

Predictions for 2019



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AS PART OF MANY CONSULTING projects, we are often asked to predict a future environment and its impact on our clients. As we analyze market conditions, we have a few prognostications for 2019. A few themes are going to impact pharmacy in 2019. These are that pharmacies will continue to gain ground as healthcare destinations, including the expansion of immunizations administered by pharmacists; managing at-risk opioid patients; and continued market consolidation.

Some have projected a slowdown in the growth of specialty drug costs, partly in response to pressure on manufacturers to limit price increases. However, speaking from a holistic standpoint, specialty pharmacy growth is on track to continue in 2019, due to specialty products comprising the majority of new drug approvals and an increased focus on rare diseases. Specialty pharmacy is an area unto itself; however, that we will discuss further in a future column.

We've previously advocated for the possibility of bifurcating the pharmacy profession into two roles — dispensing pharmacists and clinical pharmacists. However, all pharmacies will need to focus on expanding the clinical services they offer to remain competitive, and we see more of this happening in 2019. We also see the growing supply of pharmacy graduates leading to a competitive job market and stagnant salaries.

RETAIL PHARMACY AS HEALTHCARE DESTINATION

The major chains will continue to look at potential synergies in offering additional healthcare services such as helping to identify patient health needs and appropriate levels of care. For example, Walgreens announced in October of this year that it is expanding its partnership with LabCorp to open at least 600 "patient service centers" inside Walgreens locations over the next four years. These sites offer specimen collection services for testing that is performed at LabCorp's regional and specialty labs. Some Walgreens locations are also adding urgent care centers through partnerships with UnitedHealth Group and MedExpress.

Now that the CVS acquisition of Aetna has been approved, expect the new organization to focus on the CVS retail pharmacies and MinuteClinic locations in becoming primary treatment locations to improve patient access to primary care and eliminate wait time for a physician appointment.

Walmart has demonstrated an increased emphasis on healthcare as well, as it is the company's second-largest employee expense, after wages. Through its partnership with Humana, we expect Walmart to become increasingly focused on healthcare services in its stores. While its employees and families will be the initial target audience, we anticipate that this will rapidly expand to its customers, with

parallel benefits of expanding store visits and spending.

IMMUNIZATIONS BEYOND FLU

Immunizations administered by pharmacists have been growing for several years and expanding beyond flu shots. The demand for shingles, pneumonia, and travel-related vaccines will likely continue to grow as patients see pharmacists as healthcare providers. Recent updates to the recommendations for vaccines such as HPV may further expand the patient pool for vaccines that pharmacists can administer at reasonable reimbursement rates.

OPIOID RISK MANAGEMENT

One area of emerging opportunity for pharmacists is to get involved in the opioid crisis by helping to identify and triage at-risk patients. As a public health initiative, pharmacists can help screen patients. In Virginia, pharmacists are conducting SBIRT (screening, brief intervention, and referral to treatment) and getting reimbursed for the service by Virginia Medicaid. This provides a valuable service to the community while expanding the role of the pharmacist and allowing patients to see more ways that pharmacists can help improve their health. Other states will likely look to Virginia as a model of expanding the pharmacist's role in public health.

On the dispensing side, there are concerns

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about suspicious ordering systems that can lead to a cutoff of opioid products for legitimate orders. It is fundamental for distributors to take reasonable and appropriate measures to understand the normal transactions typically conducted by their customers and identify any transactions that are suspicious in nature. For example, if a pharmacy typically orders one bottle of a particular controlled substance per week, and the distributor notices an exponential increase in the ordering of this substance, further steps may need to be taken to ensure appropriate use. We see more efforts made in 2019 to address this problem, but the industry would be well served if the DEA (Drug Enforcement Administration) issued guidance in this area.

We also see the expansion of mandated e-prescribing of controlled substances and the increased focus on using PDMP (prescription drug monitoring program) data (both registering and checking before dispensing), as a means to identify fraudulent and/or potential abuse. With prescribers now legislated to use e-prescribing for Medicare Part D controlled substances, this process could flow over to all prescriptions.

The Pharmacy Quality Alliance's Opioid core Measure Set will bring increased focus on opioid management, specifically in the areas of concurrent use of opioids and benzodiazepines (COB); use of opioids at high dosage in persons without Cancer (OHD); use of opioids from multiple providers in persons without cancer (OMP); and use of opioids at high dosage and from multiple providers in persons without cancer (OHDMP).

CONSOLIDATION CONTINUES

In 2018, we saw Fred's, based in Tennessee, sell 185 of its pharmacy files to Walgreens, leaving Fred's operating 600 stores, but only 162 with pharmacies. The path to success for the remaining Fred's pharmacy locations is unclear, and they may be divested at a later date.

We expect the remaining Kmart pharmacy locations will close, as mounting debt offers no other path to survival and creditors have run out of patience for a turnaround. In most pharmacy closures, prescription files are bought and moved to a nearby location of the purchasing entity, reducing the number of retail pharmacy locations.

We'll continue to see more of the same when it comes to reimbursement rate pressure, staffing personnel in pharmacies, and the need to optimize operations to stay efficient. Rates will continue to trend downward, particularly as consolidation continues with the payer side of the equation, such as with Cigna/Express Scripts and Walmart/Humana. This will lead supermarket pharmacy operators to scrutinize marginal pharmacy locations and likely close unprofitable pharmacies. Management will also evaluate whether or not to include a pharmacy in a new store's footprint.

There is some good news for pharmacy,

though. We are hearing that the CVS/Aetna deal is the virtual end of the stand-alone PBM (pharmacy benefit manager) model. Moves to shared-risk models like this may help align incentives to control overall healthcare costs, even though prescription utilization may rise to help achieve that control.

FINAL OBSERVATIONS

We anticipate a strong economy continuing in 2019, with prescription volume growing slightly (in the low single digits), once we account for the increasing number of 90-day supplies at retail. Pharmacies should expect continued margin pressure from PBMs, with little relief from their suppliers on the purchasing side. Pharmacy chains will look at all levels of cost containment — from reduced hours to tactics in managing labor costs (such as improving the pharmacist/technician ratio), and possible pharmacist wage reductions in competitive markets. From a technology perspective, pharmacy owners will consider investments that improve workflow efficiency, improve patient compliance, and reduce labor costs. **CT**

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