Healthcare Reform: The Changing Role of Retail and Specialty Pharmacy

Retail pharmacy has evolved significantly over the past decade. The prevalence of the independent pharmacy significantly declined as retail chains expanded exponentially in size, number, and services offered. The advent of Medicare Part D under the Medicare Modernization Act of 2003 ushered in a new role for the retail pharmacist as a consultant and guide to patients—not only through their role in Medication Therapy Management (MTM) programs, but also in guiding such critical decisions as which Part D plan to choose. The retail pharmacy has increasingly become a source of health and wellness, with vaccination services for flu and shingles ubiquitous across this channel. In fact, the Centers for Disease Control and Prevention (CDC) reported in its 2013 National Internet Flu Survey that over one-fifth of adults were currently receiving their flu vaccinations from a pharmacy or store.[1]

Simultaneous with the evolution of retail pharmacy was the establishment and growth of specialty pharmacy. Specific to high-cost, high-touch conditions, specialty pharmacies were founded on the premise not only of distribution for expensive (often injectable) therapies requiring special handling, but in ensuring patient adherence and compliance with these critical medications. The evolution of a traditional medicines market to a specialty-focused environment has been discussed and tracked over the past several years. In 2013, Express Scripts reported that although specialty drugs comprised only one percent of prescriptions, spending on specialty products represented one-quarter of overall drug spend.[2]

As the proportion of drug spend attributable to specialty drugs continues to grow (estimated to be $235 billion by the end of 2018[3]), as retail pharmacies seek to find new sources of revenue, and as more patients come into the healthcare system due to the Affordable Care Act (ACA), traditional retail and specialty pharmacy providers—once existing in a comfortable parallel to each other—begin to converge. HRA—Healthcare Research & Analytics recently completed a multi-client primary market research project to explore this trend in depth.

It's Not Just About Dispensing

Retail and specialty pharmacy both are focused on increasing their role in population health management *(see Figure1)*. While specialty pharmacy clearly has the advantage in oncology, hepatitis C, and rheumatoid arthritis, both channels are increasing their focus on population health management—hypertension, diabetes, cardiovascular health, respiratory health, and diabetes *(see Figure 2)*. In fact, 40% of retail pharmacies currently offer disease management services, with 20% intending to increase this service in the next year.

Who "Specializes" in Specialty?

HRA's study reveals that half of retail pharmacies—specifically large chains—are now offering specialty prescription services that were once almost exclusively the primary purview of specialty pharmacies *(see Figure 3)*. This change has been largely influenced by the passage of the ACA *(see Figure 4)*.

Achieving Provider Status

HRA's research reveals that pharmacists see patients 10 times more frequently than do doctors, on average seeing patients about every week and a half. Job responsibilities for both

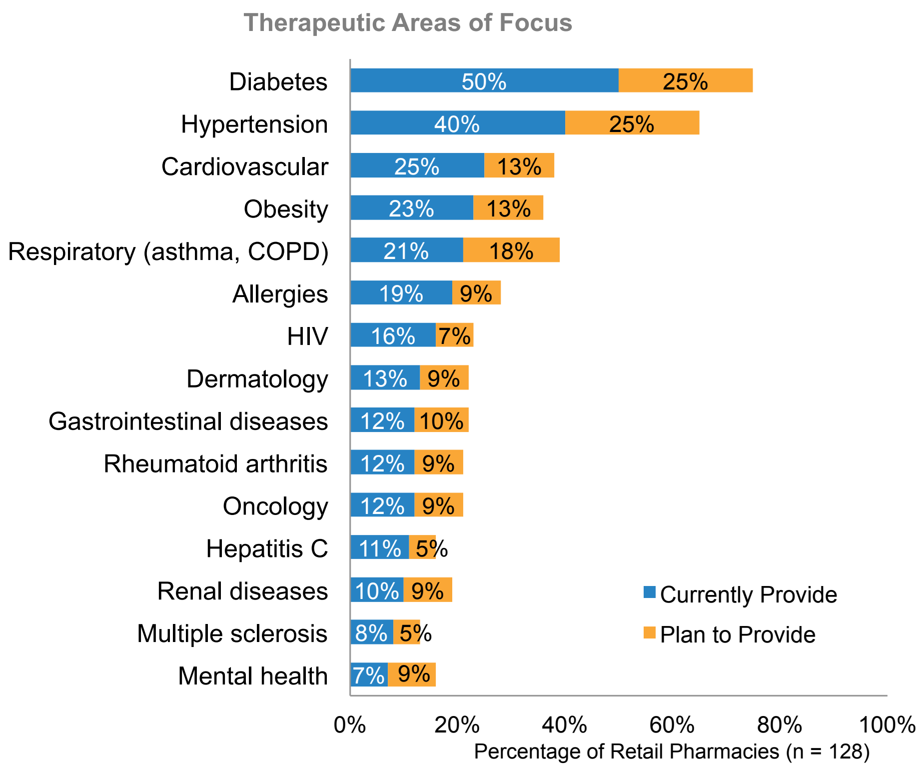

Figure 1

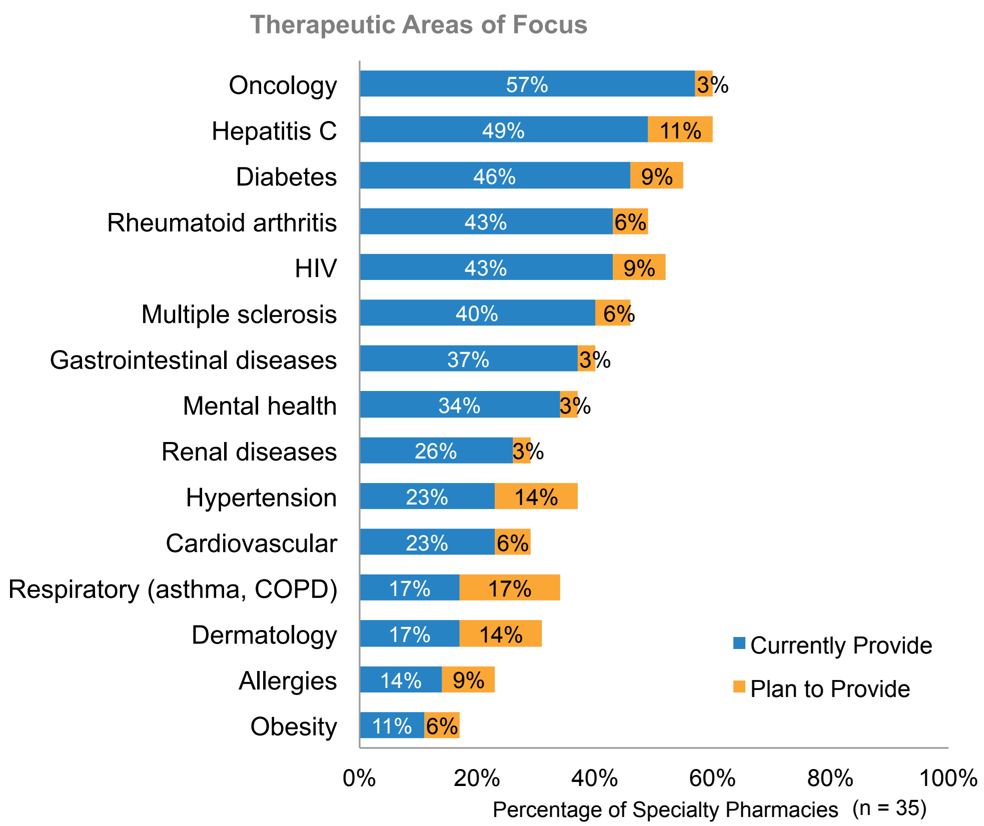

Figure 2

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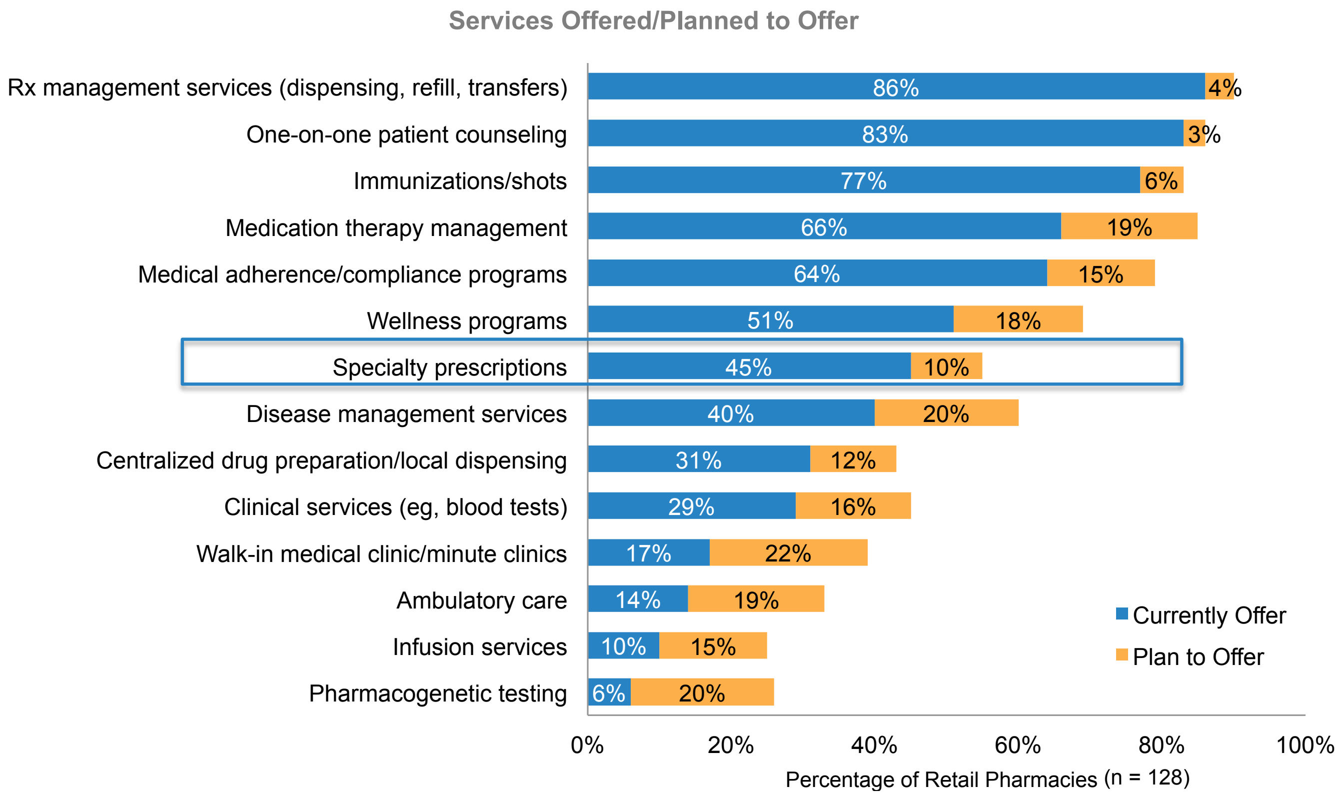

Figure 3

specialty and retail pharmacists have evolved, with nearly half of retail pharmacists reporting increases in patient interaction. And with as many as 30 million people entering the healthcare system via ACA, the retail pharmacy will see not only an increase in the number of prescriptions filled, but a related increase in the need for patient interaction and counseling. Further, the retail pharmacy can serve as a significant source of "overflow" care for patients within the system to alleviate the burden on primary care.

The Future

As retail pharmacies in particular look for new business models to help offset reimbursement shortfalls, and as specialty pharmacies need to continue to differentiate their services in light of retail's expansion into the specialty market, the healthcare customer becomes substantially more important to the pharmaceutical and biotechnology industries. Competitive differentiation, via value-added services, becomes more critical. And the transition to "provider status" brings each of these venues into an area that is unprecedented—one where pharma and biotech can provide significant experience-based support.

HRA's primary research study provides an in-depth overview of these questions, as well as others to help manufacturers in the pharmaceutical and biotechnology arenas to understand opportunities for outreach and partnership with this increasingly important customer segment. The ultimate evolution of retail and specialty pharmacy to provider status heightens the significance of this stakeholder. HRA's research offers a road map for understanding the respective business models, decision-making processes, and distinct needs and priorities presented by retail and specialty pharmacy today and predicted for the future.

About HRA

HRA – Healthcare Research & Analytics is a consultative healthcare market research practice leveraging a flexible spectrum of solutions to support decision making and strategy development across healthcare channels with particular expertise in the hospital setting, as well as specializations in managed markets, oncology, and pharmacy. HRA's team of highly experienced market researchers combines deep domain expertise in healthcare, science, business, and statistics with a passion for uncovering insights. HRA's portfolio of offerings

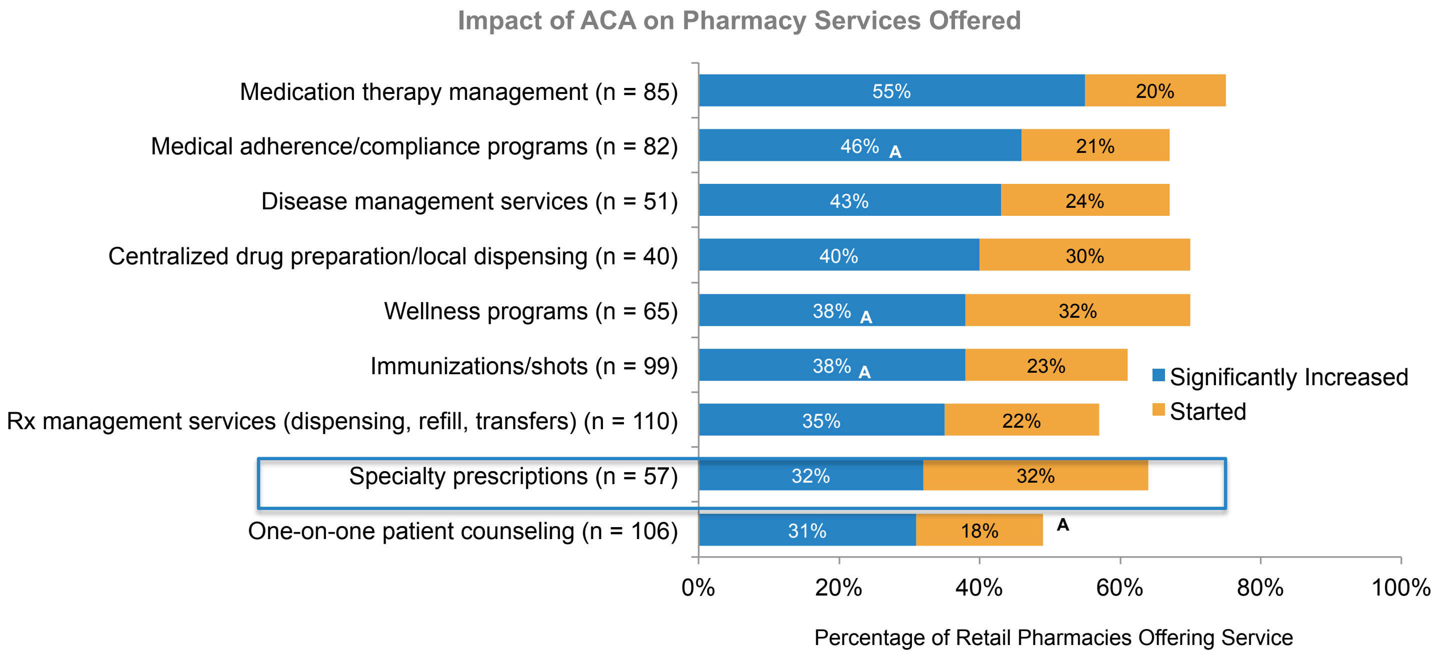

Figure 4

encompasses quantitative and qualitative, custom and syndicated market research services to support the business needs of the pharmaceutical, biotech, and medical device markets. HRA's people and its products provide the healthcare market with actionable intelligence—facilitating better business decisions. As a CASRO member, HRA subscribes to the *Code of Standards and Ethics for Survey Research*.

Sources:

[1]http://www.cdc.gov/flu/fluvaxview/nifs-estimates-nov2013.htm

[2]http://lab.express-scripts.com/insights/industry-updates/report-specialty-drug-spending-at-lowest-rate-since-2007

[3]http://content.healthaffairs.org/content/33/10/1736

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