

## NONFOODS HANDBOOK

## Pharmacy

*Tim Gregorius, R.Ph, director of retail operations, and J. Scott Weaver, R.Ph, director of pharmacy management for PRS Pharmacy Services, say the pharmacy category is seeing some temporary challenges, but note there are plenty of positives as well.*

**What is the state of the pharmacy category now in the grocery channel?**

**TIM GREGORIUS AND J. SCOTT WEAVER:** Pharmacies, in general, are seeing decreases in prescription volumes. This is true of all pharmacies, not just in supermarkets. This is mainly due to the economic downturn. There is high unemployment so many people have lost their health insurance. There are not as many doctor visits and fewer prescriptions are being filled and picked up at the pharmacy.

**How will the new regulations affect the pharmacy category?**

The single biggest issue right now is Medicare's DMEPOS accreditation requirement, something we have been anticipating for 15 years. DMEPOS stands for Durable Medical Equipment, Prosthetics, Orthotics and Supplies. These regulations now require every pharmacy that wants to continue to be a Medicare provider to be accredited by October 1. Pharmacies are now held to a standard of practice, a series of policies and procedures that their business is supposed to be adhering to in ways pharmacies never had to adhere to before. It's hundreds of hours in prep time, so it is decreasing the amount of time anyone in the pharmacy has to deal with patients and prescriptions.

**How should retailers respond to this challenge?**

Our retail clients call us and say, "This accreditation takes too much time. Do we have to do this?" What we tell them is that having the accreditation can give pharmacies a competitive advantage and that if they don't do this, they are hurting themselves because they are not going to be able to fill as many prescriptions. Conversely, with the accreditation they can advertise directly and use it as a point to differentiate themselves from pharmacies that are not accredited.

**What other factors are affecting the category?**

There are some positives. Although pharmacists are stretched because they are taking on more responsibilities, customers don't necessarily switch to a different store because the pharmacy lines are long. Also, they don't switch for price because when people have insurance, price is not a factor. We have seen that consumers still like

to find everything in one location so they remain loyal to the grocery stores where they find convenience and service.

Another factor is the percentage of supermarkets with pharmacies has steadily grown, from about 50% 10 years ago to about 70% now. We are both pharmacists and we have worked in every facet of the industry, from hospitals and independents to drug chains, grocery stores and nursing homes. The supermarket pharmacy is one of the better places to work, in our opinion. You have the ability to deal with your patients on wellness issues. You can talk about nutrition. You can talk about prescriptions. You even have people without prescriptions asking you about over-the-counter products and vitamins. Also, people shopping at the supermarket have more time than people picking up prescriptions at other outlets. At drugstore chains, for example, customers are running in there to pick up their prescription and they want to get out quickly.

**What is the future of the category?**

There may be another new regulation on the horizon. Congress wanted to change the formula on how they reimburse for Medicaid, from AWP or Average Wholesale Price plus percentage plus fee, to AMP or Average Manufacturing Price. The reimbursements were going to be less for Medicaid prescriptions. The rule was tabled, but it's still on the books, so it's another important item that pharmacy is going to have to take a look at.

Another influential factor in pharmacy is the size of the stores. Some supermarket chains are opening smaller footprints. These newer locations are about the size of a convenience store and many of these new stores have small pharmacies, so shoppers now have one more place they can pick up cereal and medicine.

Of course the other factor is that the economy is improving. The slowdown was only a temporary line on the graph. Companies are still going to open more stores because pharmacy is demand driven. People are growing older so there is still demand for pharmacy. As soon as things begin to level off, one of the first things people will do is get their prescriptions filled. They will do that before they go out and buy something that they've put off purchasing. •

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