

NCPA SURVEY: Health of Independent Pharmacy

A substantial majority of independent pharmacies rate the current financial health of their businesses as poor, and the main culprits are pharmacy benefit managers (PBMs), multi-billion-dollar middlemen who are bilking them for fees on medicines long after the point of sale, according to a recent survey by the National Community Pharmacists Association (NCPA).

Conducted in October, the survey results show how independent pharmacy owners perceive current and future economic conditions, including pharmacy DIR fees, are impacting their pharmacy business.

This survey was conducted between October 4-14, 2019. 643 independent pharmacy owners participated in the random sample of 5,000 independent community pharmacy owners that were invited to participate in the online survey.

According to the NCPA Digest, between December 2012, the initial year of pharmacy DIR fees, and December 2017 the number of independent community pharmacies decreased by 4.9 percent from 23,029 to 21,909 independent community pharmacies. Not only are pharmacy DIR fees and plummeting prescription reimbursement affecting independent pharmacies, an analysis by the healthcare data and technology company IQVIA shows that between June 2018 and June 2019, 3.3 percent, nearly 2,000, of ALL retail pharmacies closed their doors. Shockingly, on average, AN estimated 10 million consumers lost access to the pharmacy of their choice due to these closings. Additionally, IQVIA's analysis was conducted prior to the bankruptcy declaration by the regional chain Fred's and Walgreens announcing it will close 200 under-performing stores.

The low prescription reimbursement is hitting rural communities especially hard. A study by the Center for Rural Health Policy shows a substantial decrease in the number of independent rural pharmacies, with an acceleration in the decrease between 2007 and 2009, the beginning of Medicare Part D. Key findings from the analysis include:

Over the last 16 years, 1,231 independently owned rural pharmacies (16.1 percent) in the United States have closed. These closures represent, on average, a loss of \$4.3 billion in annual revenue, over 15,000 jobs and millions of dollars in tax revenue gone due to the negative impact of PBM rock bottom prescription reimbursement.

The below-cost prescription rate has created pharmacy deserts in 630 rural communities that had at least one retail (independent, chain, or franchise) pharmacy in March 2003 but had no retail pharmacy in March 2018.

[According to the Division on Aging](#), an agency within the US Department of Health and Human Services, the 65-and-older demographic, typically the most frequent consumer of prescription medications, is one of the fastest growing population segments in the United States. One would expect that trend to make conditions ripe for pharmacy growth. Unfortunately, pharmacy DIR fees and low prescription reimbursement are resulting in fewer pharmacy choices for consumers not more.

Key Findings of the NCPA Survey of Independent Pharmacies:

58% of respondents say based on current prescription reimbursement, they are somewhat likely or very likely to close their doors in the next two years. Another 19 percent are uncertain.

42% and 17% of respondents perceive current economic conditions as somewhat poor or very poor, respectively.

By far, direct and indirect remuneration, known as pharmacy DIR fees imposed by PBMs in the Medicare Part D Program, are the biggest challenge confronting community pharmacy, with 63% of respondents saying just that.

48% of respondents believe economic conditions are so severe that they plan to reduce staff levels within the next year.

36% will consider reducing hours of operation.

32% will consider cutting services.

What Can Be Done:

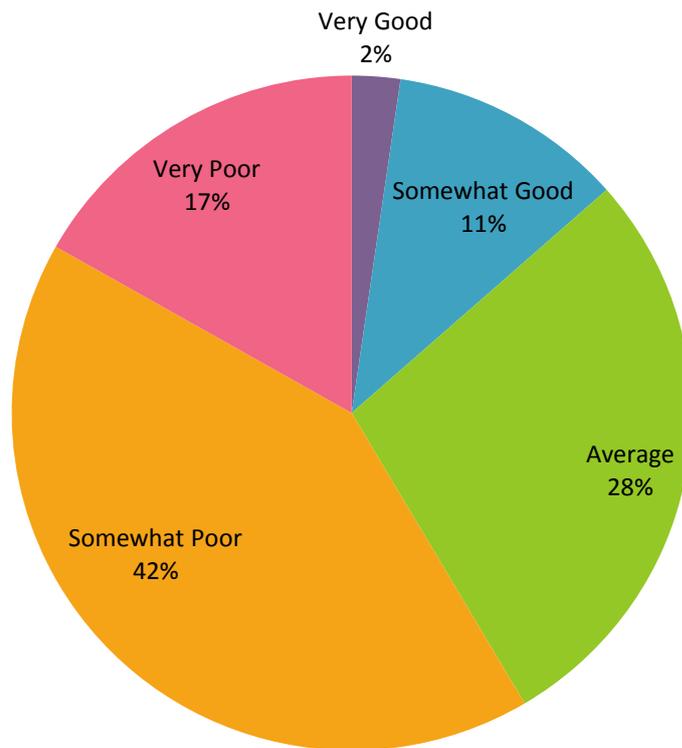
The Centers for Medicare and Medicaid Services (CMS) proposed a rule earlier this year that would have effectively eliminated retroactive pharmacy DIR fees. However, officials in the Trump Administration blocked the proposed rule from becoming final. Congress can act now to include a pharmacy DIR fees fix through legislation.

Some states are taking action. Ohio has enacted greater oversight over the PBM corporations that contract with the state to manage prescription drug benefits for its Medicaid program and state employees. Other states have taken or are considering similar actions.

Simplifying how prescription drugs are purchased in the U.S. is desperately needed. Prescription drug prices in the U.S. are some of the highest in the world and the U.S. is the country that has become most reliant on PBM corporations managing the prescription drug benefit. The end results have been confusion and higher costs.

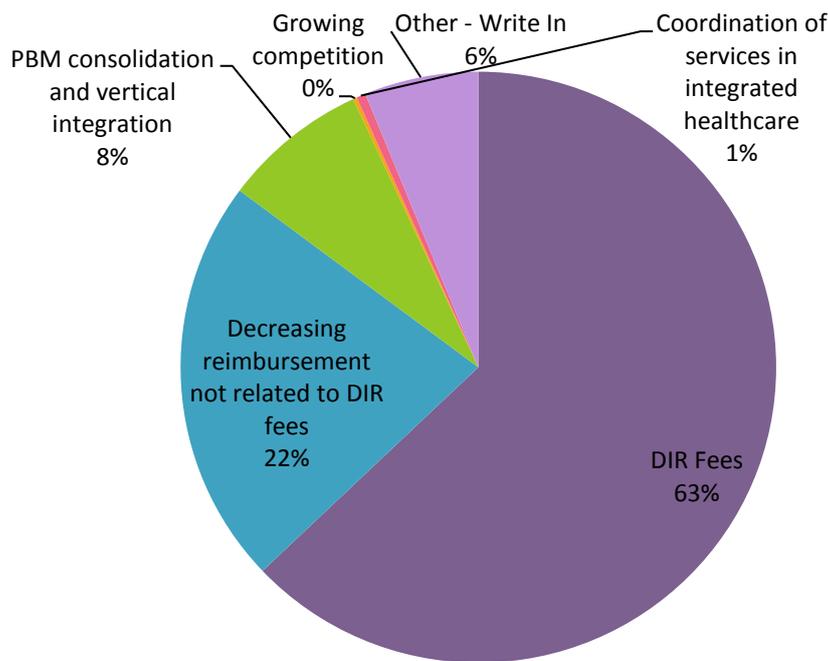
*Founded in 1898, the National Community Pharmacists Association **is the voice for the community pharmacist**, representing 22,000 pharmacies that employ 250,000 individuals nationwide. Community pharmacies are **rooted in the communities where they are located** and are among **America's most accessible health care providers**. To learn more, visit www.ncpanet.org.*

How would you rate the overall financial health of your business?



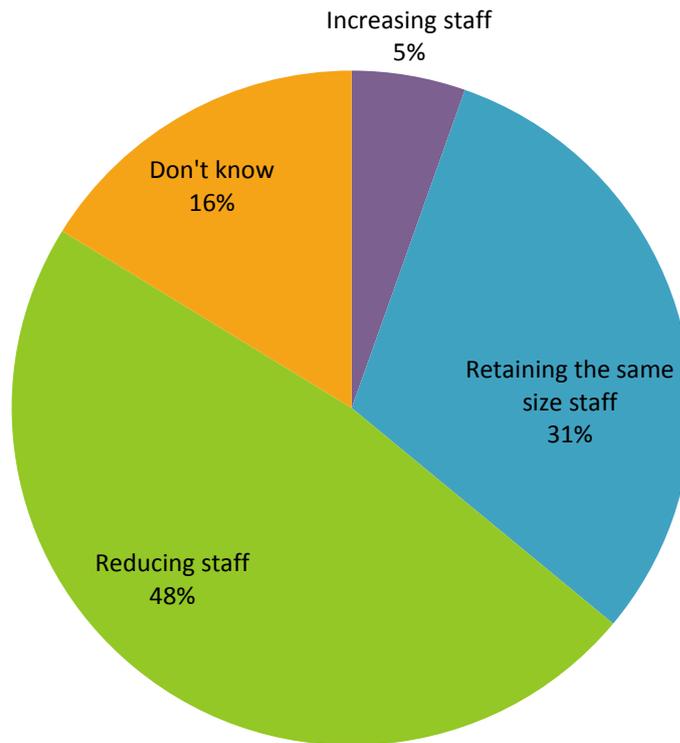
Value	Percent	Count
Very Good	2.3%	15
Somewhat Good	11.2%	72
Average	28.0%	180
Somewhat Poor	41.7%	268
Very Poor	16.8%	108
	Totals	643

Which of the following is the biggest business challenge your pharmacy faces?



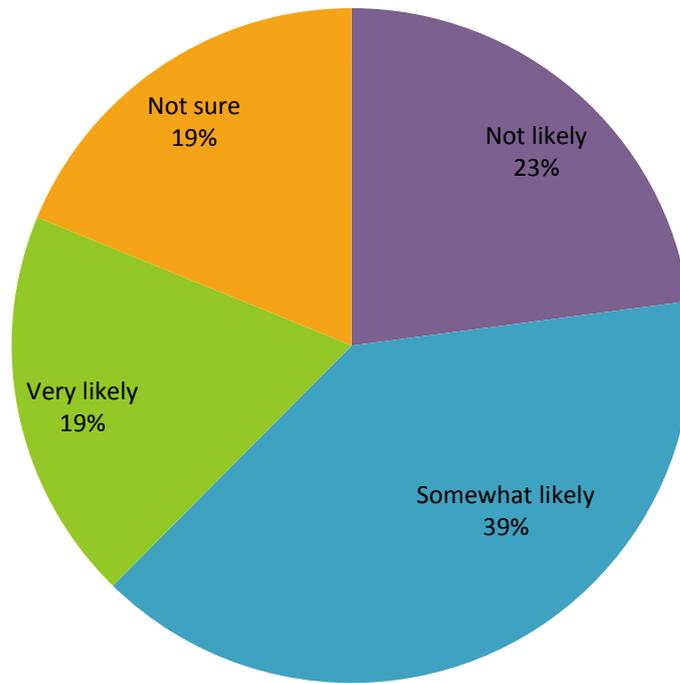
Value	Percent	Count
DIR Fees	62.9%	404
Decreasing reimbursement not related to DIR fees	22.3%	143
PBM consolidation and vertical integration	7.9%	51
Growing competition	0.2%	1
Coordination of services in integrated healthcare	0.5%	3
Other - Write In	6.2%	40
	Totals	642

In the next year, do you anticipate?



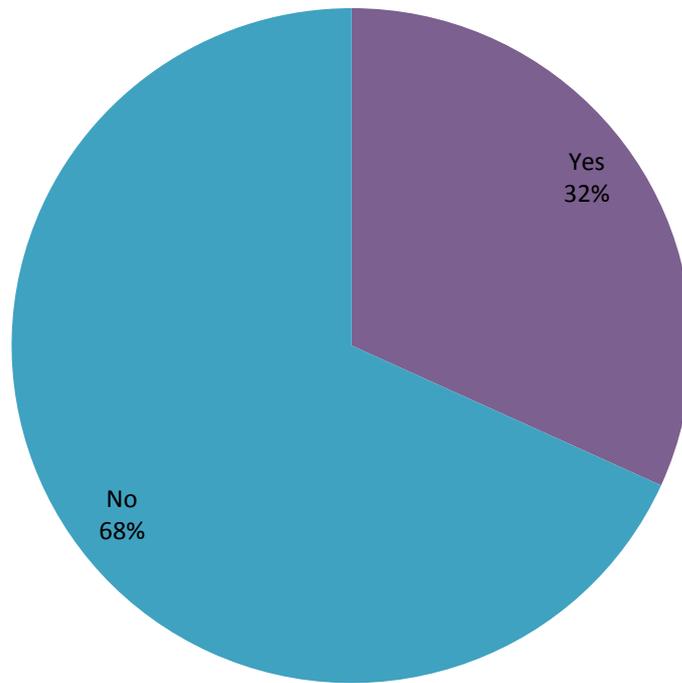
Value	Percent	Count
Increasing staff	5.4%	35
Retaining the same size staff	30.6%	197
Reducing staff	47.7%	307
Don't know	16.2%	104
	Totals	643

Based on the impact of pharmacy DIR fees on Rx reimbursement, how likely are you to close your business within the next two years?



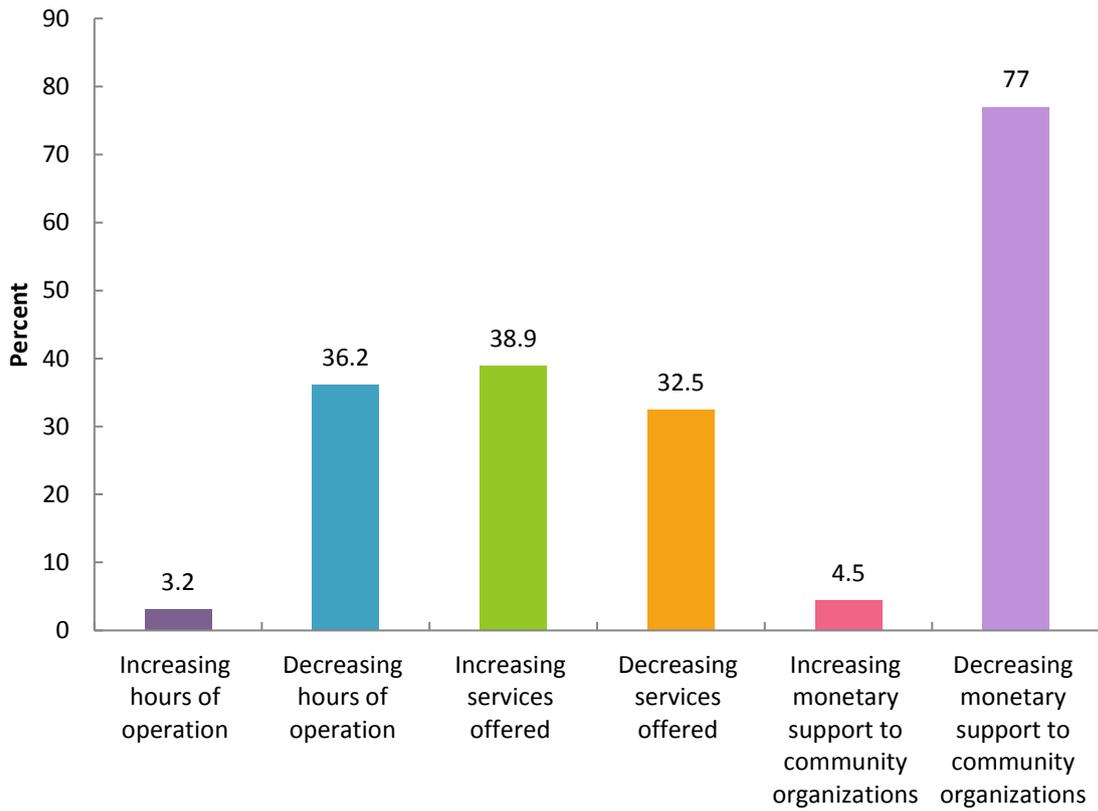
Value	Percent	Count
Not likely	22.9%	147
Somewhat likely	39.5%	254
Very likely	18.8%	121
Not sure	18.8%	121
	Totals	643

Have you recently been outside of terms with your wholesaler (behind on your wholesaler payment) this year?



Value	Percent	Count
Yes	31.8%	204
No	68.2%	437
	Totals	641

In the next year, do you anticipate (pick all that apply):



Value	Percent	Count
Increasing hours of operation	3.2%	20
Decreasing hours of operation	36.2%	226
Increasing services offered	38.9%	243
Decreasing services offered	32.5%	203
Increasing monetary support to community organizations	4.5%	28
Decreasing monetary support to community organizations	77.0%	481