**NCPA Digest – Frequently Asked Questions**

**Is the number of surveys adequate to give an accurate representation?**

Yes. Independent community pharmacy owners, having completed at least one entire year of operation, were invited to participate in the Digest survey. Pharmacy owners or their designees were asked to complete the surveys. The information on which the financial portion of the study is based was from the 2014 calendar year. Over 400 pharmacies participated in the survey, allowing for statistically valid estimates. As an example of accuracy, the NCPA Digest reports that average annual sales per pharmacy in 2014 was $3.62M. NCPA is 95% certain that the true value falls within the range of $3.41M and $3.83M.

**Why is the Gross Margin that the Digest reports higher than what I make on prescription drugs?**

The NCPA Digest reported that gross margin on average annual sales per pharmacy was 22.9%. It is important to understand that this figure includes sales of non-prescription or non-traditional prescription medications that help sustain the viability of community pharmacies in the wake of declining, even negative, margins from prescription drug reimbursement. Common examples include OTC and DME products, compounded prescriptions, and other services provided by the surveyed pharmacies. Compounding and DME require extensive expertise and time and therefore generally have higher gross margins. Unfortunately average annual sales have fallen from $4M to $3.62 between 2010 and 2014, reducing gross profit necessary to maintain operations and pay employee salaries.

**Why do some sources report a lower number of independent community pharmacies than the NCPA Digest?**

The definition used by some sources to identify independent community pharmacy is ownership in 3 or fewer stores. NCPA expands on this definition by including non-publicly traded pharmacies with ownership in fewer than 150 stores. Expanding the definition tends to increase the overall count by about 1,500 pharmacies. Unfortunately, due to market conditions, the net number of independent community pharmacies has fallen by roughly 600 stores since 2010. The impact of pharmacy closures is most severely experienced in rural communities where approximately 1,800 independent community pharmacies serve as the sole pharmacy within a 10 mile radius.

**Does the 2015 NCPA Digest report pharmacy owner salaries?**

No. Since 2008, the NCPA Digest has not reported on average pharmacy owner salaries. Furthermore, in 2014 the Digest stopped reporting on average net profit before taxes. Net profit is available in the financial digest. The financial digest provides an in depth financial analysis of the state of independent community pharmacy, and is available to owners who completed the digest survey. The financial digest reports average salaries and wages per store but does not break it down by type of occupation. Therefore, owner salaries cannot be accurately calculated from information provided in the financial Digest.
What does the NCPA Digest say about quality measures that CMS would like to base value payments on?

Adherence is a service that CMS plans to partially base Medicare Part D payment on. Costs associated with treating chronic illnesses are a major driver of rising health care costs. For many of these chronic illnesses, medications are the most cost-effective course of treatment. Community pharmacies are at the forefront of implementing medication synchronization programs that help patients stay adherent to their chronic medications. 61% of Digest pharmacies are offering some type of medication adherence program. Excluding compounding only, closed door LTC, and specialty pharmacy, the number of community pharmacies that offer some type of medication adherence program increases to 76%.

What other pharmacy services does the Digest highlight, showing the importance of independent community pharmacy as healthcare providers?

As the most accessible health care provider, pharmacists are ideally positioned to administer MTM programs for their patients at the community pharmacy. The Medicare Part D prescription drug benefit requires participating plan sponsors to develop MTM programs for certain high-risk beneficiaries. The Centers for Medicare and Medicaid Services is now evaluating how these Part D plans offer MTM programs and measure the quality of medication use. Community pharmacists are ready to provide these services to many more Medicare Part D beneficiaries and receive appropriate compensation for the services. In 2014, 80% of independent community pharmacies provided MTM services. In addition to administering MTM programs, the top three disease state management services offered were immunizations (71 percent), blood pressure monitoring (64 percent), and diabetes training (41 percent). These reflect the increased prevalence of diabetes and cardiovascular disease and the emphasis on wellness and patient outcomes.

What does the Digest say about the importance of independent community pharmacy within the local community?

Independent community pharmacists have great stories to tell about the many ways they care for their patients, help achieve high rates of medication adherence and better health outcomes. In addition, using Digest data, NCPA calculated that independent community pharmacy makes $65 million in contributions annually to local communities and charities in addition to volunteer work done by pharmacy staff. As a percentage of pre-tax profits, that stacks up favorably compared to some of the largest U.S. corporations. The Digest also reports that 37% of independent community pharmacies provide monetary support to 10 or more community organizations. An additional 26% provide monetary support to between 5-9 community organizations.