



Buyers' Forum

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Pharmacy retailers must remain nimble to ride out Medicare, Medicaid changes



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Executives address industry issues

With most pharmacy operators more than a little concerned about the changes to reimbursement that are going to affect the industry in 2007, they are looking to what can help improve their business and offset the reimbursement losses.

Medication therapy management is just one of the programs they are interested in, to provide the support that until now patients have been missing and to put their pharmacists into the forefront of the action.

Other clinical and patient support programs are something they are keen to learn about, as well as which generics are being approved and what drugs pharmaceutical companies have in their pipeline.

But most of all, they say, face-to-face meetings cannot be beaten, especially for smaller companies that might not usually have the opportunity for such an effective way to learn so much in a short period of time.



Dan Milovich, director of pharmacy operations, Bashas' supermarkets

Drug Store News: What is the most pressing issue facing retail pharmacy in 2007?

Milovich: Dealing with shrinking margins as costs continue to rise to fill prescriptions. We're talking to generics [companies] to look at what we can do to lower costs. Also, getting MTM [Medication Therapy Management] off the ground. We're doing a pilot with Humana, and we hope to open that up to more providers. [MTM is] the pharmacists doing what they need to be doing, and that's helping the patients. The goal is to help patients with their medications to reduce hospitalizations.

Drug Store News: What opportunities are you looking for at the ECRM show, in terms of new products or therapeutic trends, that you think could help your company in general to boost sales/margins in 2007?

Milovich: We'd like to talk to the brands and see what direct-to-consumer programs they have or any new sales programs that can help us at the pharmacy counter. On the generics side, we're going to see about negotiating contracts. We're also looking at new technologies to make us more efficient.



Ted Lingerfeldt, director of pharmacy procurement and analysis, Kerr Drug

Drug Store News: What is the most pressing issue facing retail pharmacy in 2007?

Lingerfeldt: [The issues] all relate back to generics with the number of generics that have come onto the market in 2006 and those that are coming in 2007. One of the greatest concerns at the moment is the impending changes to [Medicaid] reimbursement based on the recent publication of the AMP [average manufacturers' price] guidelines and how they'll affect the reimbursement of generics. The impending reimbursement changes are something we need to understand better.

Drug Store News: What opportunities are you looking for at the ECRM show, in terms of new products or therapeutic trends, that you think could help your company/retail pharmacy in general to boost sales or margins in 2007?

Lingerfeldt: We feel ECRM is one of the more valuable meetings we attend. It's very much a working meeting. We want to know what's in a company's product pipeline, if it's got generic competition and what patent challenges do they see.

We're certainly looking for programs to support what we have internally, especially clinical programs. Some people may want to try and test them out on a regional level before they go to the national level.



Phil Keough, senior vice president, Rite Aid

Drug Store News: What is the most pressing issue facing retail pharmacy in 2007?

Keough: It's probably the Federal Deficit Reduction Act, which affects reimbursement, and it won't be in a positive sense because we're going to have to work very hard to offset our margins. I don't think the government has a whole appreciation of the things community pharmacy brings to the patients of the United States, or the value of what we bring. If people just look at costs, pharmacy is so visible upfront so it seems like an easy target.

Drug Store News: What will be the biggest trend for retail pharmacy in 2007?

Keough: I think we're going to see more proliferation of in-store clinics as the public gains greater acceptance of them. We're also working hard to provide more services like immunizations and diabetic education. We're one of the leaders in training our pharmacists for that, and it also further promotes their value proposition.

I think we'll see a greater push for generic utilization, and we'll see a lot of pressure put on smaller operators to deal with the pending issues concerning reimbursement.



Timothy Brne, director of pharmacy purchasing, Walgreen Co.

Drug Store News: What does the ECRM Pharmacy show mean for Walgreens?

Brne: It gives us the opportunity to learn more about upcoming trends. For that reason, we really like the format, and appreciate the ability to meet with so many vendors in such a short time. It's very beneficial.

Drug Store News: How do you approach the meeting format and make it work for you?

Brne: We'll see a lot of the vendors we currently work with, and it's great that we have a chance to meet with them for 20 minutes, talk about what we need to and then move on. It's very effective.

Pharmacies look into specialized niches

With the goals of looking after their customers' health, making their pharmacies destinations and attracting new patients, drug stores across the United States are creating niche health opportunities around disease states.

Midway through last year, Medicine Shoppe International announced that it was opening a number of specialized care centers—basically, operations banners—under which it would roll out new initiatives.

The first of these was a diabetes specialized care center, which now runs out of more than 100 stores.

Stores provide counseling sessions for their patients on various topics of interest each month, run diabetes support groups for patients and caregivers and use educational materials to counsel patients, with the intention of improving patient health outcomes.

MSI even provides educational materials on subjects to be discussed during the educational programs, as well as marketing support so stores can promote their diabetes care.

Each store also runs a program allowing customers to download information from their glucose monitors, run reports and transmit the information to their physicians. Specialized training in disease management is required for stores to participate in the diabetes specialized care center program.

The second specialized care center focuses on compounding, which is “an opportunity to provide enhanced customer services and care,” said Keith Cook, MSI vice president of pharmacy solutions. “It allows MSI franchisees to provide individu-

alized solutions for customers.”

To ensure success, MSI has contracted with compounding expert Gallipot, which will provide training on everything from animal compounding to how to keep a compounding lab sterile. Compounding, Cook said, allows you to create strengths that aren't commercially available or to create drugs in a different form—a liquid for people who have trouble swallowing pills, for example. “It differentiates us [from] our competitors,” he added.

This fits in well with a ruling last year by U.S. District Judge Robert Junell who upheld the right of pharmacists to compound customized prescriptions, if they are accompanied by a valid prescription.

This ruling was lauded by Bruce Roberts, chief executive officer of the National Community Pharmacy Association.

“Patients can rest assured that they will continue to receive the drugs that are necessary to treat their individual conditions,” he said. “Doctors can write customized prescriptions with the confidence that those drugs will be dispensed according to their exact directions. And pharmacists can continue to serve the public, as they have done for decades, with the clear understanding that they are operating fully within the law.”

A third center focuses on long-term care. MSI is working with multiple vendors to aid their franchisees in all aspects of long-term care, including assessing the busi-

ness plan, securing financing and enrollment into group purchasing organizations and third-party networks, as well as

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Kerr Drug's in-store health centers offer durable medical equipment, along with diagnostic health screenings, disease state management and health-related classroom activities.

Category Buzz

Three trends you MUST know

1 Commoditization of pharmaceuticals

The increasing commoditization of pharmaceuticals was accelerated by Wal-Mart's rollout of a promotional program on more than 300 generic drugs. The chain's decision to offer those me-too medications at \$4 per 30-day prescription quickly was matched by several competing chains—but no traditional drug chains.

The rollout of \$4 generics has partially leveled the price-competition playing field and de-emphasized price as a competitive factor. The result could be a renewed emphasis on patient-care services, more personalized counseling services, pharmacy-based clinical care programs and other offerings that would distinguish one pharmacy chain over another.

2 Specialty pharmaceuticals

Specialty pharmaceutical products, most of them derived from increasingly accurate bioengineering at the molecular level, will generate sales in the future at a much faster rate of growth than traditional prescription medicines, according to the National Association of Chain Drug Stores. “Dollar share of the combined pharmaceutical market represented by specialty pharmaceuticals, including oncology, will go from 22 percent market share in 2006 to an estimated 36 percent market share in 2014, a growth of more than 63 percent,” NACDS noted in a recent report.

Behind that prediction: new advances in biotech and drug research that make more focused and effective treatment options available, along with growing pressure on the Food and Drug Administration to clear a pathway for the approval of generic biopharmaceuticals.

3 Multicultural consumers

Increasing demographic fragmentation of a multicultural consumer base has forced pharmacies to adapt. To reach its non-English-speaking pharmacy customers, for instance, Kroger is testing a video-based interpretation service that allows patients to connect through a video system to live interpreters in more than 150 languages, as well as sign language.

In-store clinics gain ground with retailers, patients

One of the most promising developments to hit retail pharmacy in years is the rapid adoption of in-store, acute-care centers by many of the industry's largest chains.

Customers have embraced the concept, which offers the convenience of basic walk-in health care by a health professional, without the need for an appointment and at a reasonable price. The in-store clinics—there are already more than 20 companies operating some 300 of the facilities—are valued by pharmacy retailers for their ability to pull additional customer traffic into stores and highlight the store's image as a legitimate, professional health care destination.

Even better, studies show that 90 percent of the prescriptions written by the nurse practitioners who staff the clinics are filled by patients right away—in the host store's pharmacy.

Leading pharmacy retailers have seized the chance to develop the concept. CVS even bought the top clinical-care company, MinuteClinic, and rapidly is expanding the centers within its own stores. Walgreens and Wal-Mart have partnered with multiple clinic opera-

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tors, such as Take Care Health Systems and RediClinics, among others, and rapidly are adding care centers, while regional chains like Kerr Drug expand their own partnerships.

“The convenient care industry has revolutionized the way patients access health care,” said Tine Hansen-Turton, executive director of the newly formed Convenient Care Association.



Duane Reade, Wal-Mart and others have partnered with RediClinic to offer in-store clinics.

One sign of the rapid expansion of the in-store clinic concept came in October, when 12 of the fledgling industry's largest operators banded together to found the association Hansen-Turton heads. Initial member companies include Take Care Health Systems, AtlantiCare Health Services, Aurora Health Care, Geisinger CareWorks, CheckUps, HealthStop, MedXpress, MEDPOINTexpress, My Healthy Access, QuickClinic and QuickHealth. CCA will spearhead the interests of retail clinical care in Washington, share best practices, promote common operating standards and develop image-building marketing efforts, among other priorities.

Doing business within a new economic reality

By JIM FREDERICK

When retail pharmacy buyers and pharmacy marketing executives descend in force on St. Louis this month for the ECRM Pharmacy Conference, they'll do their best to plot a business strategy with their suppliers in the face of dizzying changes within the pharmacy and health care arena. They'll be meeting amid a marketplace teeming with growth potential but whipsawed by intense price competition, Medicare drug benefits and renewed pressure on pharmacy gross margins.

No one can predict all the challenges that pharmacy chains and independents will confront in 2007. But this much is certain: forces like Medicare Part D, looming cuts in Medicaid prescription reimbursements, mandatory mail-order pharmacy plans and Wal-Mart's \$4 generic drug promotion will continue to roil community pharmacy and shadow the steady growth of prescription business every step of the way. And drug retailers will have to stay nimble to ride out those changes.

"In 2007, the market still will be absorbing changes that have defined a new economic reality," predicted Murray Aitken, senior vice president of corporate strategy for IMS Health. It will be a market, he noted, "in which growth is shifting from mature markets to emerging ones; new product adoption is not keeping pace with the loss of patent protection by established products; specialty and niche products are playing a larger role; and regulators, payers and consumers are more carefully weighing the risk/benefit factors of pharmaceuticals."

In 2005—the most recent period for which final figures are available—total retail pharmaceutical sales in the United States rose 4.6 percent to \$230.3 billion, according to IMS and the National Association of Chain Drug Stores. The number of prescriptions dispensed across all retail channels was up 3.3 percent from 2004, to 3.38 billion units.

In both cases, mail-order pharmacy led the pack in terms of growth rates, rising 7.6 percent in dollars and 14.1 percent in units dispensed, according to industry research. Nevertheless, mail order's total share of the prescription market remains far behind that of drug chains: mail accounted for 19.1 percent of dollar share, compared with 41.0 percent for traditional drug chains, IMS and NACDS report. The

discrepancy is even wider in terms of units dispensed: mail accrued just 7.2 percent of all prescriptions in 2005, vs. 46.2 percent for drug store chains. Chain drug, supermarket and discount store pharmacies combined accounted for 70.8 percent of the prescription total, with independents garnering 22.0 percent, according to the data.

Chain pharmacy buyers can expect to

while formularies remain relatively unrestricted," noted IMS Health in a recent report. "However, the loss of patent protection for several key brands valued at \$10 billion will significantly impact the U.S. market [in 2007]," following the patent expiry of \$19 billion in branded products in 2006. Growth from new products will not be sufficient to offset the volume of

lost protection in 2006.

Nevertheless, pharmacy retailers will see some sectors of the pharmaceutical market offering explosive potential this year. "Several sectors ... are expected to register high levels of demand in 2007, particularly biotechnology, with estimated growth of 13 percent to 14 percent," IMS noted. The company also predicts strong growth of 10 percent to 11 percent in specialty medicines to treat cancer, immune disorders and other serious conditions in 2007.

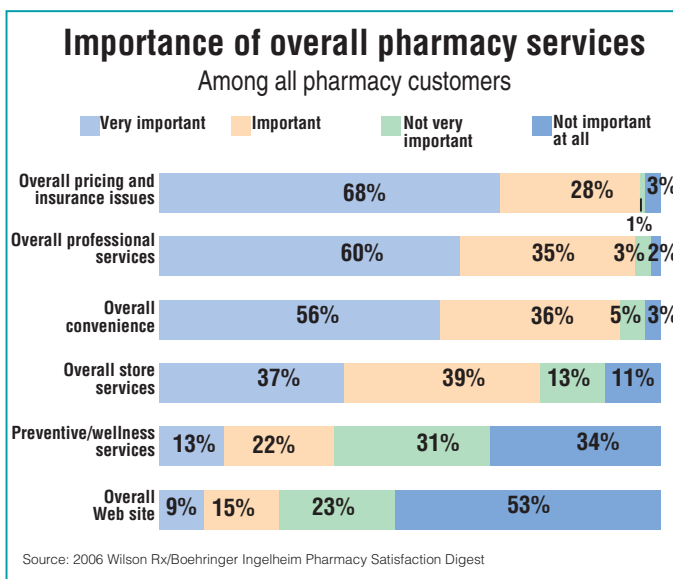
Also expected to thrive this year is the generics market, with predicted growth pegged at 13 percent to 14 percent. IMS ties that growth to "opportunity in several key therapeutic areas and increased volume driven by cost-control initiatives."

Pharmacy buyers also can expect to see more blockbuster drugs in 2007, with the total number of megaselling pharmaceuticals expected to reach 112 this year, compared with 94 in 2005. Among them, according to IMS: branded versions of paliperidone for schizophrenia, desvenlafaxine for depression and vildagliptin for diabetes.

IMS sees a big year for drugs to treat cancer, thanks to an aging population, improved diagnostic techniques and "a strong flow of innovation" from pharmaceutical makers. "Science has changed the face of the disease," the company noted. "Survival rates are improving and some cancers are now considered chronic illnesses or even preventable conditions."

Demand is such that oncology products will contribute nearly 20 percent of the pharmaceutical industry's total sales growth in 2007, according to Aitken. However, he warned, "Oncology products will eventually be subject to tighter pricing and usage parameters as payers deal with their mounting costs."

According to the Pharmaceutical Research and Manufacturers of America, more than 2,000 new medicines are currently in development. That list includes more than 640 drugs to treat cancer; some 420 drugs developed through biotechnology and now in clinical trials or awaiting FDA approval; 140 or more drugs aimed at heart disease and stroke; nearly 200 products to treat infectious diseases and more than 900 treatments for diseases related to aging, including some 30 pharmaceuticals in development for Alzheimer's disease.



see steady but somewhat diminished growth in the pharmaceutical marketplace this year, according to IMS. The company predicts that the sales growth of pharmaceuticals in the United States will throttle back to a 4 percent or 5 percent increase in 2007, compared with a 6 percent to 7 percent growth rate in 2006.

The continuing inroads made by generics are one big reason for the moderation in dollar growth at the pharmacy counter. Public and private third-party payers, including Medicare and Medicaid and the nation's employer-sponsored private health plans, are turning increasingly to lower-cost multi-source drugs to cut their health expenditures.

"The Medicare Part D prescription drug benefit has expanded the overall U.S. market by nearly 1 percent in 2006, with a further uplift of 1 percent to 2 percent expected through 2007

branded drugs that shift to generics."

IMS expects the number of significant new pharmaceutical launches to be in the range of 25 to 35, about the same number as were rolled out in 2006. "However," noted a company report, "with pharmaceutical companies increasingly developing specialty products and treatments to serve niche markets, new products are contributing less to overall market expansion than they have in the past."

Moreover, IMS noted, "market expansion from new products is not keeping pace with the loss of patent protection by older products...[and] will not be sufficient to offset the volume of branded drugs that shift to generics."

IMS researchers predict that pharmaceuticals worth more than \$16 billion in worldwide annual sales will lose patent exclusivity in 2007, on top of the \$23 billion of products that

Adams Respiratory



Adams Respiratory Therapeutics has launched MucinexD, a new product added to its Mucinex and MucinexDM lineup.

MucinexD is the only FDA-approved OTC product with extended-release guaifenesin and pseudoephedrine. A combination product, MucinexD lasts up to 12 hours and helps clean nasal sinus congestions and thins and loosens mucus.

Physician and pharmacist recommendations, along with the "Mr. Mucus" consumer-driven advertising campaign, will help market the MucinexD.

Eisai/Pfizer



Aricept was recently approved by the FDA for treatment of severe Alzheimer's disease, making it the first and only prescription to treat the full spectrum of the disease.

Co-promoted in the U.S. by Eisai and Pfizer, Aricept has been approved in the United States since 1996 for the treatment of mild to moderate Alzheimer's disease. The once-a-day prescription helps to slow down the progression of symptoms, including memory loss.

The approval was based on the results of a clinical trial involving 248 Swedish nursing home patients with severe Alzheimer's.

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providing support and expertise in the bid process. "Many of our pharmacies are well positioned to deliver the same level of quality service to a long-term care facility that they are delivering every day in the retail environment," Cook said.

The final specialized care center, specialty pharmacy, currently is being launched. "It will help stores to better take care of people with chronic diseases such as multiple sclerosis, rheumatoid arthritis and HIV. The total specialty market is estimated to be growing at around 15 percent annually. So this will help MSI capture new business," Cook explained.

MSI is not alone in endeavors such as these. Last month, Rite Aid announced the launch of the Rite Weigh Challenge, a weight-loss program that rolled out online on Jan. 1.

Rite Aid is running the program in conjunction with Lindora, the chain's in-store clinic provider. Together, the two have created a 10-week program that will help people lose 10 percent of their body weight.

The program is free and includes a planner with a step-by-step outline of the 10-week program with daily and weekly goals for caloric intake, healthy foods and exercise aims. There are also tips and advice from Rite Aid pharmacists, including information on measuring body mass index, weight-loss success stories and exercise plans.

Kerr Drug, based in Raleigh, N.C., has launched Kerr Health Care Centers. These in-store concepts offer tools, such as diagnostic health screenings, disease state management and health-related classroom

activities. There's also a department selling mobility products, durable medical equipment, compression hosiery, diabetic shoes and other products. Twenty of Kerr's 102 stores now feature these centers.

Not to be left out of the fray, Kmart this year partnered with the American Diabetes Association to raise money for the association and educate Americans about the severity of this disease.

"The incidence of the disease has increased by 14 percent since 2003," said Lawrence Smith, chairman of the ADA board.

Through the new partnership, the ADA will be working closely with Kmart pharmacies to help educate pharmacists about diabetes prevention and care.

"Through this program we will be able to add one more way to reach out to the people in our community and offer them a better quality of life," said Mark Doerr, vice president of Kmart pharmacy.

And, not to forget 50 percent of the population, Amerisource-Bergen has launched a new marketing and merchandising campaign aimed at women, who make two-thirds of all health care purchases and constitute 70 percent of pharmacy spending.

The wholesaler's program was developed specifically for Good Neighbor Pharmacy and other drug stores. It's called the PatientPlus Women's Wellness Center and is designed to make pharmacies into health information, advice and wellness resource centers for women. They also include educational materials from the National Women's Health Resource Center, planogram suggestions, signage and merchandising materials and quarterly merchandising kits.

Boehringer Ingelheim studies pharmacy patient satisfaction

Based on a detailed survey of more than 32,000 households in 23 markets, the 2006 Wilson Rx/Boehringer Ingelheim Pharmacy Satisfaction Digest was the most detailed snapshot yet taken of customer attitudes and preferences regarding community pharmacy. The goal: To give pharmacy operators greater insight into the factors that affect customer satisfaction and loyalty.

"Chain pharmacy leaders should look at the data and try to go beyond that and help pharmacists deal with it,"



Boehringer Ingelheim associate director of field operations Anthony Tavoraro told *Drug Store News* recently.

"First, understand what's most important to your customers. They're telling us they want the product in stock [and] they want the prescription filled in the time promised... It's about taking that information and putting strategies in place to make sure the most important things are being delivered at the highest level of operations." Certainly, two of the most critical measures of customer satisfaction stem from the pharmacy's ability to have the patient's prescription in stock and fill the script on time. Overall, just 47 percent of cus-

tomers said they were highly satisfied with their pharmacy's in-stock performance, and only 47 percent were highly satisfied with on-time performance, according to the 2006 Wilson Rx/Boehringer Ingelheim Pharmacy Satisfaction Digest.

To help get a better sense of what pharmacists need to help improve customer service at the pharmacy counter, the consumer-driven 2006 Pharmacy Satisfaction Digest was followed up with a *Drug Store News* Internet poll of pharmacists and a live focus panel comprised of members of the *Drug Store News* online pharmacist community.

According to the *Drug Store News* online poll, more than 64 percent of pharmacists said they felt they could provide better customer service if they had more staff (i.e., pharmacy technicians) working in their store. Almost 50 percent cited more information about disease state management, and more than 48 percent asked for more patient counseling materials.

'First, understand what's most important to your customer. They're telling us they want their prescription in stock and filled on time.'

—Anthony Tavoraro, Wilson Rx/Boehringer-Ingelheim

An executive summary of the findings covering all three research components will appear in issues of *Drug Store News* and *Drug Store News Pharmacy Practice* (formerly *Continuing Education Quarterly*) later in the first quarter of 2007.