



Independence Can't Be Stopped:
How Retail Trends Are Changing
the Pharmacy Game

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Opportunity and Optimism for the Future of Independent Pharmacy

Independent community pharmacies have the unique attributes and proper business positioning to overcome the multi-layered challenges presented by DIR fees, inadequate reimbursement, exclusionary payer networks and general uncertainty in the U.S. healthcare market.

At a core level, independents' inherent individuality and attention to detail sets them apart from the competition. "We're not treating everyone as the average person," explains Vince Bellitti, director of growth and operations at HB Pharmacy in North Arlington, N.J. "As medicine has evolved in recent years, we've adapted our approach to do whatever we can to meet patients' needs—and that has guided our business goals and objectives."

Independents also stand out as active participants in their respective neighborhoods. "In many small towns, the pharmacy is a pillar of the community, a gathering place," notes Jenni Zilka, vice president of retail program services at AmerisourceBergen. "Whenever the pharmacy gets the community involved, it's good for patients, it's good for clinical outcomes, and it's good for health and wellness. It's good for the pharmacy's business, too."

Another key distinction among independents is their flexibility and nimble response to—or anticipation of—the changing needs of their community. Consider the case of Deines Pharmacy in Beatrice, Nebraska, where the business successfully shifted from compounding to a focus on medical equipment, a department now staffed by four employees.

Independent pharmacy owners typically enter the business with an entrepreneurial spirit that drives them to care for patients in a way that fulfills their personal vision and values. That mindset tends to mesh with a deep understanding of patients over time—what their ailments are and what motivates them. Loyalty and trust fostered in a welcoming environment can positively modify patient behaviors and help cut down costs associated with treating complex diseases.

Collectively and individually, the outlook has never been brighter for independent pharmacies. They should embrace their independence while leveraging wide-ranging opportunities in health and wellness, clinical care, stakeholder collaboration and retail "experiences" to meet the needs of patients in ways that cannot be found anywhere else.



The Opportunity to Focus on Health and Wellness

Multiple pathways contribute to positive influence on patient outcomes.

The corner drug store isn't what it used to be. And to personalization-craving millennials, the pacesetters of American demographics,¹ that's a very good thing. In large part, these influential healthcare consumers are looking for customized retail experiences that support the local economy—a prime opportunity for independent community pharmacies.

Consumer trends also show younger generations are willing to pay a premium for products that help maintain health and wellness and stave off future ailments.² But it isn't just millennials who are seeking out supplements, homeopathic remedies and the like. Older generations are focusing more and more on overall wellness and novel ways to increase their longevity.

It's an ideal time for independent pharmacy owners who have the freedom and flexibility to make adjustments to their business to meet the shifting demands of their community. Agile owners might respond with changes to the store's front end or new solutions or service offerings.

"We're trying to get more specific," explains Vince Bellitti, a certified wellness coach and director of growth and operations at HB Pharmacy in North Arlington, N.J., the 2016 *Good Neighbor Pharmacy* of the Year. "We're creating ways to better individualize our approach and our care."

HB Pharmacy's owner, John Bellitti, PharmD, (Vince's father), adds, "You have to have a positive attitude and look for the good things you can take advantage of. Life will move on without you if you don't change."

Understanding today's consumer

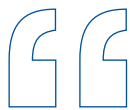
Pharmacy owners seeking to capitalize on the quest for health and wellness must first grasp consumers' needs and expectations.

Brick-and-mortar pharmacies have already set a high bar for customer satisfaction, comparing favorably to businesses such as banks, insurance companies and investment advisories, according to research from J.D. Power & Associates.³

"When they go to a pharmacy, consumers expect courteous, prompt service," says Braheim Knight, R.Ph., pharmacy business coach with AmerisourceBergen. "They also want the pharmacist and staff to be attentive and knowledgeable."

Local access and immediate availability are key factors that make pharmacies a popular destination for personalized care. In one pilot program, high-risk Medicaid patients visited their community pharmacy 35 times per year, but only saw their primary care physician an average of four times annually.⁴

"The pharmacist is, without question, one of the most accessible healthcare professionals out there," observes Jenni Zilka, AmerisourceBergen's vice president of retail programs. "They already have in-depth clinical knowledge and a sharp focus on providing proper care, so there's an amazing opportunity to leverage their time with the patient to showcase their expertise and the pharmacy's capabilities."



You have to have a positive attitude and look for the good things you can take advantage of. Life will move on without you if you don't change.

— John Bellitti, PharmD, Owner, HB Pharmacy

Knight, who has more than 20 years' experience in the retail pharmacy environment, emphasizes, "Pharmacists must have an open dialogue with their customers, to truly understand why they are there. That determines which products and services can help improve their outcomes."

Getting creative with opportunities

Independent pharmacies can pursue multiple pathways to positively influence their patients' health and wellness.

Two of the most prevalent offerings are immunizations against preventable diseases and medication therapy management, which examines a patient's medications in total and offers a clinical recommendation on what should be taken and when.

Pharmacies should also consider opportunities in the following areas:

- *Products specific to a given market* — A straightforward way to find out which products will be most meaningful and provide the greatest health benefits is to talk to prescribers in the community. Find out which disease states are driving patients from the doctor's office to the pharmacy. Also, ask physicians to recommend supplements that the pharmacy should carry for their patients. Aside from peer-to-peer inquiries, pharmacists should use their own pharmacy's data to identify disease-specific product opportunities. Additionally, data will reveal where there is room to grow and attract patients who have disease states that currently are not adequately addressed in the marketplace.
- *Health-focused events* — Hypertension and diabetes screenings are popular offerings. Additionally, HB Pharmacy reports high demand for bone-density and cholesterol screenings. During the busiest times of year, January through May and September through December, HB Pharmacy strives to hold at least one screening event per month, either in the store or at a community venue (e.g., a senior center) in conjunction with local hospital systems and the state health department. Zilka notes other possibilities that have been successful in various parts of the country: smoking-cessation programs, weight-loss clinics, stress-management courses and partnerships with local sports teams.
- *Clinical services* — Health plans are starting to recognize that patients go to pharmacists for education on medications and that it makes sense for certain in-store clinical services to be provided during the same visit, according to Knight. For example, the pharmacy could draw blood and determine the A1C score for a diabetic patient. "Although we don't have any clear breakthroughs with billing as it relates to Medicare and individual plans, these types of services are on the horizon," Knight comments. "Pharmacists are trying to build out a multi-faceted approach to the patient's health in a holistic fashion so that they can capitalize on opportunities they traditionally wouldn't have had under fee-for-service types of payment."
- *Targeted disease states* — HB Pharmacy is reorganizing its store to create a "shopping experience" for patients based on about a half dozen different disease states and special wellness supplements that apply to each. For instance, a patient on a compounded medication may need a supplement for adrenal support as he or she ages and hormone levels drop. "We want to engage with people more," says John Bellitti. "We'll have someone on staff help them through the department and provide counseling on that particular medical issue—what's right for the patient and why."

- *Pharmacogenomics* — This relatively new field aims to determine safe medications and doses tailored to a person's genetic makeup.⁵ "Medicine has become more integrated," points out John Bellitti, "so we need to look at all options, including complementary options." He has noticed increasing numbers of pharmacists developing niche practices that involve genetic testing to aid in recommending suitable treatment modalities. In fact, a continuing education speaker at AmerisourceBergen's ThoughtSpot 2018 event, Suzanne Keyes, PharmD, related how her pharmacy in Elk City, Okla., uses pharmacogenomics as part of its health-and-wellness initiatives. Further, *Drug Topics* recently reported "information obtained from pharmacogenomics can reveal how medication dosing might need to be altered for a patient, or how certain medications might lead to an adverse reaction."⁶
- *Patient experience* — Staff members, who work daily with patients on the front line, play a significant role in identifying new or enhanced involvement by the pharmacy in health and wellness concerns. Case in point: A delivery driver who actually knocks on the patient's door as opposed to leaving a medication package on the front porch—the concept of hand-delivery versus home delivery—may find out about an underlying health issue that can be relayed back to pharmacy management. "Proper training not only helps staff understand how to look for opportunities in the patient population, but as important, understand the value of their role within the pharmacy," says Zilka. Further, engaging service is a major driver of pharmacy customer satisfaction. Non-pharmacist staff greeting consumers in a friendly manner was associated with a 64-point increase in customer satisfaction, the J.D. Power 2018 U.S. Pharmacy Study finds.⁷

A changing mindset

Forward-thinking pharmacists are creating more comprehensive health and wellness programs for their customers, according to Zilka. In doing so, "they need to gauge what level of expertise they may already have in the community—whether it's partnering with a nutritionist or a psychologist or some other type of specialist—to address what would be most meaningful in the community," she comments. "But they shouldn't be afraid to put themselves out there, doing what they do best, which is being passionate about making people better."

Moreover, Knight adds that effective health and wellness initiatives can strengthen pharmacist-physician collaboration because both parties recognize the importance of medication adherence and prevention of hospital readmissions. Pharmacists gain physician trust and rapport by highlighting achievements in patient education and compliance (e.g., the pharmacy is in the top 20 percent of peers in drug adherence metrics). "Once that happens," Knight continues, "you're moving the needle in the pharmacy and the physician should start sending over patients. It's a great platform to drive healthier outcomes, a win-win for both parties."

Vince Bellitti notes, too, that technology will help pharmacies move into uncharted health-and-wellness areas. He points to HB Pharmacy's online nutritional coaching program that has started to reach beyond its home base. "The more we embrace technology, the more we find people we can help and build a relationship with," he says. "It's helping us differentiate because of the coaching, but it never hurts to be known beyond the 10,000 people in your town."

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— Braheim Knight, R.Ph., AmerisourceBergen Business Coach

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The Opportunity to Enhance Clinical Care

The ability to optimize medication management will continue to drive better patient outcomes in chronic care populations.

Independent community pharmacies intent on being paid to provide clinical services to their patients should be heartened by the latest numbers from the Centers for Medicare and Medicaid Services (CMS). The nation's largest healthcare payer, covering more than 140 million Americans, recently documented significant progress in improving patient outcomes and reducing healthcare costs.

The agency's high-level findings from 2006-2015 include 670,000 additional patients with controlled blood pressure and 510,000 fewer patients with poor diabetes control. CMS estimates unplanned hospital readmissions dropped by 70,000 between 2011-2015, while as much as \$27 billion in costs were avoided due to increased medication adherence during the same span.⁸

Although the CMS assessment specifically applies to Medicare patients, similar results should follow in the private healthcare sector, according to Phyllis Houston, MSOL, AmerisourceBergen's vice president of program development and market intelligence.

To reach that point, however, "it's critical to get patients adherent and to maximize care around their prescribed therapy," explains Houston. "Pharmacists should continue to have care conversations with their patients, making sure they understand their health conditions, and considering ways to provide additional education and services."

As independent pharmacies travel down that path, they have a big advantage among

healthcare providers as a frequent, trusted touch point. "The pharmacy is in a wonderful position to provide services on behalf of payers, primary care physicians and other care team members," says Troy Trygstad, executive director of CPESN USA, a clinically integrated network of community pharmacies.

Here's a closer look at pharmacies' growing role in medication optimization and chronic care management for high-risk patients.

Getting in sync

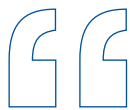
Providers, including pharmacists in independent settings, who participate in an integrated healthcare system must maintain an aggressive mindset and action plan.

"If my pharmacy is going to be outcomes-based, my job is to interact and work with patients between their encounters," Trygstad observes. "I can't wait for them to come to me and say, 'You know, I'm having a problem with my diabetes medication.' The chronic disease model requires efficient follow-up and monitoring."

The way to go about that is through medication synchronization (med sync), the process of coordinating all of a patient's chronic medications to be filled at the same time each month.⁹

Trygstad calls appointment-based med sync "revolutionary—the first and only patient-level workflow in the history of pharmacy practice."

The methodology enables the pharmacy to review all of the patient's medications as well as



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any chronic disease issues. “A large component of improving adherence is having regular conversations and looking at the patient as a whole person,” advises Houston. “Med sync should be a core business process for pharmacies. The ability to review all medications at one time reveals things quickly for the pharmacist—things that wouldn’t necessarily pop out if medications were filled as-ordered or over the course of 30, 60 or 90 days.”

Consolidation of the refill process also demonstrates respect for the patient’s time. Med sync delivers the benefit of convenience, with the patient having to make only one monthly trip to the pharmacy for all medication fills.

Additionally, from an operational standpoint, pharmacies that enroll the largest component of their patient volume—the 20 to 25 percent of patients who account for 80 percent of prescriptions—find med sync beneficial for internal business planning. Highs and lows of patient volume get smoothed out, because the pharmacy can schedule staff appropriately around planned med sync appointments, which in turn frees up other time slots and staff availability throughout the week for patient care services such as health screenings and immunizations.

Meanwhile, improved traffic flow within the store enhances the customer experience for all patients—not just those on med sync—in terms of shorter checkout lines, staff who have the ability to take their time with patient counseling, and a welcoming, well-run retail environment.

Enhanced clinical services

CPESN USA, a clinically integrated network of community pharmacies across the country, engages with payers to build medical-side relationships with insurers and alternative payment models such as receiving a share of patient care cost savings resulting from services

provided by the network. The savings derive from proper medication use and management. Organized by state or other natural medical trading area or payer geography, dozens of local CPESN networks have recruited enough pharmacies to cover their respective plan sponsors’ patients who need network services. The shared-services organization, CPESN USA (co-owned by Community Care of North Carolina and the National Community Pharmacists Association and governed by the local networks themselves), enables local networks to have a national presence and economy of scale for clinically integrated activities such as best practices and shared quality reporting.¹⁰

Trygstad refers to his organization as “more of a movement than a company.” He continues, “It’s about revisiting the entire value proposition of these local pharmacies and giving them back the market presence they used to have. This time, however, it will be through services tied to the dispensing event—not just the dispensing itself—which could be done by a machine and mail service.”

A noteworthy milestone for CPESN USA has been gaining buy-in not only from individual pharmacy owners, but also from regional health systems.

“A large health system discharging patients to all 100 counties in a state needs a workflow for the discharge process and referral to participating pharmacies,” Trygstad notes. “The health system needs to identify pharmacies in the state willing to do the extra activities to ensure consistent care delivery. Previously, the health system didn’t know where those pharmacies were, and they weren’t organized in a meaningful way.”

In North Carolina, for example, a CMS-sponsored innovation award brought in local CPESN pharmacies to test a value-based payment model. The pharmacies are eligible to share in savings by



coordinating care with the broader care team and carrying out medication-optimization activities and enhanced services for high-risk patients. Those services include med sync, comprehensive medication reviews, adherence monitoring and coaching, compliance packaging, home delivery and maintenance of patient medication records.^{11, 12}

The North Carolina model focuses on pharmacies having interventions with the highest risk patients in a community. “Those encounters are very powerful,” observes Houston, “because the pharmacist asks a lot of questions in conversation with the patient and can get that information documented and transmitted electronically back to the plan. The pharmacy also maintains the record so they can follow up on the encounter the next time they see the patient.”

She continues, “One of the largest benefits of CPESN is quantifying the great care already being provided by community pharmacies and the relationships they have with their patients.”

The big picture

Moving forward, Trygstad believes community pharmacies’ ability to optimize medication management will continue to drive better patient outcomes in chronic care populations.¹³

“Community pharmacies are brimming with value expression on the medical side,” he points out. “For most pharmacies out there doing basic med sync and clinical check-ins, implementing enhanced services is not an enormous barrier. It’s really about becoming oriented in such a way to express that value to a payer. The majority of independents are capable of doing this.”

Houston adds: “Independent pharmacies have an exceptional relationship with their patients based on knowledge and trust. That higher level of clinical care matters to patients. They’re looking for more than a place to pick up their prescriptions, but a store they can go to for their overall well-being. The differentiating factor is patient loyalty to the pharmacy that cares about them and gives good advice.”

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The Opportunity to Collaborate with Healthcare Stakeholders

Pharmacists need to go beyond traditional collaborative expectations by changing patient, provider and payer relationships, a worthwhile endeavor to create future opportunities for pharmacy.

When Deines Pharmacy opened its doors in March 1991, co-founder Mitchell Deines, PharmD, thought about the image he would project to Beatrice, Nebraska's 12,000 residents.

"We wanted to be recognized as a professional clinical pharmacy, here to take care of your health and your family," recalls Deines.

In 2009, the pharmacy merged with a medical equipment supplier and moved into a newly built, full-service facility. Five years later, the integrated company was recognized as a *Good Neighbor Pharmacy* of the Year finalist.

Along the way, Deines was appointed to the executive committee at a local 25-bed, critical-access hospital, where he currently serves as chairman of the board. "Part of my selection was my position as a community pharmacist and business owner," says Deines. "The other part was my passion for healthcare."

Deines' story is one of partnership and diligence—elements essential to the vitality of independent pharmacies across the country. But there is much more to pharmacies achieving successful collaboration, including their ability to demonstrate an impact on patient health and the type of healthcare stakeholder with which they seek to partner.

Collaboration with providers

"We know that patients see their pharmacist more often than they see their physician," explains Tanya Mericle, AmerisourceBergen's

director of business coaching operations.

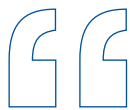
"Patients trust their pharmacist, which is good for the patient but can also have benefits for the pharmacy and even for the provider."

How so? First, pharmacies thrive on the "stickiness" of the patient relationship, a loyalty bond that often spans generations of local families, according to Peter Kounelis, R.Ph., vice president of Elevate Provider Network, AmerisourceBergen's pharmacy services administration organization.

Additionally, community pharmacies tend to understand more about their patients' holistic health than other providers. A consistent medication record results when a patient visits a single pharmacy rather than multiple pharmacies.¹⁴ In such a case, "the pharmacy knows the patient's underlying condition, all prescriptions from providers and any potential drug interactions," says Kounelis.

He continues, "The frequency, intimacy and scope of the patient relationship is unique in independent pharmacies, which affords them the opportunity to not only change and improve patient behaviors, but also to look at their patient mix and then devise programs they can market to nearby providers."

For example, in a given geography with a large HIV population, a pharmacist with advanced training in HIV drugs could offer intensive patient care, support and monitoring. The pharmacy could propose a collaborative practice



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agreement, whereby local physicians would oversee and sanction a defined set of services that the pharmacist would deliver to the specified patient population as an extension to physician-provided services. A similar scenario would apply to elder care and to diseases and conditions such as congestive heart failure, diabetes and hypertension, with the pharmacist in a position to positively bend the healthcare cost curve.

Aside from patient demographics, a pharmacy seeking physician partners should consider the provider's proximity and ability to refer patients. Deeper analysis using the pharmacy's software system can reveal more detailed information such as average profit per prescription and types of medications most commonly prescribed. *Good Neighbor Pharmacy* Premier members have access to a business coach, who can help with retrieval and examination of this type of information and assist in building an action plan.

Once the pharmacy has determined where to spend its limited time and resources building relationships with providers, the pharmacy must take a close look at what it brings to the relationship and what would prompt a provider to refer patients. It is up to the pharmacy to open the dialogue and initiate these relationships. After all, Mericle notes, "Prescribers are not typically knocking on the doors of our pharmacies saying, 'Hey, we want to work with you.'"

Mericle continues, "Although the provider relationship starts with a prescription that drives the patient to the pharmacy, it's really up to the pharmacy to build upon the patient's positive experience and close the loop with the prescriber. That conversation may sound something like this: 'When you refer your patients to our pharmacy, your patients receive better education and support, are more adherent, and have better outcomes.'"

She adds, "The pharmacy has tools available to help demonstrate how the pharmacy has had an impact on patient adherence rates. This can be a more compelling approach than stating that the pharmacy has great customer service and stays open until 7:00 p.m."

In the end, the relationship that the pharmacy builds with the patient should translate to more referrals from any given provider.

Collaboration with hospitals and health systems

Deines shares that his outreach into the Beatrice community gained traction after a breakthrough with a single physician.

"When I graduated from pharmacy school in 1987, I had all these ideas, because I had gotten great training on the clinical side," he says. "But when I came to town, I would approach physicians who were 10 to 15 years into practice, and they weren't interested in my offers to help. I couldn't even do flu shots, because they were still getting paid for that service."

Nonetheless, it's important to be persistent and consider that physicians, over time, have increasingly been trained to work with a team of caregivers.

In Deines' case, the local hospital hired a chief medical officer whose philosophy on population health—zeroing in on "hot spots" of chronically ill patients—dovetailed with the thinking of the hospital CEO and board. Subsequently, the hospital hired a newly graduated internist who was open to working with the local pharmacy.

"He's interested in letting us do point-of-care testing, because he's comfortable with our abilities," says Deines. "We're hopefully going to do some chronic care management with him."

So the practical part of making inroads with a



hospital or health system is “finding one or two physicians who are out-of-the-box thinkers,” observes Deines. “As they look at the fact that their reimbursement will be affected by quality, they’re going to want some help.”

Nonetheless, one of the challenges to overcome in working with hospitals and health systems is that they often have their own in-house pharmacy, which, typically, would not be motivated to refer patients or develop outside relationships.

One possibility would be for the community pharmacy to offer patient education if the hospital pharmacy is not doing so.

However, a more impactful tactic might be to focus on the opportunity to reduce the hospital’s patient readmission rate. “If an independent

pharmacy can prove its success in improving patient adherence after discharge, which drives down readmissions, that could become the basis of a discussion for developing a relationship,” Mericle points out.

Collaboration with payers

Traditional patient consultations around prescription medications form a pharmacy’s baseline level of service. From there, if the patient develops a chronic condition such as asthma, and there are large numbers of asthmatics in the area, the pharmacist may recommend treatment that is more medically than pharmaceutically oriented. That may happen through health plan or employer insurance coverage.

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“Health plans sometimes select a couple hundred very sick patients and start assigning them to pharmacies that have some established proficiency or advanced training,” says Kounelis. “But that’s not the ideal way to do it. It’s best if they already know and trust the pharmacy to which the patients are being assigned.”

That connection doesn’t always happen. Accordingly, pharmacies should not sit back and wait for health plans to come to them. Instead, pharmacies should pursue other payer-type opportunities right in their own communities.

“If I were back in retail pharmacy today, one of the first things I’d do would be to find some self-insured local employers,” Kounelis advises. “Being self-insured gives employers an even bigger stake in partnering with pharmacists because they are on the hook for the entire pharmacy and medical bill. They also have a vested interest in the health and welfare of their employees. That makes them great candidates for a pharmacist to contact.”

Kounelis recommends connecting through a company’s human resources or benefits department. Larger employers may also have an on-staff clinician who would be the key point person.

The pharmacist’s proposal may be as simple as offering flu shots on the employer’s premises, perhaps in a cafeteria or break room. When employees come in for their shots, the pharmacist can also take their blood pressure, weight and BMI. That may lead to deeper conversations with individual patients, suggests Kounelis: “I see that your blood pressure is up. Are you taking any medication? I’ll get in touch with your doctor, and you can start coming to my pharmacy, where I offer enhanced blood pressure monitoring services.”

On a broader scale, independent community pharmacies should be aware of opportunities to reach payers through Community Pharmacy Enhanced Services Networks (CPESNs, described in the previous section of this paper).

Kounelis describes CPESNs as “the hottest thing since Twitter ... a nationwide attempt to establish a network of pharmacies that can demonstrate the ability to deliver enhanced clinical services.”

In Deines’ home state of Nebraska, 20 pharmacies have signed on with a CPESN, which is engaged in conversations with state managed care organizations. The participants must be able to accumulate and share patient care data with the payers to “show that we moved the bar in quality outcomes,” explains Deines. “If we can start getting paid per member per month for diabetes care, blood pressure monitoring and those types of things, it’s a huge deal. Pharmacies are starting to understand that if you want a seat at the table with these payers, you’ve got to be part of a larger organization.”

Collaborating with advocates

Overall, while considering future options, independent pharmacies should think about moving out of their comfort zone and networking with various stakeholders outside the healthcare industry to drive greater change.

That could mean establishing relationships with local politicians or government officials who have a hand in shaping laws, regulations and guidelines affecting pharmacy practice. “Get to know them—attend town halls, lunches or speeches and invite them to your store,” Kounelis advises.

Also keep in mind that “nothing speaks louder than when an elected or appointed official experiences a medical event within his or her family,” notes Kounelis. While the official’s interest level is at its peak, initiate a conversation that relates the event to services offered by the pharmacy.

Mericle adds that policy-makers don’t always fully understand how medical reimbursement works or the complicated relationship between pharmacy and payers, so pharmacists can play an important role in providing clarity and sharing concerns.

“I have that type of connection with a state senator,” says Deines. “He may call two or three times a year when the legislature is in session and ask for my thoughts before voting on a bill. And I think he has listened. So let your representatives know that you are available if they have any questions.”





The Opportunity to Capitalize on Consumer Trends

Emerging retail trends align with the greatest strengths of independent community pharmacies.

Retail specialist, advisor and author Michael Dart has closely monitored trends in retail and consumer goods for over 25 years and predicts the revenge of mom-and-pop stores in a world that has been dominated for many years by mass marketers.

"The future still lies for many of us in visiting small, local, neighborhood stores, and I believe neighborhood pharmacies as well," forecasts Dart, a keynote speaker at ThoughtSpot 2018.

More on that shortly, but first a macro-level view of the retail landscape: Shifting demographics are partly in play, with retiring baby boomers, on average, spending \$25,000 less per year than when they were in their earning prime, while rising millennials aren't yet getting paid at the rate that their parents once did. That leaves \$200 billion in consumption absent from the economy.¹⁵

What's more, "there's an incredible supply of material goods and not necessarily a high level of demand keeping up with it," observes Dart. Prices fall when supply outpaces demand, which triggers changes in the way consumers behave. Accordingly, today's consumers care less about mass-produced goods and more about investing in experiences that create unique, positive memories. They also want to express their individuality and identify with retailers and brands that reflect their core values.

"But if you don't offer something that hooks them, if you don't relate to them, if you don't have the right values that are part of their

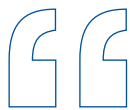
community, they are not going to come back," cautions Dart.

The psychology of today's consumer

Older generations of consumers moved up a hierarchy of needs, from basics like safety and shelter to higher aspirations of self-fulfillment.¹⁶ In contrast, current consumers came of age in a world of material abundance; therefore, their needs begin with the pursuit of real meaning. That explains why young consumers identify strongly with craft professions such as brewing and coffee roasting as opposed to mass-produced items.

Dart calls it "empathetic retailing" and says it's the wave of the future. "While large-scale, efficient businesses try to minimize flexibility, empathetic retailing does the opposite. It elicits responses like, 'You care ... you understand my life ... you have my interests at your core,'" he continues. In this environment, "there are opportunities to engage the consumer on a personal level."

Claire Biermaas, vice president of customer experience and insights for AmerisourceBergen, points out that investing in health and wellness has become an overarching cultural trend for U.S. consumers. "People want to be healthy so they can go experience things," she notes. "It's not that they go mountain climbing to be healthy. Instead, they realize that they need to be healthy in order to go climb a mountain. And when they do it, they want to get a picture from the peak and post it to their Instagram account."



The future still lies for many of us in visiting small, local, neighborhood stores, and I believe neighborhood pharmacies as well.

— Michael Dart, Retail Specialist, Advisor and Author

Such actions provide proof of wellness and that the consumer is leading a fulfilling, successful life. “They want to show the world who they are, where they live and what their life is like,” says Biermaas.

At the same time that consumers are spending more money on experiences, they’re also striving to demonstrate the power of choice and that where they spend their dollars correlates to their beliefs. Shopping in neighborhood establishments benefits the local economy and reflects a person’s connection to the community in which they live. “If you want to project what you are culturally, you’re going to spend money at a local store,” she continues. “You support the local store because you want it to be a reflection of your core values.”

Creating positive consumer experiences

Independent pharmacies have immediate opportunities to leverage emerging retail trends.

Consider that pharmacists have more intimate relationships with their customers than other healthcare providers.¹⁷ Therefore, according to Dart, they have a deep understanding of what the patient’s life is like and what they are looking for—not only in terms of medication, but also ancillary products and the pharmacy’s overall environment. A carefully curated assortment of health and wellness products, for example, would demonstrate the pharmacy’s grasp of consumer requests and needs.

During the course of his research, Dart visited one pharmacist who displayed mobility aids at the front of his store. “That’s what his customers wanted,” says Dart. “They couldn’t find the same selection anywhere else. And it created a big opportunity for visual merchandising.”

Biermaas agrees that independent pharmacies that mirror community values and needs tend

to be successful on the front end. For example, a high-performing pharmacy in a predominantly Asian neighborhood would highlight product displays relevant to that population.

“The *Good Neighbor Pharmacy* tagline, ‘Locally Owned, Locally Loved,’ should translate into in-store experiences,” says Biermaas. “Understanding and getting involved in what’s hot in a given community is really important.” Participation in community events provides perspective on what’s happening in the neighborhood, as well as opportunities to connect with local consumers and other healthcare professionals. For instance, one independent pharmacy group noticed that skin care is particularly important in its community. The group focused its front end around skin-care products, but also reached out to area dermatologists and cosmetologists to ensure referrals for dermatology prescriptions.

Additionally, pharmacies should think of ways to be more convenient. Consider the store’s interior layout and how easy it is to pick up and check out with desired items. “A five-minute wait in line is a drag for a lot of people,” observes Dart. “For those who want to come in and out really fast, how can you guarantee they’ll always be able to do that?”

Further, independent pharmacies can’t expect to achieve retail excellence without investing in a digital presence that extends beyond the store’s four walls. Biermaas recommends an “omni-channel” approach that combines superior in-store service with online or tech-enabled capabilities, along with active outreach into the community. A social media presence supports the ability to promote product specials or upcoming community events as well as shared values. Smartphone apps can help pharmacies improve adherence by sending patient-facing reminders to take their medications. Messages or alerts can inform patients about availability



of cost-assistance programs for drug purchases. Pharmacies should also investigate e-commerce platforms that enable consumers to order products online for in-store pickup or the associated opportunity of home delivery.

Expanding support for the community pharmacy

Given all the pressures that community pharmacies face, they should take advantage of programs such as *Good Neighbor Pharmacy* to help position themselves in relation to evolving consumer trends.

Traditionally, *Good Neighbor Pharmacy* members could participate in co-op marketing, through which stores in a geographic area would pool funds and decide what they wanted to promote. That's still an option for placements on television, radio, print and outdoor advertising.

However, the need for a presence across digital platforms has become predominant over the past several years, according to Carla Frehn, AmerisourceBergen's director of corporate marketing. Online marketing options for

Good Neighbor Pharmacy members are becoming more individualized. "Pharmacies are going in a lot of different directions with the offering of specific services, whether it is counseling on opioids or offering compounded or veterinary medications," explains Frehn. "Those are sweet spots they should be integrating into their communities and talking about. We want to showcase each individual pharmacy—to get their services out there for the patient base to see."

To connect with consumers online, *Good Neighbor Pharmacy* members can now leverage digital resources such as a social media content library, optimized Google business listings (which were collectively viewed more than 19 million times over the last year, resulting in more than 168,000 in-store purchases¹⁸), a consumer-facing website and the MyGNP app for mobile devices.

In the end, the aim of all these activities and options is to, in Dart's words, "create something around the store that is really endearing to the customer. When that happens, the consumer will come straight away to the pharmacy when they have a need—prescription or otherwise."



COME IN, WE ARE
OPEN.

The Opportunity to Embrace Independence

Independent pharmacists have high value in the healthcare ecosystem, not only as trusted providers but also as catalysts in improving patient outcomes.

The pharmacy profession is at an inflection point, according to Brian Nightengale, PhD, president of *Good Neighbor Pharmacy*, AmerisourceBergen's independent community pharmacy network.

Shifting consumer and patient attitudes will work in independent pharmacies' favor, he predicts, but only if they transform and evolve to capitalize on emerging opportunities.

We sat down with Dr. Nightengale for a discussion on what the future holds. Here's what he had to say.

Q: What is the outlook for independent community pharmacies in today's dynamic healthcare ecosystem?

A: The role of the independent pharmacy is increasing in importance. In particular, the independent is becoming a major force for primary care, especially in underserved and rural areas.

If you look at American Medical Association statistics, there's a growing shortage of primary care physicians in many communities. So you have increasing demand for community-based care and a decreasing supply of general practitioners in a lot of those areas. Sometimes physician accessibility is limited as well.

Being a high-touch, highly accessible site of care is driving growth and prominence in the role of community pharmacy. There are opportunities for independent community pharmacies in general to fill the care gap—quite frankly, better than some of the larger chain pharmacies—because they

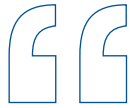
have the ability to reach out to members of their community in a very distinctive and personal way. And they have the time to provide personalized care.

If, for example, people in the community need immunizations, if they have questions about their medications or if they want point-of-care testing, independent pharmacists are uniquely positioned to provide those services. They have the time and ability to fill those needs and that makes them the preferred destination for community care.

Q: Why are consumers' relationships with care providers so important, and how do those relationships factor into how independent pharmacies run their business?

A: People are thinking more and more about their relationships with care providers and how a personal touch is sometimes lacking. Consumers are reacting by seeking out personal relationships where they can have trusted conversations without being rushed out the door, and independent community pharmacies are able to do that.

By virtue of their business model—being entrepreneurs—they can be nimble in the areas in which they want to concentrate. They can assess the needs and desires of the communities they live in and identify ways to mold themselves into a unique, preferred site of care. When it comes to creating differentiation, independents are much more agile than their counterparts in larger corporations.



Good Neighbor Pharmacy seeks to hit the sweet spot, which is when we help independent pharmacies identify points of alignment between their passion and purpose and the values of those in the community.

— Brian Nightengale, PhD, President, *Good Neighbor Pharmacy*

Q: How do *Good Neighbor Pharmacy* programs fit in with independent pharmacies' mode of operation?

A: We provide flexible programs and services that help our pharmacies with branding, community outreach and marketing to showcase what makes their pharmacies unique. In addition, and most importantly, we provide our pharmacies with data and insights to help them identify opportunities to improve patient outcomes.

Q: How does that work in practice?

A: Let's say the pharmacy is considering clinical expansion. We can look at the demographics of their community, determine what types of patients are coming into the pharmacy and pinpoint their clinical needs. That analysis would then help the pharmacy create or modify business practices aimed at filling those needs.

For example, we have programs to help pharmacies adopt medication synchronization, which improves adherence in patients who are on multiple medications. It makes the patient experience with that pharmacy much more cohesive and valuable. And additional data capabilities monitor the outcomes of those interventions.

Another example is patient outreach, enabling the pharmacy to connect with their patients on a very personal level with medication reminders or happy birthday notes. Those types of activities amplify the personalized touch for patients.

It's also becoming increasingly important to consider that when people go into a physical location, they are seeking experiences that match their values. They want to shop and spend their money with businesses that they feel are connected to their own personal views and

values. *Good Neighbor Pharmacy* seeks to hit the sweet spot, which is when we help independent pharmacies identify points of alignment between their passion and purpose and the values of those in the community.

The other piece that we help our pharmacies with is making sure that their employees also embrace those values. Everyone who works in the pharmacy should be a proponent of shared values and a visible example of those connection points. When that happens, you earn customers for life.

Q: How can community pharmacies assess their own strengths?

A: It starts with having a clear understanding of the community. What are the demographics? What are the trends and expectations? What are the most common health conditions? And certainly, what competition does the pharmacy have there?

It's also important for entrepreneurial pharmacists or owners to identify their core values and purpose. What value proposition do they want to provide to their community? Once they identify their passion and purpose, they should think about what that means and that goes beyond being a care provider. There are independent pharmacies that have invested heavily in health and wellness. Those pharmacies tend to become a gathering spot in their community for people to engage with each other.

Other pharmacies are very much focused around specific clinical care. They concentrate, for example, on establishing themselves as a destination for specific patient populations such as patients with HIV. It's a completely different experience when you walk in the front door of those pharmacies.



It's critical that pharmacies understand the purpose and value they want to provide in the community and that the environment is shaped around that understanding.

Q: How can independent pharmacies capitalize on their ability to adapt to their community and be reimbursed for providing in-demand care services?

A: In response to the increasing demand for community-based care, pharmacists are highly trained and able to provide many of the services that are needed. So they are capable and accessible, but a few barriers are holding them back right now. A lot of that, quite frankly, is either regulatory- or reimbursement-related.

In many states, pharmacists are not allowed to provide some of the care that's in demand. However, we've made substantial progress in their ability to do immunizations. We're also making progress in certain areas for pharmacists to be able to prescribe medications under protocols.

Immunization is a perfect example. In almost every state, pharmacists are allowed to provide immunizations, but not in all cases are they

reimbursed by Medicaid or Medicare. They need provider status to submit a claim under Medicare Part B, for example. We're starting to see legislative action to expand the pharmacist's role clinically—and to actually get reimbursed fairly for those clinical services.

Additionally, there seems to be more willingness among health plans to compensate pharmacists for a lot of things that they have been doing all along such as counseling patients on medication adherence. The plans know that pharmacists can make a big impact in terms of adherence with medication, which in turn makes a big impact on patient outcomes and certainly on the health plans' Star Ratings.

So we're starting to see some movement in terms of fair compensation for services that are separate from reimbursement for prescription dispensing. The more that happens, the more it drives optimism.

Pharmacists should continue to advocate strongly for their value in the healthcare ecosystem because they have an important role and can really move the needle in terms of patient outcomes. All of this momentum is building toward a unique time right now. I think in the next five to seven years, we're going to see it pay off.

Taking Action on Opportunity

Opportunity isn't a one-size-fits-all concept, but it can certainly be transformative. When independent pharmacies act on opportunity, even in incremental steps, they build a well-supported model for sustainable success.

On the clinical side, pharmacist intervention results in positive outcomes, fewer hospitalizations and reduced healthcare costs. Think in terms of getting patients adherent, maximizing care around prescribed therapy and building partnerships with other providers. It's also essential to gather and analyze data to consistently know how and when to act to help a patient.

On the business side, true "retail experiences" create value that consumers will seek out, remember and share with others. Independent pharmacies thrive on intimate relationships with their clientele and a deep understanding of what their life is like. This in turn leads to appropriate product customization, personalization and curation. Invest in unique products and services that reflect the values of the surrounding community. In the process, embrace technology and social media as a means of patient engagement and education, as well as platforms to expand the reach of the pharmacy beyond its physical walls.

"The scale, efficiency and impersonal service of mass markets have run their course," according to consumer trends visionary Michael Dart. "People are gravitating toward local, caring, friendly stores."

Independent pharmacies are ready to welcome and serve those individuals. Bolstered by the support of *Good Neighbor Pharmacy*, independents will continue to redefine the strongest version of themselves to better serve their community as it evolves.

***Good Neighbor Pharmacy* provides community pharmacies with innovative, flexible programs to help them leverage their independence and stand out as a distinctive destination for personalized care.**

Visit WeAreGNP.com to learn more.

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