Ranks of Independent Pharmacies Growing

Despite the enormous challenges facing independent pharmacists, the number of pharmacist-owned, non-publicly traded pharmacies grew last year, according to preliminary data from the 2006 NCPA-Pfizer Digest. The initial findings also show a higher volume of prescriptions dispensed, an increase in average pharmacy sales, and an increase in total prescription sales. Notably, these figures represent data from 2005 and do not include the financial impact of Medicare Part D.

Key findings from the 2006 NCPA-Pfizer Digest (preliminary figures):

- 24,500: total number of independent pharmacies in 2005; up from 24,345 in 2004, based on National Council for Prescription Drug Program and NCPA data
- 63,500: average number of prescriptions dispensed annually per pharmacy (204 per day); up from 59,432 annually (190 per day) in 2004
- $3.98 million: average annual independent pharmacy sales; up from $3.58 million in 2004
- $3.67 million: average annual independent prescription sales; up from $3.28 million in 2004
- 56 percent of medications dispensed by independent pharmacies are generics; up from 53 percent in 2004

"It's important to keep in mind that these figures are from 2005 and do not reflect any of the enormous changes that we are seeing as a result of Medicare Part D," said NCPA President James Rankin, PD. "This year's NCPA-Pfizer Digest will be particularly valuable as we move forward to address the many challenges brought on by the federal government's new prescription drug plan for seniors."

Early reports from an NCPA survey done following the first quarter of 2006 on the impact of Medicare Part D on independent pharmacy indicate that gross margins may have shrunk precipitously since January of this year. More than 60 percent of pharmacies, in the more recent survey, said they have been forced to obtain outside financing to address the financial pressures brought on by Part D.

Staffing in independent pharmacies increased between 2004 and 2005 according to the NCPA-Pfizer Digest, with the average number of full-time pharmacists, part-time pharmacists, and pharmacy technicians rising.

New data measured for the first time in 2005 show that about one-third of community pharmacists (32 percent) plan to hire a full-time or part-time pharmacist within one year.

The percentage of independent pharmacies offering niche patient services such as compounding and durable medical equipment also increased in 2005. "The preliminary data show that independent pharmacies are continuing to offer innovative professional services to meet the needs of patients in their communities. The development of niche market products and services helps them survive and thrive in the...

Pharmacy Quality Alliance

New Pharmacy Payment Models Possible: McClellan

Mark B. McClellan, MD, PhD, administrator of the Centers for Medicare & Medicaid Services (CMS), has announced the formation of the Pharmacy Quality Alliance (PQA), an unprecedented cooperative effort among the pharmacy community, health plans, government, employers, physicians, and consumer groups aimed at improving health care quality. NCPA was instrumental in its formation. PQA’s Quality Metrics (measurement) Work Group is being cochaired by Colleen E. Brennan, RPh, NCPA’s director of professional and educational affairs, and John Coster, RPh, PhD, NACDS vice president, policy and programs.

While the primary goal of PQA will be to develop strategies to define and measure pharmacy performance, McClellan also said CMS expects the efforts of PQA could lead to new pharmacy payment models for optimizing patient health outcomes. He said CMS is very interested in supporting the testing and development of such models.

McClellan said that pharmacists already had demonstrated the great value they provide in the implementation of the new Medicare Part D prescription drug benefit that went into effect on Jan. 1.

"[Pharmacists] have also shown they can add much more—helping people find lower cost drugs like generics, helping people with multiple illnesses understand how to use their medications, improving compliance," McClellan said. "All of these things can improve quality of care and reduce overall health care costs. This helps us get to a health care system that provides the right care for every person every time."

McClellan said pharmacists have more to offer to improve quality and reduce costs in our overall health care system, but that may require changes in the way pharmacy care is financed and delivered.

NCPA Executive Vice President and CEO Bruce Roberts, RPh, underscored PQA’s enormous potential. "PQA could represent a paradigm shift in pharmacy," he said. "The prospect of bringing together the forces of these diverse groups to improve pharmacy care and patient outcomes is staggering. NCPA is excited to be among the leaders in this effort."
changing marketplace," Rankin said.

Surveys continue to be received and tabulated, and final Digest figures will be released in conjunction with the NCPA annual convention in October.

The NCPA-Pfizer Digest is a summary of selected financial and demographic information for independent community pharmacies throughout the United States. The Digest was first compiled more than 70 years ago. It is the most comprehensive report of independent pharmacy available and is supported through an unrestricted educational grant from Pfizer Inc.

Woods Marks 20 Years At Pace Alliance
The Board of Directors of Pace Alliance has recognized Curtis J. Woods, RPh, for his 20 years of service at the national buying group for independent pharmacies. Woods was named president/CEO in July 1999. He also serves on the board of directors for Community Care Rx, Federation of Pharmacy Networks, Pharmacy Select, and on the advisory council of SureScripts.

Good-Bye NCSPAE, Hello NASPA
The National Council of State Pharmacy Association Executives [NCSPAE] has changed its name to the National Alliance of State Pharmacy Associations [NASPA]. Its Web address is www.naspa.us.

THE AUDIT ADVISER
Q: When a patient requests the brand drug over the generic should I document patient requests as DAW 2 prescriptions?
A: Auditors are becoming more interested in patient requested brand drugs, DAW 2. It is a wise move to document prescriptions transmitted as DAW 2. Third parties will scrutinize this dispensing category and are looking for problems. Several third parties are penalizing pharmacies in audits when they cannot supply documentation for patient requested brand named dispensing when lower cost multi-source products are available.

Inside Third Party

Eye on PBMs
Every month, America’s Pharmacist highlights an example of PBM abuse of the nation’s independent community pharmacies. These transgressions not only hurt our business and our profession, they negatively affect our patients, their employers, and our local economies. E-mail a recent example of a problem you’ve had with a PBM to mike.conlan@ncpanet.org, or fax it to 703-683-3619. We may edit it for length and clarity.

There’s Logic, and Medco Logic
“Maybe you can help me make some sense of this. It was shared with me by a local physician.

“A Medco Part D mail order patient was prescribed Protonix 40 mg. Medco faxed a letter to the physician requesting a switch to Nexium. The following was included in the letter: At this time, the drug cost for Protonix tabs 40 mg is $107.74; for Omeprazole caps 10 mg is $54.29; for Omeprazole caps 20 mg is $36.81; for Nexium caps 20 mg is $134.45; for Nexium caps 40 mg is $134.45.

“Based on the plan’s current retail copayment structure for this patient, the plan will pay $22.95 less for Omeprazole caps 10 mg, this may result in a minimum annual cost savings of $275.40; the plan will pay $40.43 less for Omeprazole caps 20 mg, this may result in a minimum annual cost savings of $485.16; the plan will pay $41.71 more for Nexium caps 20 mg; the plan will pay $41.71 more for Nexium caps 40 mg.”

“Great. Not only is Medco stealing my patients to mail order (whatever happened to not being able to offer anything of value in order to get a patient to use a specific pharmacy, anyway), but they’re going and trying to switch patients to more expensive medications, too.”

PBM’s “Pledge” Semi-Prompt Payment, No Mention of Amounts
The PBM/mail order lobby has “pledged” to pay all “clean” Medicare Part D electronic claims within 30 days. The lobby, the Pharmaceutical Care Management Association, defined “clean claims” as those having “no defect or impropriety (including lack of substantiating documentation) or circumstance requiring special treatment that prevents timely payment.”

While a 30-day timeframe might be considered by some a step in the right direction, NCPA strongly believes that a 14-day turnaround is both desirable and doable. For that reason, rather than rely on an unenforceable “pledge,” NCPA is committed to securing passage of legislation that would require PBMs and Medicare prescription drug plans (PDPs) to pay clean electronic claims by electronic funds direct deposit within 14 days of submission. The PBM/mail order “pledge” does not mention electronic fund transfers or the amount of payments.

NCPA was actively involved in drafting prompt payment legislation in both the House and the Senate. Urge your lawmakers to cosponsor H.R.5182, introduced by Rep. Walter B. Jones (R-N.C.), and S.2563, introduced by Sen. Thad Cochran (R-Miss.). Key features of the bipartisan bills include:

• Requiring PDPs to offer electronic direct deposit of reimbursements
• Requiring PDPs to pay electronic claims within 14 days
• Requiring PDPs to promptly notify pharmacies if there are problems with a claim
• Prohibiting cobranding on Part D identification cards

H.R.5182 also includes a minimum dispensing fee for Part D generic drugs.

NCPA Collaborated to Get Claims Message Improvements
NCPA, America’s Health Insurance Plans, and the National Association of Chain Drug Stores have collaborated to simplify and standardize the electronic claims processing messages going from Medicare Part D drug sponsors to community pharmacies.

The success of this unprecedented collaboration among AHIP, NCPA, and NACDS has led to discussions of how to build on these cooperative efforts.

“I think we have a unique opportunity to build on this collaboration between prescription drug plans and pharmacists to identify additional efforts to improve the Medicare Part D benefit and build a new model that results in enhanced patient care,” said NCPA Executive Vice President and CEO Bruce Roberts, RPh.

It may be prudent to ask the patient to initial and date the word “DAW 2” on the original prescription.

Patients often try to convince pharmacists to transmit these types of prescriptions as DAW 1. This is a sure path to problems. A DAW 1 indicates that the doctor has ordered brand, not the patient. A patient requested brand drug (when generic is available) should always be transmitted as DAW 2.

By H. Edward Heckman, RPh, PAAS National, the Pharmacy Audit Assistance Service. For more information call toll free to 888-870-7227.