The Transformation of Pharmacy: Understanding and Leveraging the Rapidly Changing Retail Environment
Abstract

The US healthcare system is in the midst of dramatic change — new technologies, new medications, and new techniques are revolutionizing how and where healthcare is delivered. At the same time, demographic, economic, and legislative forces are resulting in an intense focus on controlling costs and preparing for new, more integrated care delivery and value-based payment models.

With increased industry-wide pressure to do more with less, retail pharmacies are facing challenges similar to their physician and manufacturer counterparts. In this paper, we will explore how key trends in this rapidly changing healthcare environment are affecting the practice of pharmacy and shaping how care is consumed and paid for in our local communities. We will examine what brand teams need to be aware of and potential ways to utilize this emerging channel to reach consumers via the pharmacy channel.
Can’t Be Accessible Without Access
While eight million Americans signed up for health insurance made possible by the Affordable Care Act, more than 275 million visit a retail pharmacy in the US in a given week. Although this healthcare shift may not be the first thing to come to mind when walking into a neighborhood pharmacy, it’s playing a larger and larger role in the rapidly evolving provision of healthcare in the US.

Throughout US history, the strength of retail pharmacy has traditionally been the connection shared with local populations - from the iconic soda fountain of the 50’s to same-day photo developing in the 90’s. Regardless of the strategy, these retailers have competed primarily on location and convenience. This has never been more evident than the speed at which chain drug store leaders such as Walgreens, CVS, and Rite Aid expanded their footprint over the last two decades - each quickly surpassing the 4,500 store mark and often competing not just in the same neighborhoods but sometimes right across the street from one another.

As the landscape of healthcare rapidly evolves, payers, now under tremendous pressure to lower costs, are leveraging a perceived over-supply of pharmacies to their advantage by creating preferred and limited pharmacy networks.

Although trends such as narrow networks present challenges to traditional norms of the pharmacy industry, they are also spurring a revolution in the way pharmacy is practiced in our country.

In the most basic sense, payers (health plans, pharmacy benefit managers (PBM), Medicare Part D sponsors, etc.) are able to decrease the cost of providing drug benefits to their members by contracting with a subset of pharmacies. In exchange for lower reimbursement rates, pharmacies that align with payers would have preferred access to the plan’s members. While “narrow networks” limit pharmacy choice, the benefit to the consumer comes in reduced cost or increased savings – a tradeoff it appears patients are willing to make.

The 2011-2012 Walgreens–Express Script dispute, in which Walgreens was excluded from Express Script’s pharmacy network, proved that beneficiaries, by and large, will not kick and scream if incentivized to switch their primary pharmacy. Despite limiting choice, consumers demonstrated that they favored lower cost over loyalty to a specific pharmacy. Although trends such as narrow networks present challenges to traditional norms of the pharmacy industry, they are also spurring a revolution in the way pharmacy is practiced in our country. These new and innovative approaches are bringing pharmacy to the forefront of patient care with the potential to dramatically transform the quality and convenience of healthcare.

(Please see Growth of Narrow Networks on page 2).
The Paths for Adaptation

“It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is most adaptable to change.”

– Charles Darwin

1) Trend: Increased Focus on Medication Adherence

In addition to cost management, key healthcare stakeholders are increasingly being held accountable for the quality of health care patients receive. One such opportunity for impact, medication adherence, is gaining increased visibility due to an onslaught of compelling research showing a positive correlation between higher adherence rates and lower total healthcare costs. Thus pharmacy is being viewed as an invaluable ally.

This, along with generous incentives offered by the government, has pushed adherence to the top of the priority list for all healthcare stakeholders including pharmaceutical companies, Medicare Advantage plans, Medicare Prescription Drug plans, private payers, and Accountable Care Organizations (ACO).

“A well-run med synch program not only improves adherence, but can also offer pharmacies a powerful tool for maintaining customer loyalty, as well as building strong relationships with other healthcare providers in the community.

– Hashim Zaibak, owner of Hayat Health Mart Pharmacy

With the number of interested sponsors growing daily, a wide range of strategies have emerged to engage pharmacy in the management of medication adherence for chronic diseases. Below are just a few examples:

Medication Therapy Management
Optimize drug therapy and therapeutic outcomes for patients with multiple medications and health conditions

Medication Synchronization
Simplify medication pickup for patients with multiple medications

Targeted Intervention
Brief two to five minute coaching sessions for patients, addressing topics such as adherence or gaps in care

Research has shown that even though spending on medications increases, corresponding decreases in hospitalizations and emergency department visits yield benefit-cost ratios ranging from 3 to 1 (for dyslipidemia) to even 10 to 1 (for hypertension)^3
Translating to results, medication synchronization programs delivered by independent pharmacies have been found to increase the likelihood of adherence by 30%.4 The increased focus on medication adherence is not news to manufacturers who have been focusing on outcomes-driven patient support for years. A recent manufacturer sponsored behavioral coaching program focused on outreach at first and second fill for Diabetes patients, showed an incremental 1.5 to 2 refills with an impact lasting as long as 18 months. Another payer sponsored study of pharmacy interventions not only showed increase adherence from 3 to 5%, across a range of drug classes, but also potentially to reduce annual health care spending by ~$250-350 per patient.5

2) Trend: Differentiating on Clinical Performance

This focus on outcomes, long understood by manufacturers, is now creating new opportunities for pharmacies to compete, and even differentiate, in this evolving landscape. One example is the quality measurement system known as STAR Ratings, which was introduced by the Centers for Medicare and Medicaid Services (CMS) as a mechanism to evaluate Part C and Part D health plan quality, access and service for Medicare beneficiaries. It is a five star system, with three representing average performance and five, excellent. It is designed to assess a plan’s performance on preventive care, disease management, patient safety, and customer experience. Plans who achieve four and five star ratings receive financial incentives through bonus dollars and enhanced marketing capabilities.

Of the nine categories of measures, there are two categories where pharmacy has an impact:

- Improving medication adherence for diabetic medications, statin therapies, and hypertension drugs.
- Providing point-of-service interventions to address gaps in care. This includes interventions related to diabetes treatments and high-risk medications.

Prescription drug measures are triple weighted because they are considered “intermediate outcome” measures. These measures account for 48% of total STAR Ratings within Part D Stand-Alone Prescription Drug Plans (PDPs), and 17% for the Medicare Advantage PDPs.

STAR Ratings are a transparent and accepted system to evaluate quality, accessibility, and service delivered by Medicare Part C and D health plans. It is feasible that if proven successful, these types of measures could be extended to Medicaid, the State Exchanges and even commercial plans. In order to compete, payers will no doubt deploy a variety of tactics. Assembling a network of pharmacies with a focus not only on cost, but clinical performance, will likely be a strategy for many.

The recent growth in specialty pharmaceuticals has also provided retail pharmacies an opportunity to differentiate their services with payers as well as gain access to specific patient populations. These populations are often prescribed drugs that are expensive, complex to transport and store (i.e., refrigeration), may be complex in the delivery of the medication (i.e., injectable), and/or have stringent regulatory oversight. As with complex products in other industries, they require a higher level of training and expertise in order to capably and effectively distribute. More specifically, the handling, stocking, associated patient complications, and even the billing of specialty medications differentiate them from traditional drugs. For pharmacies willing to invest in the resources required to support patients on specialty medications, the reward comes in clinical differentiation and access to a niche that others may not be able to serve.
3) Trend: Deeper Retail Pharmacy Integration into Healthcare Delivery

Beyond medication support, opportunities also now exist for retail pharmacy to become a more valuable, tightly integrated part of the healthcare delivery system. In the past decade, pharmacies nationwide have gained and promoted the capability to provide immunizations. Although these services may have opened the door, emerging patient-centric, team-based models are further testing previous boundaries. In these models, patients are steered toward the most appropriate clinician and location depending on the nature of the health problem; and most pilot programs currently providing team-based care include a pharmacist as part of the team.6

Tony Willoughby, McKesson Vice President and Chief Pharmacist of Health Mart, recognizes community pharmacies role in impacting performance measures such as STAR Ratings, “this is an opportunity for pharmacists to be recognized for the outcomes they drive beyond dispensing — it goes well beyond ‘the right pill in the right bottle to the right patient.’ Community pharmacists are very well positioned to support all stakeholders, whether it’s payers, physicians, ACO groups or patient-centered medical homes to make sure that patients are on the correct therapy and remain adherent to that therapy.”

One example is an innovative health insurance plan in Iowa called Blue RewardsSM, set to launch in 2015. This Wellmark Blue Cross and Blue Shield, Hy-Vee and UnityPoint Health collaboration is designed to reward customers for healthy behaviors. Blue Rewards integrates the true coordinated care of the UnityPoint Health provider network with the retail convenience of Hy-Vee’s pharmacy allowing the member access to healthy food, wellness, and dietitian services - all in an affordable ACA-health insurance option from Wellmark Blue Cross and Blue Shield. With a focus on providing a highly coordinated experience between a patient’s care team, this collaboration is designed to “ensure members get the right care at the right time in the right setting.” According to Sheila Laing, senior vice president of Health & Wellness Solutions for Hy-Vee, the model pairs Hy-Vee “with two companies who share our commitment to community wellness.” Although this is a regional venture, the popular adoption and utilization of these pharmacy-delivered, regionally care-coordinated clinical capabilities could fundamentally change how people in good health look at and use their local retail pharmacy.

In California, another interesting partnership between Rite Aid and Heritage Provider Network (HPN) is focused on improving the care coordination of patients with chronic and poly-chronic diseases such as COPD, Diabetes and Cardiovascular disease by offering access to Rite Aid’s medication, nutrition, and disease education and support services. Rite Aid pharmacists and HPN physicians will share information on interactions with patients, and will also collaborate with specially trained health coaches located in selected Rite Aid pharmacies, to develop care plans focused on improving outcomes. Coaches will focus on helping patients achieve physician-identified wellness goals and improve patients’ overall health and self-management abilities.

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The Blue RewardsSM Community Model
Regional, Care-Coordinated Clinical Capabilities

Payers are leveraging Retail pharmacy services to augment a robust provider network, delivering a new model of effective and sustainable healthcare.

Wellmark Blue Cross and Blue Shield Members

UnityPoint Health Provider Network

Customers benefit from the highly-coordinated, affordable care at UnityPoint and Hy-Vee locations.

Hy-Vee Pharmacy
As Chris Dimos, Senior Vice President of Corporate Strategy & Business Development at McKesson, former President of SUPERVALU Pharmacy and a long-time veteran in retail pharmacy, describes his vision for retail pharmacy’s place in healthcare, “your local pharmacy will be a destination of the healthy and a solution center for the sick.” As in these examples, retail pharmacy is combining its new capabilities and focus with the convenience and access that consumers currently enjoy to complement providers and payers in creating models of more effective and sustainable healthcare.

The Pharmacy of the Future

As America grapples with the shift from a transactional, siloed healthcare system to a highly integrated, value-based model, the role of the retail pharmacist is rapidly evolving. As one of the most trusted and accessible community healthcare professionals, retail pharmacy is now driving innovation designed to better manage health and chronic disease, optimize patient outcomes and lower healthcare costs. Expanded services range from wellness support, disease prevention, chronic disease management, patient education, adherence coaching, and provider consultation. As the value of these contributions become more widely recognized by regulators, pharmaceutical companies, providers, and payers, the pharmacy of the future may look dramatically different, leveraging the current assets of access, trust, efficiency, and clinical knowledge in entirely new and impactful ways.

Similar to other key healthcare stakeholders – prescribers and pharmaceutical manufacturers – pharmacies are being forced to adapt, finding innovative ways to reach their patients. In this next generation of healthcare, pharmacies provide a viable platform for therapeutic alliance across the healthcare continuum. Key healthcare stakeholders should begin today to evaluate new ways to interact and collaborate with retail pharmacy to deliver patient education, adherence support, and financial assistance. With the pressure to get more with less, brand teams would be remiss not to make pharmacy a key part of their multi-faceted marketing strategy.

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2. Rethinking Strategy in Pharmacy and Drugstore Retailing; John S. Strong, Babson College.
4. Study from NCPA sheds new light on med synchronization programs January 14, 2014 | By Michael Johnsen
6. The Pharmacy Solution an Expanding Role for Pharmacies in Healthcare Delivery; booz&co.