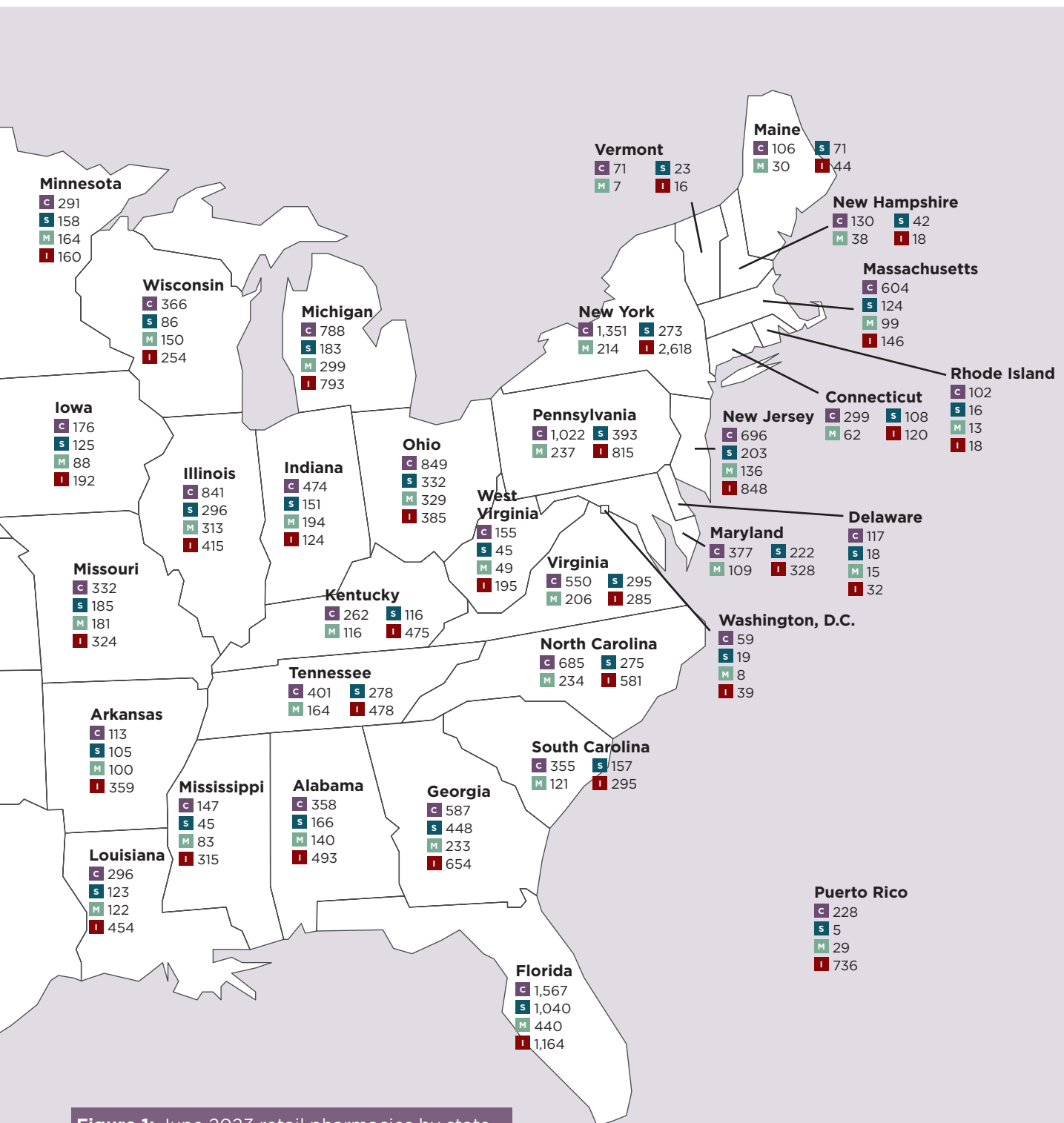


Figure 1: June 2023 retail pharmacies by state

LEGEND

- C Traditional chain
- S Supermarket
- M Mass merchant
- I Independents

Source: The store count data is reflective of the stores in the IQVIA Rx Universe as of June 2023. IQVIA defines independents as owning 1-3 locations. (www.iqvia.com).

- Fifty-one percent of independent pharmacies are located within a standalone building and 22 percent are located in a shopping center/strip mall. An additional 12 percent and 10 percent are located in a “Main Street” storefront or within a medical building/clinic, respectively. The remaining independent pharmacies are located within a grocery store or some other location.
- Forty-four percent of independent community pharmacies are located in an area with a population of less than 10,000. These community pharmacies are providing vital services to very rural areas. Another 34 percent are located in areas with a population between 10,000 and 50,000. Collectively, close to 80 percent of independent pharmacies are serving areas with a population less than 50,000.
- The majority (63 percent) of independent community pharmacies are organized as a small corporation (S-Corporation), followed by 28 percent which are a limited liability corporation (LLC). Nine percent are organized as a C-Corporation or “other.”

Table 6: Primary type of pharmacy operation 2022*

Full-line (retail pharmacy)	92%
Apothecary	2%
Compounding	0.4%
LTC	3%
Specialty	0%

*Does not round to 100 percent.

Table 7: Average hourly wages

	2018	2019	2020	2021	2022
Pharmacist	\$58.82	\$58.00	\$58.20	\$58.37	\$59.78
Technician	\$15.56	\$16.00	\$16.59	\$17.44	N/A
Technician (non-certified)	N/A	N/A	N/A	N/A	\$16.19
Technician (certified)	N/A	N/A	N/A	N/A	\$18.42
Clerk	\$11.37	\$11.90	\$12.00	\$12.91	\$13.50

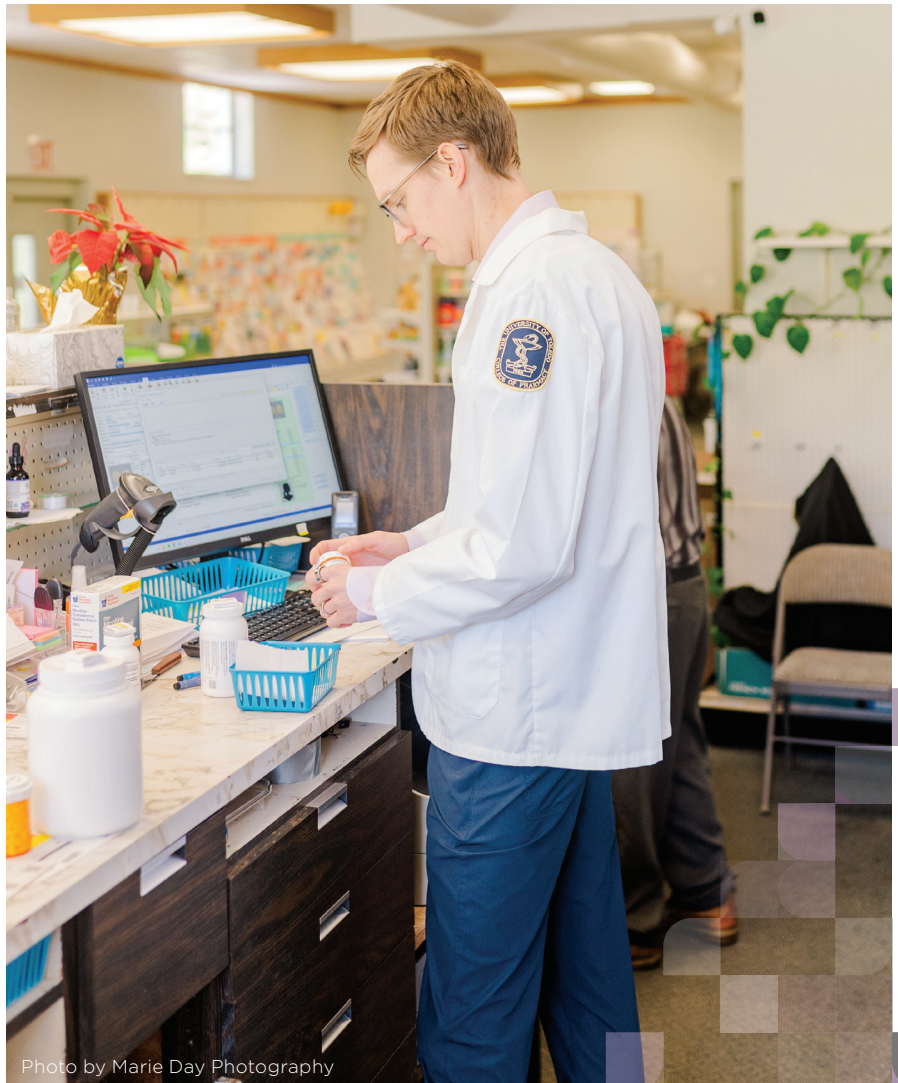


Photo by Marie Day Photography

Pharmacists as health care providers

Pharmacists and their teams are ideally situated to fill primary care gaps. Filling in these gaps with services can be an important revenue source for the pharmacy as well as a great source of professional fulfillment.

Dispensing prescription medications is a key part of the business and what brings many people in the front door, but slim margins from third-party reimbursements may not satisfy business performance goals for an owner. Growth is going to come from addressing other health-related needs while also being a pleasant place to shop.

In addition to the highlights below, the pharmacy profiles at the end of the *Digest* show the range of health care services offered by independent pharmacies based on demand and creative problem solving when patients need help with their health goals.

IMMUNIZATION SERVICES

Independent neighborhood pharmacies continue to be a top vaccination destination. While it may never again be required at the scale observed in 2021, the changes to pharmacy workflow and systems to offer vaccines by appointment or in a dedicated clinic space showed off pharmacies' ability to be nimble and adjust their practices to serve their communities. Influenza vaccines are nearly universally offered, found at 87 percent of independent pharmacies. Most offer at least one other vaccine such as pneumococcal, zoster,



travel vaccines, and of course, COVID-19 vaccines.

LONG-TERM CARE SERVICES

Independent community pharmacists are true partners with staff in LTC facilities. Pharmacists provide medications and medication-related care for seniors in skilled nursing facilities, assisted living facilities, group homes, hospice, and home-based care. They also provide specific services needed by many seniors who are aging at home and in LTC centers. Services include adherence packaging, nutrition assessment and support, home infusion therapy, durable medical equipment, ostomy supplies, and pain management.

In 2022, 51 percent of independent community pharmacists provided LTC services to their patients.

Those in this segment reported serving an average of 44 beds for skilled nursing facilities. While that was a decrease from 56 beds in 2021, there was notable growth in the number of residential facility beds, which climbed to 103 beds from 74 beds.

ADHERENCE SERVICES

As with immunizations, it is more common than not for an independent pharmacy to offer a comprehensive adherence program. Medications and vaccines are two important tools for reducing the risk of disease and poor outcomes. Medication synchronization is a core service of CPESN® USA's clinically integrated pharmacy networks. (Read more about CPESN on page 19.) When paired with routine medication reconciliation in the appointment-based model, med

sync helps patients to always have their prescribed medications on hand and adjust to changes made during an office visit or at a transition of care.

The appointment-based model for med sync 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. Patients and pharmacies alike 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 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 68 percent report that a pharmacist meets with a patient as needed to review medication use (Table 9).

SUPPORTING EMERGING MODELS OF CARE

Scope of practice flexibilities during the COVID public health emergency allowed pharmacies

to assess patients and initiate treatments that prevented severe disease, hospitalization, and death. The entrepreneurial spirit and ingenuity of pharmacy owners and their teams meant pharmacies quickly and successfully designed new workflows in a matter of days for clinical services that may have been months or years down the road otherwise.

Pharmacists in one of the 12 states (Alaska, California, Colorado, Maine, Maryland, New Mexico, Ohio, Pennsylvania, Texas, Vermont, Virginia, Wyoming) plus the District of Columbia that have passed pharmacist provider status legislation are more ready than ever to make use of their clinical training and professional development to address public health needs such as HIV prophylaxis or uncomplicated conditions that can be treated with straightforward drug therapies.

Pharmacists who do not have provider status, or those who are able to roll out services that require physician supervision, can make use of collaborative practice agreements. Forty-two percent of pharmacists have a collaborative drug therapy agreement with a physician (Table 10, page 15). Forty-one percent report employing or contracting with a non-pharmacy health care professional (community health worker, nutritionist, physician’s assistant, nurse practitioner, registered nurse, respiratory therapist, registered dietician, or other) in their practice. Whether related to COVID or more broadly, pharmacists are part of the health care team providing innovative services, transitions of care, and patient education.

Table 8: LTC beds/patients served by type of facility

Type of facility	Avg number of beds in 2022
Skilled nursing facility	44
Assisted living	113
Residential facility	103
Correctional facility	66

Table 9: Services included in medication synchronization

	2020	2021	2022
All chronic medications synchronized to a single monthly pick-up date	94%	96%	93%
Patient is called 4 to 10 days in advance of the monthly pick-up date	67%	67%	60%
Pharmacist meets with patient as needed to review medication use	63%	65%	68%
Patient is called the day before the pick-up date	40%	36%	37%
Med sync optimized geographically for delivery service	22%	22%	22%

PATIENT CARE GOODS AND SERVICES HIGHLIGHTS

- Table 11 on page 15 shows that the top patient care services offered are medication therapy management (80 percent) and compounding (62 percent). These services provide a competitive advantage for independent community pharmacy.
- As the population of Medicare beneficiaries grows, pharmacies are also increasing offerings to seniors such as medical-at-home services and ostomy supplies.

POINT-OF-CARE TESTING

Driven in part by the demand for COVID-19 testing and improved availability of analyzer platforms, there was another increase in 2022 in the percentage of survey respondents with a CLIA-waived lab at the pharmacy. Of the 67 percent of pharmacies permitted to perform CLIA-waived tests, the most common test-to-treat programs are influenza (54 percent) and strep throat (44 percent). Other tests such as blood glucose (37 percent), hemoglobin A1C (19 percent) and lipids (18 percent) screen for chronic disease or monitor drug therapy outcomes. The ability to perform, analyze, and document these tests is part of a strong foundation for participating in value-based arrangements.

SPECIALTY MEDICATION

Given the number and variability of definitions for “specialty drug” used by payers or regulators, it is likely that every pharmacy dispenses specialty drugs. This year is the fourth year NCPA members were surveyed for their participation in a specialty pharmacy contract. This year 7 percent of survey respondents said they were in at least one specialty pharmacy contract, a new high after last year’s low of 1 percent. Independents have a clear competitive advantage in dispensing specialty medications, but health insurance plan-owned pharmacy benefit managers steering patients into their own mail-order specialty pharmacies poses a risk to patients and community pharmacies.

Table 10: Emerging models — enhanced services pharmacies

	2020	2021	2022
CLIA waiver	52%	61%	67%
Collaborative drug therapy agreements	37%	43%	42%
Contract with non-pharmacy health care professional	17%	37%	41%
Clinical coordinator	12%	16%	24%
Community pharmacy residency program	6%	6%	8%

Table 11: Summary of patient care goods and services offered

	2020	2021	2022
Wound care	91%	87%	81%
Medication therapy management	73%	80%	80%
Compression socks and hosiery	72%	76%	70%
Smoking cessation aids	61%	64%	42%
Compounding	52%	55%	62%
Ostomy supplies	30%	30%	26%
Diabetic shoes	23%	25%	27%
Hearing aids	8%	6%	9%

Table 12: Summary of wellness services

	2020	2021	2022
Immunizations (flu)	84%	89%	87%
Immunizations (non-flu)	80%	77%	88%
Blood pressure monitoring	53%	59%	59%
Diabetes training	30%	35%	32%
Smoking cessation consultation	27%	26%	29%
Asthma management	15%	11%	17%
Weight management	9%	10%	15%
Lipid monitoring	7%	9%	4%

WELLNESS SERVICES HIGHLIGHTS

- The top three wellness services offered are immunizations (88 percent), blood pressure monitoring (59 percent), and diabetes education and management (32 percent). These reflect the services available from the growing number of CPESN network pharmacies and other pharmacies rolling out clinical services in community-based pharmacy practices.
- Lipid monitoring, smoking cessation, and asthma management are all services that complement dispensing prescription drugs. These services may be paid for out-of-pocket by the patient, from employer contracts, or by third-party payers. These services are associated with better patient outcomes.
- It is important to note that the No. 1 wellness service offered is immunizations, highlighting the public health role of pharmacists and the convenience of pharmacy locations and hours.

Technology trends

Technology innovations offer pharmacy owners the opportunity to improve business efficiency while at the same time personalizing the patient experience. Decades ago, the first wave of innovation included the use of computerized records and real-time claims billing. The second wave led to improvements in accuracy, workflow, and inventory management. Now, the Pharmacist eCare Plan, with 7.6 million submitted by CPESN pharmacies, is on the leading edge of the interoperability wave, seamlessly connecting patients and the members of their care team. To stay competitive independent pharmacy will need to continue to embrace advancements in technology, leading to lower health care costs and better health care outcomes.

Table 15: Social media

	2020	2021	2022
Facebook	92%	90%	91%
Mobile app	75%	73%	72%
Twitter	13%	19%	17%
YouTube	7%	6%	9%



Photo by Fengze Liang, Fragic Films

Table 13: Percentage of pharmacies utilizing workflow technologies

	2020	2021	2022
Point of sale	93%	93%	94%
Automated dispensing counter	67%	67%	58%
Telephone IVR	48%	60%	58%
Mobile commerce/signature capture	44%	52%	38%
Automated dispensing system	30%	35%	38%

Table 14: Percentage of pharmacies utilizing emerging technology

Online patient appointment scheduling	29%
Medication compliance packaging (robot)	24%
e-Commerce site	15%
Exchanging clinical data via a health information network	15%
Videoconferencing for pharmacist-patient telehealth visits	7%
Remote monitoring (wearable monitoring)	4%
Digital therapeutics	1%

HIGHLIGHTS

- Point-of-sale systems, telephone integrated voice response, and mobile commerce/signature capture are important tools pharmacy owners use to streamline workflow (Table 13). These technologies improve pharmacy efficiency and reduce operating expenses, providing a boost to profits and better care for patients. Ninety-four percent of pharmacies use point-of-sale technology. Fifty-eight percent and 38 percent utilize telephone IVR systems and mobile commerce/signature capture devices, respectively.
- Appointment scheduling, clinical data exchange, and telehealth readiness are foundational for advancing pharmacy practice (Table 14). They automate certain manual processes and meet patient demand for access to their health information and convenient consultation with a pharmacist. The acceptance and demand for telehealth visits jumped at the start of the pandemic. Seven percent of pharmacies report using video conferencing apps this past year. Twenty-nine percent and 24 percent of independent pharmacies utilize online patient appointment scheduling and compliance packaging robots, respectively. Fifteen percent exchange clinical data via a health information network, up three percentage points over last year, and 15 percent utilize an e-commerce site.
- Independents continue to leverage the use of social media platforms such as Facebook and YouTube (Table 15). These platforms allow neighborhood pharmacies to easily communicate with their patients and advertise for new business, expanding revenue opportunities by improving the patient experience. Ninety-one percent of independent pharmacies utilize Facebook, 17 percent have a Twitter/X account, and the 72 percent offering a mobile app round out the use of digital engagement tools.

Third-party prescriptions

Public and private payers account for 90 percent of all prescription drugs dispensed. Pharmacies have been struggling with a lack of reimbursement transparency at the point of sale, often seeing direct and indirect remuneration fees and effective rate adjustments clawed back months after a prescription claim was processed in real time. Changing the third-party payment model to one that compensates for value and is transparent, fair, and simple to understand is essential to the long-term viability of independent pharmacy and the patients they serve.

Advocacy work to reform pharmacy payment models while at the same time urging pharmacy owners to transform pharmacy practice models is paying off. For example, NCPA's advocacy for payment reform in Medicaid managed care helped achieve a big win with New York state's Medicaid carveout taking effect April 1, 2023, offering transparent reimbursement to pharmacies while saving the state \$400 million. The public health emergency and PREP Act declaration for the COVID-19 pandemic remained in effect for all of 2022 which meant pharmacies continued to see revenue from immunizations and point-of-care testing, but to a much lower extent than in 2021. This experience and investments in workflow won't go to waste, however. We have seen states pass legislation or make regulatory changes that give pharmacists authority to order lab tests and vaccines and, along with pharmacy technicians, permanent authority to administer vaccines.

HIGHLIGHTS

- Medicare Part D and Medicaid cover 35 percent and 16 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.
- Ten 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

	2018	2019	2020	2021	2022
Medicaid	17%	18%	19%	18%	16%
Medicare Part D	37%	37%	36%	36%	35%
Other third-party	37%	35%	35%	35%	39%
Non-third-party	9%	10%	10%	11%	10%



Photo by Chelce Geron Photography

Economic trends affecting community pharmacy



NCPA periodically surveys its members and American consumers to detect trends in the marketplace, identify economic challenges, and understand public attitudes. The data we collect informs our advocacy and business education programs. In the last year, we surveyed community pharmacists to understand whether and how drug shortages and labor shortages were affecting them. We asked them whether they are aware of the coming DIR hangover and how they are preparing for it. We also asked U.S. voters how they felt about PBM practices. The results of these surveys were covered by national and trade news outlets.

A summary of the results appears at right.

NOVEMBER 2022

A survey of community pharmacists finds 98 percent report shortages of drugs, with 89 percent reporting they cannot maintain adequate supplies of Adderall.

FEBRUARY 2023

A survey of community pharmacists finds most are experiencing shortages of drugs and labor. Highlights include:

- 85 percent report a shortage in diabetes drugs
- 80 percent report a shortage in amoxicillin
- 97 percent report a shortage in Adderall
- 80 percent report difficulty hiring pharmacy technicians
- 43 percent report difficulty hiring clerks and front-end staff

APRIL 2023

A national voter survey, sponsored by NCPA and *Morning Consult*, finds that Americans are overwhelmingly concerned by PBM practices. Highlights include:

- 80 percent of voters are concerned by patient steering
- 78 percent of voters are concerned that PBMs force patients to use mail-order pharmacies
- 80 percent of voters are concerned that PBMs keep all or most of the discounts they negotiate from drug manufacturers

JUNE 2023

A survey of community pharmacists shows the overwhelming majority are aware of the so-called DIR hangover, when provisions from a CMS rule take effect that are expected to cause significant cash-flow problems. Respondents report taking steps to mitigate the damage. The results include:

- 98 percent of community pharmacists are aware of the DIR hangover
- 70 percent of community pharmacists who are aware of the DIR hangover say they are “very concerned”
- 85 percent are taking steps to prepare, and the most common preparation is to set aside cash for 2024
- 64 percent of community pharmacists are exploring loan opportunities
- 42 percent of community pharmacists are updating their technology in preparation

CPESN® USA: We are the pharmacy owners

The numbers behind the networks

- America’s first clinically integrated network of pharmacies
- 8,395 dedicated providers in 3,498 local, community-based pharmacies¹
- America’s fourth largest, single-contract organization of pharmacy providers
- 49 local networks and four special purpose networks
- Pharmacies located across 47 states and Washington, D.C.
- 84 percent of the country’s population covered by hand delivery to patients’ homes
- 249 value-based contracts with payers, partners or purchasers²
- Greater than \$20.1 million in revenue opportunities³
- 7.6 million care plans administered and shared⁴
- 6.7 million doses of COVID-19 vaccine administered through CPESN USA’s involvement in the Federal Retail Pharmacy Program⁵

CPESN® networks continue to lead the way in engaging health plans and other payers to contract for enhanced pharmacy services. These direct

relationships (no third-party middlemen) provide new revenue opportunities for pharmacies and result in improved outcomes and decreased costs to the plan sponsors.

Plan sponsors and other payers are looking for community-based pharmacies that provide locally-delivered care and focus on the whole patient, not solely on filling prescriptions. Local CPESN networks are run by independent, community-based pharmacy owners. We are the providers!

In geographies where enough of these pharmacy providers have come together to form a CPESN network, ongoing payer contracts have been realized. See the CPESN Payer Map below.

For more information on CPESN networks, visit www.cpesn.com.

1. As of Aug. 1, 2023
2. Includes active and completed, as of Aug. 1, 2023
3. For programs with a financial cap
4. Since program inception. For the 12-month period from Q2 2022 to Q2 2023, 2.9 million care plans
5. As of Aug. 1, 2023

Figure 2: CPESN networks as of Aug. 1, 2023

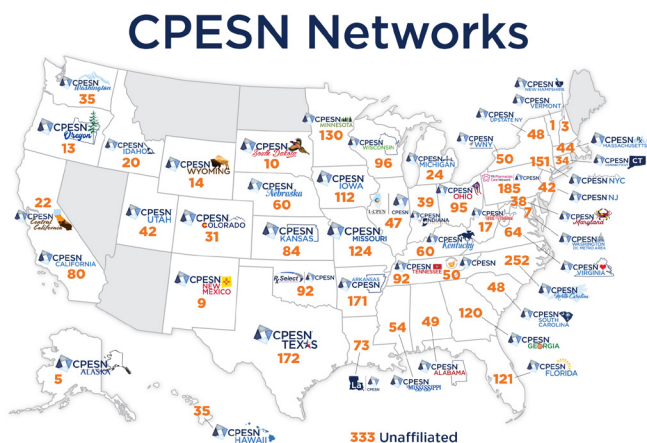
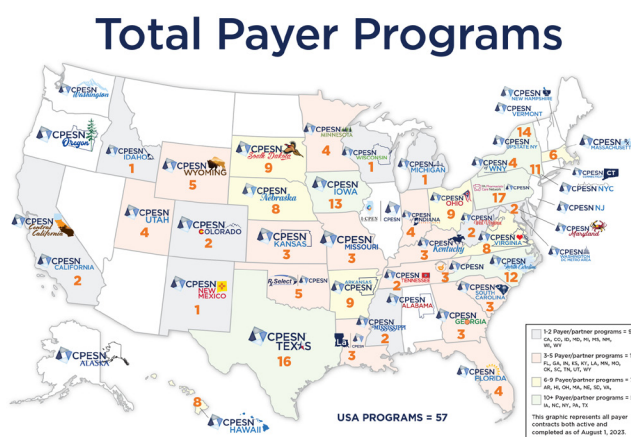


Figure 3: CPESN payer programs as of Aug. 1, 2023



1-2 Payer/partner programs = 9
CA, CO, HI, IL, IN, MI, MN, NY, RI

3-5 Payer/partner programs = 13
AL, GA, IA, IL, IN, MI, MN, NY, OH, SC, TN, UT, VT, WV

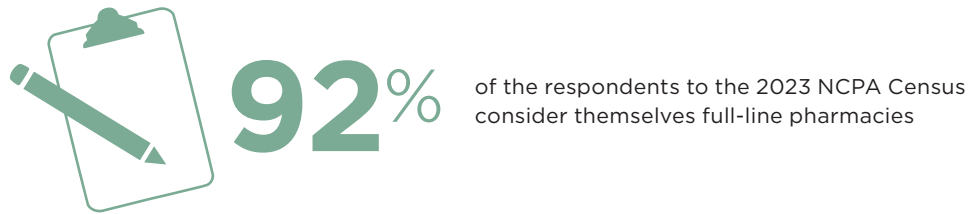
6-8 Payer/partner programs = 7
AZ, HI, IA, IL, IN, MI, MN, NY, RI

10+ Payer/partner programs = 5
AL, HI, IL, IN, MI, MN, NY, RI

This graphic represents all payer contracts both active and completed as of August 1, 2023.

A snapshot of community pharmacy in America

Figure 4: A snapshot of independent community pharmacies



Here is what pharmacies are offering...

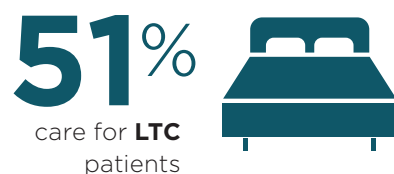
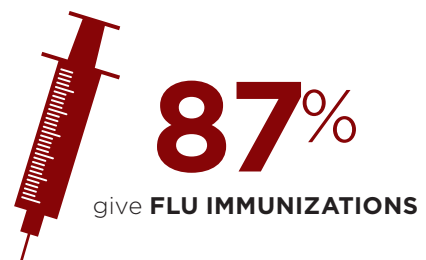
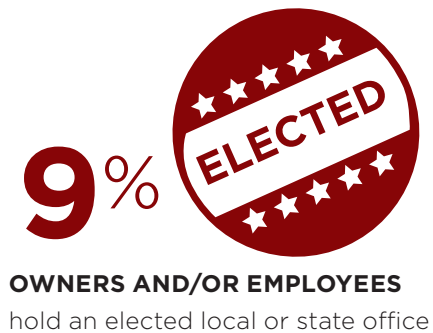


Figure 5: Local roots of community pharmacy owners and employees





2023 NCPA PROFILES



When it comes to running her pharmacy, **Zarina Jalal**, PharmD, believes in quality over quantity.

“I would like to do fewer things thoroughly and correctly as opposed to more things haphazardly,” says Zarina, owner of Lincoln Pharmacy in Albany, N.Y.

A case in point is when the COVID-19 medication Paxlovid came on the market during the pandemic.

“I know I was able to dispense it, but I took the backburner on that and let other pharmacists in the area take on that responsibility because I wanted to make sure whatever I did, I did it right,” Zarina says. “There was so much going on with Paxlovid and reimbursement issues. I knew I was going to get a lot of requests for it, but I just felt like something was going to slip through the cracks.”

Doing things the right way is one of the values Zarina says was instilled by her father Jalal Jainulabudeen (known as Mr.

Deen to most), who acquired the pharmacy in 1988. As a child, she would help out by dusting and stocking shelves.

When considering career options, Zarina, a 2012 graduate of the Albany College of Pharmacy and Health Sciences, decided the family business was where she wanted to be.

“I saw how hard my father worked to grow the business after he purchased it in the 1980s,” she says. “I almost felt a sense of duty to continue his legacy.”

Her father is now retired – “I joke that I fired him,” Zarina says – but she says he still pops in every few days to make sure everything is going well.

When the pandemic hit, Zarina, like many other community pharmacy owners around the country, saw it as an opportunity to step up and provide vital patient services under extremely challenging circumstances.

“I took it by the horns,” she says. “I knew we were going to have the opportunity to do things during COVID that we needed to take advantage of, to build a body of evidence for allowing it to continue past COVID, so anything I could do I tried to do.”

Although her store is primarily retail, Zarina says she sees her future being in clinical services. She has two trained lifestyle

coaches on staff and over the summer the pharmacy became a participant in the Centers for Disease Control and Prevention’s National Diabetes Prevention Program. The state of New York now allows pharmacists to administer long-acting injections, so Zarina has plans to start doing that as well.

Zarina is also an enthusiastic supporter of CPESN® USA, and Lincoln Pharmacy is part of the CPESN Upstate New York network.

“It brought a lot of opportunities to our pharmacy,” she says. “I think CPESN is a wonderful investment.”

When asked to define an effective community pharmacist, Zarina says she takes the “friend” approach with patients.

“Sometimes your friends are going to tell you things you don’t want to hear, but are the truth,” she says with a laugh. “I don’t try to beat around the bush. You have to be respectful obviously, but you have to speak the truth. You have to be honest and speak to your patients like they are your friends because that’s what they need; people they can rely on and trust.”

Looking ahead, Zarina says her attitude is to “roll with the punches. I can’t say anything for certain about what’s ahead because it’s one day at a time for me. I definitely know it will involve clinical services. It’s not just filling or dispensing anymore.”



Kevin Duane, PharmD, owner of Panama Pharmacy in Jacksonville, Fla., has seen up close the effects of substance abuse, which has strengthened his resolve to make a difference.

“By the time someone comes to our pharmacy with a prescription to treat substance use disorder, they’ve probably seen some of the worst things in their life,” he says. “They’ve been at the lowest of the low. So now they’ve done a great thing to just be able to get to where they are right now, so it’s up to us to help them continue on that path of treatment.”

Kevin, who was born and raised in Jacksonville, says having deep roots in the community is why he is so passionate about confronting the challenges of substance abuse and opioid use disorder. It’s a primary focus at his pharmacy. He points out that Duval County has one of the highest rates of new HIV infections in Florida.

Panama Pharmacy has two locations in Jacksonville. Kevin says the patient base tends to be lower on the socioeconomic spectrum,

and also tends to have poor literacy. Very few have education beyond high school. Seeing people struggling from day to day is why compassion and empathy are two hallmarks of his practice.

“It’s what everyone strives to do,” says Kevin, a 2013 graduate of the University of Florida College of Pharmacy. “It’s about treating people the way we want to be treated. We don’t stigmatize people.”

After graduation Kevin worked at CVS for a few years before joining Panama Pharmacy in 2015. He had worked there previously as a student pharmacist under owner Bill Napier, so when there was an opening for a full-time position, it was an easy transition. He says Bill approached him about eventually taking over as owner. He absorbed as much as he could about ownership, attending an NCPA Pharmacy Ownership Workshop and the NCPA Annual Convention. Kevin and his wife Alyssa (also a pharmacist) saved up for a year, which also gave him an opportunity to learn more about the store and its potential. He purchased the pharmacy in mid-2016 and added a second store in 2018.

Kevin says the pharmacy was fairly healthy financially, but prescriptions were not being filled consistently because no adherence monitoring was being done. One of his first initiatives was to shore up the medication synchronization process.

Kevin also says the pharmacy’s vaccination program wasn’t formally structured. “We more or less accidentally gave flu shots, compared to doing a proactive vaccination outreach campaign. The vaccination campaign and med sync were our first two initiatives within the first 12 months after owning the pharmacy.”

Kevin says the pharmacy also started doing strip packaging, which opened doors for working with long-term care facilities along with seniors at home.

Kevin believes it’s important for pharmacies to be engaged with other health care professionals to tackle health care issues. He attends meetings of the Duval County Opioid Task Force, and the pharmacy has received a grant from the Jacksonville Fire and Rescue Department to stock naloxone.

When asked what makes an effective independent pharmacist, Kevin says it’s important to understand your community.

“Sometimes one of the more powerful things you can do is just to shut up and listen,” he says. “I think what we try to do is let the community tell us what they need. From there you can focus your practice on those needs. We’ve identified needs within our community and worked to be the best at those things.”



Along a straight stretch of Plank Road in Clinton, La., just off the main downtown thoroughfare, Curry Pharmacy has been serving the parish seat – population 2,000 – since 1975. **Wimberly Gayle, RPh**, has been owner-pharmacist (with her husband) for 22 years and has done lots to close care gaps for area residents, offering services like medication synchronization, refills through Curry’s custom mobile app, long-term care, and immunizations. Wimberly has also created on-demand preventative health classes on Curry’s website, covering smoking cessation, diabetes management, weight loss, asthma awareness, and other topics. In a state that ranks third in the nation for smoking rates and seventh for diabetes mortality rates, these offerings aren’t just an aspect of her business. They’re a public service.

“My community is a rural community with a low [health literacy] rate, so preventative health for our area is critical – and we’re trying to encourage healthy weight management for adults

and for kids,” Wimberly says. “We have a huge type 2 diabetes and hypertension population, as well, so that’s where most of our focus goes.”

Curry Pharmacy’s website has other useful tools to help fill gaps in health education, too. A pill identifier allows patients to figure out what they might have found in the couch cushions or coat pocket by imprint, color, shape, or scoring marks. They also offer health news covering subjects tailored to patients (that they might otherwise call about) via the website RxWiki. Click on a topic like “techniques for swallowing pills” or “posture and back pain” and you can get quick answers.

Wimberly says her pharmacy, along with local clinics, forms the front lines for community health in her area, where the nearest hospital is about 20 miles away.

“If people need to see a specialist, they’ll have to drive an hour to Baton Rouge or 30 minutes to the hospital, so we see infants all the way up to patients older than 100 years,” she says. “We fill for the correctional facility in town, we fill for the nursing home, we fill for the behavioral health and rehab places in town.”

Wimberly started working at Curry Pharmacy in 1992 when she was a student. She bought it from her mentor a little less than a decade later, right when people started having third-party coverage for

drugs, she reports. She was told pharmacy was going to change as a result. In the years since, she admits there have been times she’s questioned whether her pharmacy or, indeed, independent pharmacies in general would survive.

Today, Wimberly is supported by her son, also a pharmacist, and her daughter, who has a business management degree – and who she is training to eventually take over. She takes notes throughout her day about things she’s doing, when she does them, and why they’re important to convey to her children as they learn more about the business.

Each week is structured similarly. Mondays are “always an adventure” because of the weekend travails (or misadventures) of her patients. Wednesdays and Thursdays have lots of consultations with patients on med sync at the local jail or nursing home. Fridays are for regrouping, reading, researching, and planning for what’s to come. From triage to triumph, Wimberly takes great pride in serving as a community anchor for more than two decades, building on her predecessor’s two-decade run in the same location.

“There are still things I can do for my community that a chain could never do or a mail-order operation could never do. I’m a constant optimist and I believe we’ll find a way, even if there are twists and turns.”



Last year, **William Douglass**, RPh, joined Burke's Main Street Pharmacy in Hilton Head, S.C., as a partner, having previously worked at CVS for the better part of 15 years. It wasn't a complete 180-degree turn because he'd worked for independent pharmacies while in school, but it was a shift considering the transformation of community pharmacies since he'd been away. Joining Burke's was an opportunity, William says, to help cement the legacy of two Burke brothers who, 37 years into the business, hoped for a sensible succession plan as they eyed retirement.

"I talked to David and Tim Burke before joining and one of the big reasons I was interested in doing this was their history of shaping this community at this location," he says. "And it's a main street pharmacy, as the name suggests, meaning the idea of being central to downtown and central to the lives of patients is behind everything they've done. It's a family pharmacy, and now I'm part of that legacy."

Hilton Head is the fabled island at the southern tip of South Carolina, a stone's throw northeast of its nearest big neighbor, Savannah, Ga. Burke's really is on Main Street, nestled near boutiques and banks, beneath the scrubby loblolly and slash pine trees. Hilton Head is the bellwether, economically, for this part of South Carolina. William reports that business shifted in a positive direction during and after the pandemic, which created engagement opportunities for area residents.

Burke's was the first pharmacy to offer vaccines in South Carolina during COVID-19, for instance, and it was the pharmacy that provided the most vaccines by volume across the state. William says the pharmacy continues to grow and stay connected with those patients. He notes that loyalty begins with the first interaction, whether that's a family of four coming for their first vaccine in the early months of 2021, or a panicked senior who needs to renew their albuterol inhaler.

Area patients run the gamut in terms of needs and represent a true cross-section of the state's population, from expectant mothers needing prenatal vitamins to octogenarians seeking blood sugar and blood pressure monitoring. Primarily, however, it's an over-50 set coming to Burke's for their medications and sometimes a little chat. Burke's is a dispensary with a strong retail operation offering nutritionals and also catering to a range of needs

from acute care to long-term care. Burke's is contracted with several area nursing homes, offering medication reviews and off-island delivery on a daily basis.

"A lot of our patients moved here at different times in their lives, and we have a lot of long-term care patients who transitioned to Hilton Head – and some of them have been with us for a long, long time," William says. "But that's not the whole story. Hilton Head is touristy, too, and there are a lot of younger families who come in to see us."

Many of the families who live nearby year-round send their children to school in Beaufort County, just over the bridge – making their off-island delivery not just an amenity, but a necessity. This expansion of services, he says, is critical to the pharmacy's identity and outlook. In the end, it all comes down to flexibility to adapt to the community's needs, which represents a partnership with health care providers, William says. Remote patient monitoring and chronic care management are critical to pharmacy operations; neither of them are possible without having a good relationship with doctors and therapists.

"What's exciting to me is the profession and the value of our profession, which continues to grow," he says.



Ken Thai, PharmD, opened El Monte Pharmacy in 2006, then rebranded and franchised the operation to be 986 Pharmacy in 2014. Named for the normal body temperature of 98.6 Fahrenheit, 986 is headquartered in San Marino, Calif., in a sleek building that serves as Ken's window on the world to operate 35 pharmacy locations in three states and to launch his ambitious plan to hit 100 within the next five years.

"That might sound crazy, but it's only crazy because it hasn't happened yet," says Ken, who credits his management team for driving the aggressive expansion plan, which relies on a franchise model – and the confidence of franchisee pharmacists to buy into the idea. "In this professional environment, with PBMs and audits and so on, sure there are concerns when people think about being pharmacists and entrepreneurs at the same time," he says. "But my goal is to create an environment where people can say, 'Hey, I can do this.' It's a framework for anyone that's interested in opportunity."

The conviction to offer excellent service and the ambition to grow aren't mutually exclusive, he says. What is important, however, is to realize that the more you do as a pharmacy – and the more services you offer – the more focused you must be on continuing to do everything well. Quality can't suffer because of quantity.

"You can't decide to do more things and then only be able to do some of them well. That doesn't increase value for patients. I am a strong proponent of finding ways to diversify our income streams, but scaling up is a different thing that requires different skill sets. Scaling up is about doing something well, and then multiplying that level of service by ten or twenty locations."

To date, 986 Pharmacy has brick-and-mortar retail and specialty pharmacies in California, Nevada, and Texas – and caring for thousands of patients across the company keeps the pharmacy staff busy. Scaling up has been a corporate business decision, but not at the expense of the focus required to serve a set of economically and ethnically diverse populations. There's the location in Pasadena, Calif. (with a median household income north of \$130,000 per year), and, just a few miles away, there's the location in downtown Los Angeles' Skid Row where 20 percent of all people experiencing homelessness in LA live. Each one has a patient base with specific needs and each one must be met by the teams who work in those locations.

"We are literally right in the middle of Skid Row and those patients are usually discriminated against by lots of pharmacies – the big chain pharmacies – but they have lots of medical issues that need attention and they need care," Ken says. "They need medication and we are there to provide it to them so they can get better and so they can get off the streets."

That's the crux of the company, he says, which is providing focused patient support for a range of people and also offering a corporate infrastructure for business support. His first staff from 18 years ago are still with him today, and some of the students he teaches and mentors at a handful of area pharmacy schools join him as employees or franchisees. He says his success in retaining talent, and even creating a pipeline for new talent, is centered on the inclusive culture that 986 Pharmacy represents. His pharmacists speak a dozen languages and represent a workforce that's as diverse as the patients they serve, and all have found a sense of common purpose in his vision of independent community pharmacy.

"The more we can show our pharmacists – and the next generation of pharmacy – that this isn't just a job, the greater the chance they'll find that same commitment that I found when I first started," Ken says. "Being an independent pharmacist today is about my roots when I immigrated and our community pharmacy down the street was the hub."



The same year that Jep P. Dalton opened Dalton Drug Co., in Slocumb, Ala., two brothers from Ohio named Orville and Wilbur Wright made history at Kitty Hawk, N.C., by conducting what is widely considered the first successful flight of a motor-operated airplane.

That was 1903. Plenty has changed in the 120 years since, both in aviation and pharmacy, but one thing that remains constant is the Dalton name in community pharmacy in Alabama.

These days the business (now called Dalton Pharmacy) has nine stores, with fourth-generation pharmacist **Tyler Dalton, PharmD**, set to carry the torch for the pharmacy going forward. A 2016 graduate of the Auburn University Harrison College of Pharmacy in 2016, Tyler didn't immediately join the pharmacy, but he knew he would be there eventually.

"Absolutely, it just felt right going into the family business," he says. "It's what everyone in my family has done. I think there are eight

of us who were all pharmacists through the years."

After graduating, Tyler briefly worked for Walgreens. He then moved to Baltimore, where his now wife Emma was living, and got a job at an independent pharmacy.

"I wanted a taste of something else," he says. "My goal was to see how other people do things. If I were to just jump in immediately (at Dalton Pharmacy), I wouldn't have had an opposing viewpoint about how other stores operate or how we might incorporate different best practices from different ventures, so it was very valuable for me to do that."

After five years, Tyler moved back to Alabama and resides in Auburn. Since 2021 he has assumed more of a leadership role with the pharmacy, though his father Joe, who took over the business in the 1990s, is still active in store operations. Tyler says all the stores are basically standard retail, primarily serving prescription medication needs in rural settings.

With the pharmacies employing about 100 people spread throughout the state, Tyler says a goal has been "to add a bit more systemization, more inter-store communication, and structure. I'm trying to implement more technology, just to make sure we're capturing data and using that data appropriately, whether it's to make life easier for the dispensing teams, or

just capturing more profitable opportunities."

Tyler says each store is encouraged to run as independently as possible. "The pharmacist in charge kind of runs the ship, but we try to take some things off the back end," he says. "We don't want them to worry about any bookkeeping, HR, anything like that. As long as they are staffed appropriately, we'll check in and make sure things are going well, but we try to say, 'Hey look, we want you to focus on your team and your patients, and we'll take care of the rest.'"

Tyler says he tries to visit different stores for face-to-face interaction and to do any troubleshooting if needed.

"I think it's important from my perspective for me to see the staff and the staff to see me," he says. "I think it's important to get an eye on things, to see things in real time as opposed to just looking at a spreadsheet."

Tyler says he wants to ensure the Dalton name retains the history of outstanding patient care and community service that it has had since the days of the Wright brothers.

"Seeing the legacy that my family's had in front of me and continuing that is extremely important," he says. "Not many places have been around as long as we have. We've been around for 120 years and four generations. That's pretty awesome."



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