

QUICK FACTS on Independent Pharmacies



In ongoing conversations about issues that impact pharmacy benefit managers (PBMs), legislators often discuss the welfare of independent pharmacies. The information below provides an overview of how independent pharmacies operate and how they are faring compared to large pharmacies that negotiate directly with PBMs.

PSAOs Help Independent Pharmacies Negotiate As a Group

- While large pharmacies interact and negotiate directly with pharmacy benefit managers (PBMs), nearly all smaller pharmacy owners use pharmacy services administrative organizations (PSAOs) to leverage their influence in obtaining discounts and rebates from preferred suppliers of drugs and in contract negotiations with PBMs and other third-party payers.
- The typical PSAO represents thousands of pharmacies, giving these groups access to pooled purchasing power, negotiating advantages, and contracting strategies normally associated with large, multi-location chain pharmacy corporations.
- More than 80% of pharmacy owners rely on PSAOs to leverage their collective influence in contract negotiations with PBMs. There are an estimated 22 PSAOs representing more than 21,000 pharmacies nationally.
- The majority of PSAOs are controlled by drug wholesalers and independent pharmacy cooperatives. Three of the biggest PSAOs in the country are owned and operated by drug wholesalers (AmerisourceBergen, McKesson, and Cardinal Health). This provides a negotiating advantage for independent pharmacies due to the size and sophistication of these parent companies.

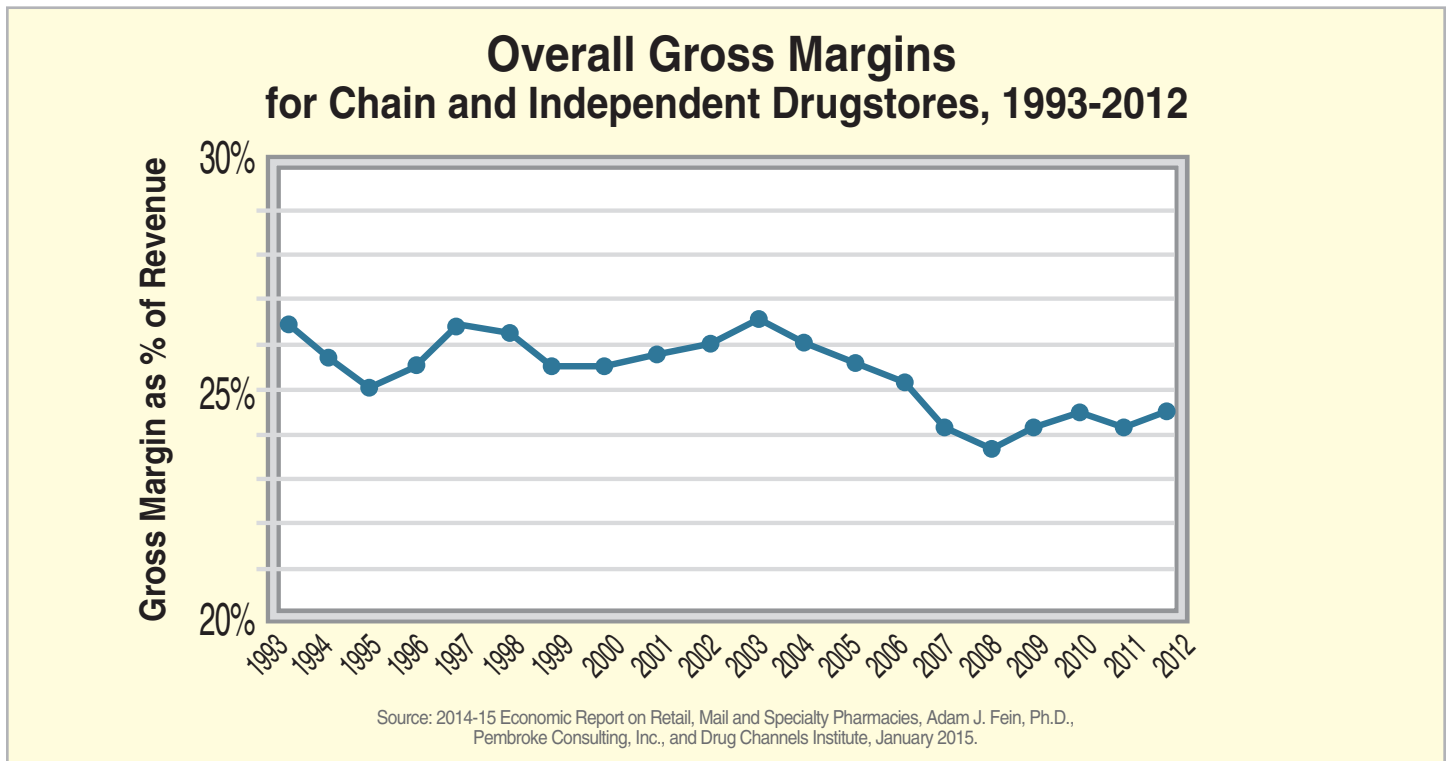
How Are Independent Pharmacies Faring?

- In 2013, overall profits increased for independent pharmacy owners, marking the third straight year of profit margin growth.
- According to the 2014 NCPA Digest, average prescription revenues increased more than \$1 per prescription in 2013.
- The average pharmacist owning a single pharmacy earned about \$247,000 in 2013. **The average pharmacist owning multiple pharmacies earned about \$900,000 in 2013.**
- A pharmacy owner generally earns more than twice the salary of an employed pharmacist.
- The number of independent pharmacies continues to hold steady, indicating the appeal of owning a pharmacy has not diminished.
- Smaller, independent pharmacies remain an important and healthy industry segment.

Source: 2014-15 Economic Report on Retail, Mail and Specialty Pharmacies, Adam J. Fein, Ph.D., Pembroke Consulting, Inc., and Drug Channels Institute, January 2015.

Independent Pharmacies Maintain Profit Margins

In 2012 (the most recent year available), the drugstore industry's overall average gross margin, as reported by the U.S. Census Bureau, was 24.2%. This is the highest gross margin since 2006. Overall gross profit margins for independent drugstores have been on par with chain drugstore earnings, ranging from 22% to 24% over the past 10 years, according to pharmacy-owner surveys.¹



¹Source: 2014-15 Economic Report on Retail, Mail and Specialty Pharmacies, Adam J. Fein, Ph.D., Pembroke Consulting, Inc., and Drug Channels Institute, January 2015.

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