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NATIONAL COMMUNITY PHARMACISTS ASSOCIATION

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Report for February 2024 Survey of Independent Pharmacy Owners/Managers

Executive summary:

The National Community Pharmacists Association surveyed roughly 10,000 independent pharmacy owners and managers between Feb. 16-26, 2024. The survey produced approximately 815 responses. Questions focused on independent pharmacy's financial status related to the Jan. 1, 2024, implementation of the CMS DIR rule, requiring all pharmacy price concessions (aka DIR fees) to be assessed at point of sale. NCPA has been educating members to prepare for a possible "DIR hangover" period, where lower point-of-sale Part D payments coupled with 2023 DIR fees could lead to financial stress for independent pharmacies.

Key findings:

- The reimbursement strategies of government programs significantly affect the financial viability of independent community pharmacies.
  - More than half of all respondents (51 percent) say Medicare Part D prescriptions account for 40 percent or more of their business.
  - For 45 percent of respondents, Medicare Part D comprises 20-40 percent of their business and for 4 percent, it accounts for up to 20 percent.
- Since the CMS DIR rule took effect on Jan. 1, 2024:
  - Nearly 70 percent of respondents say they now know at the point of sale the amount of pharmacy price concessions (aka DIR fees, therefore their lowest possible reimbursement) they are being charged.
  - Almost all (99 percent) have experienced a reduction in the reimbursed dollar amount of prescribed medications at the point of sale.
  - More than half say that insurance plans and their PBMs are reimbursing pharmacies less than the cost to purchase the drug for at least 3 of every 10 prescriptions they fill.
  - Over half of pharmacy owners say they are losing money on more than 60 percent of the Part D prescriptions they fill when other costs of running a pharmacy, like rent, taxes, utilities and payroll, are added in.
- 85 percent confirm that the DIR hangover has threatened the viability of their business.
- 32 percent say they are considering closing their business within this calendar year.
- 93 percent say they will be less willing to participate in Medicare Part D pharmacy networks next year if their 2024 experience in Medicare Part D continues.
- To attempt to address the DIR hangover:
  - 42 percent of respondents say they secured a line of credit to assist with the DIR hangover. 57 percent of them have had to tap into it.
  - 92 percent are taking steps to protect their business against insolvency. Large numbers report minimizing on-hand inventory of high-dollar drugs, cutting staff, dipping into pharmacy savings, and dipping into personal savings.
- When asked which PBMs are causing the most Medicare Part D financial stress, Express Scripts and CVS/Caremark were the top two.

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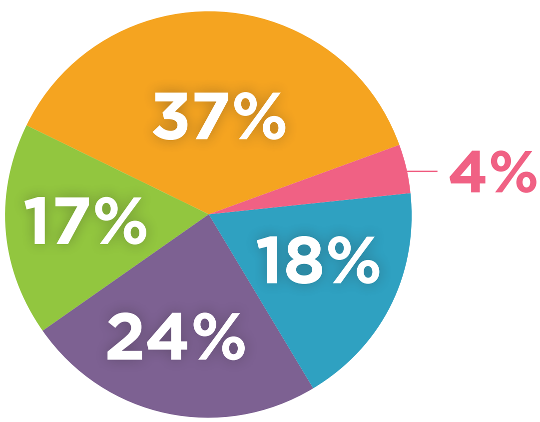
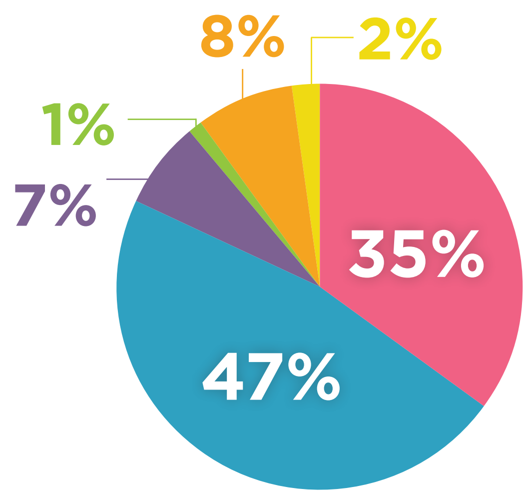
1. What percentage of your Part D prescriptions are being paid below the National Average Drug Acquisition Cost (NADAC)?

- 0-10%
- 10-20%
- 20-30%
- 30-40%
- 40%+

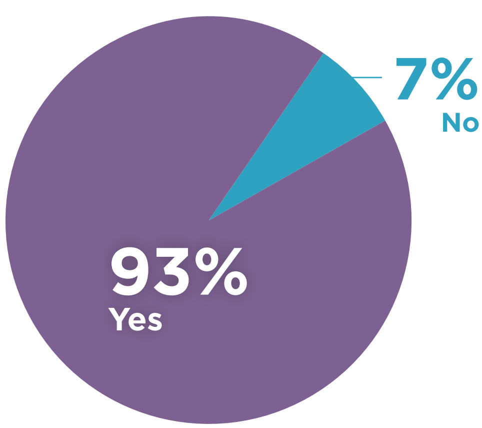


2. Which PBM is causing you the most Medicare Part D financial stress?

- CVS/Caremark
- Express Scripts
- Humana
- MedImpact Healthcare Systems
- OptumRx
- Prime Therapeutics



3. If your 2024 experience in Medicare Part D continues, will you be less willing to participate in Medicare Part D pharmacy networks in 2025?



4. Are you considering closing your business within this calendar year?