
Becoming a Long-Term Care Pharmacy

Opportunities and Important Considerations



Becoming a Long-Term Care Pharmacy: **Opportunities and Important Considerations**

The challenges for independent retail pharmacies are well known: reimbursement continues to decrease, margins continue to decline and the large national chains continue to flex their muscles. Owners of independent pharmacies — who are entrepreneurial by nature — are reinventing the business of pharmacy, providing new types of services like medication therapy management and medication synchronization. In addition, retail pharmacies are exploring new growth opportunities and looking to diversify their revenues, with particular interest in high-margin, growing markets. Because of the opportunities presented, one area of significant interest is long-term care (LTC) pharmacy.



Long-Term Care

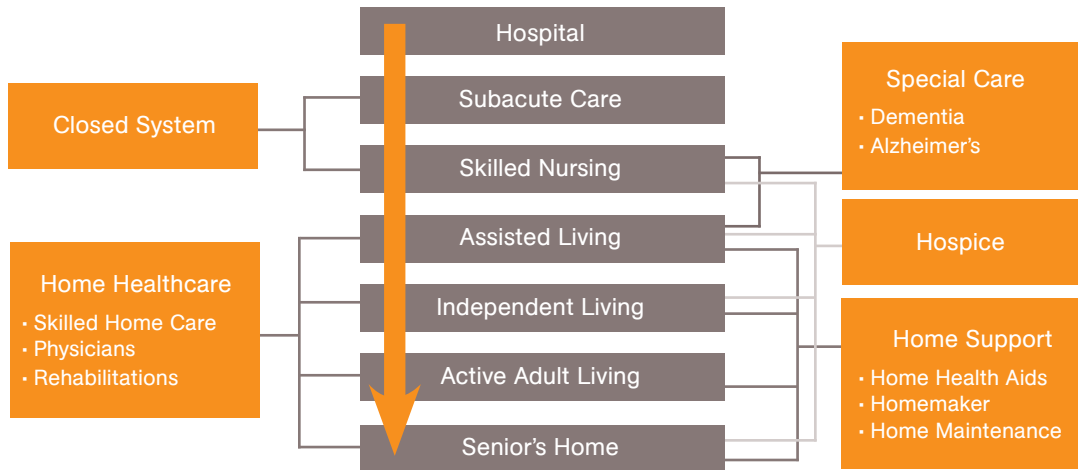
Long-term care consists of a continuum of medical and/or social services outside of hospitals, designed to help those with chronic care needs or disabilities. Services may be short- or long-term, and may be provided in individuals' homes or in residential settings, including skilled nursing and assisted living facilities (Figure 1). About 11 million people age 18 and over receive some type of long-term care services each year.¹

While the resident profile and length of stay vary for every facility, most long-term care residents have multiple comorbidities and are on numerous medications. The "typical" skilled nursing facility (SNF) resident is female and over the age of 85. With America's aging population and with the increase of chronic conditions such as diabetes and heart disease, the number of Americans expected to require long-term care services is projected to

increase dramatically. Consider the following: 40% of individuals who reach age 65 will need to enter a nursing home during their lifetimes. In 2005, there were 37 million Americans age 65 or older, but in 2050 this group is expected to be 81 million. In 2012, there were about 9 million Americans age 65 or older who needed long-term care services. It is projected that by 2020, this will be 12 million.²

In 2012, there were about 58,500 regulated long-term care service providers in the U.S., about two-thirds of which provided care in residential settings; 37.8% (22,113) were residential care communities, such as assisted living facilities; and 26.8% (15,678) were nursing homes.³ Together, nursing homes and assisted living facilities have about 2.8 million beds. (On average, a nursing home or assisted living facility has 80 to 100 beds.)

Figure 1. Reimbursement Process for Medications in LTC



Data on file. MatureHealth Communications.
The Alliance for Quality Nursing Home Care. Trends in Post-Acute and Long-Term Care. September 2009.

LTC Pharmacy

Nearly all long-term residential facilities offer some type of pharmacy or pharmacist services, including most nursing homes (97.4%) and residential care communities (92.6%), though most turn to an external, unaffiliated pharmacy for medication and consultant services.

Whether a pharmacy is open- or closed-door, there are certain services it must provide when partnering with skilled nursing facilities. Pharmacy services in SNFs are mandated by the federal government — these services must be provided by a registered pharmacy. The regulations in place for pharmacy services were passed in the 1987 Omnibus Budget Reconciliation Act, which provided guidance on how medications must be monitored and administered. This includes having the ability to provide routine and emergency drugs and biologicals, and using a licensed pharmacist to provide consulting and dispensing services.⁴

The core groups of services that must be provided by long-term care pharmacies include:

- Prescription processing
- Dispensing and delivery
- Medication administration and management
- Return, reuse and disposal of medications

“Spurred by an aging Baby Boomer population, this market [long-term care and long-term care pharmacy] continues to be one of the fastest-growing segments of healthcare.”⁷

– MHA Independent Long-Term Care Study,

In addition, to service LTC facilities, pharmacies must maintain an “urgent kit” and be able to respond to emergency orders 24/7.

There are currently a few major corporations serving this market, but there are over 1,100 independent LTC pharmacies.⁵ Managed Health Care Associates, Inc. (MHA) defines independent LTC pharmacy as a closed-door pharmacy (more on closed-door pharmacy below) that serves residents in nursing homes and skilled nursing facilities, assisted living facilities, mental health or developmentally disabled facilities, hospice settings, or correctional facilities.⁶ With expected continued growth in the number of facilities, beds and residents, the prospects for growth of LTC pharmacies remain significant.

Profile of an Independent LTC Pharmacy

Here are some important facts about independent LTC pharmacies from MHA's 2014 and 2015 studies:⁸

- The average independent LTC pharmacy owned or operated one pharmacy in one state and had revenue of less than \$5 million.
- The average independent LTC pharmacy dispenses 12,369 prescriptions per month.
- On average, residents receive 12 prescriptions per month (3 branded and 9 generic). The number of prescriptions per resident and the percentage that are generic have grown. However, 71% of total drug spend is on branded products and only 29% is on generics.
- With 12,369 prescriptions per month and 12 prescriptions per resident, this means the average LTC pharmacy is serving about 1,030 residents per month.
- The average independent LTC pharmacy is serving 10 to 13 facilities, with 80 to 100 residents per facility.
- On average, residents used three to five OTC items per month.
- Eighty-two percent experience 8 or more inventory turns per year, 60% have more than 12 turns per year and 38% have more than 15 turns per year. The average cost of goods sold (COGS) is between 61% and 70%, meaning that gross margins are in the 30–40% range, with variation based on geography and the types of facilities served.
- The average independent LTC pharmacy employed between 9 and 40 FTEs, and for 65% of survey respondents, payroll comprised from 10% to 20% of sales.
- Delivery costs average 2–3% of gross sales and bad debt write-offs average 1–2% of sales.

In summary, the long-term care market is substantial and is projected to continue growing for years to come. Because LTC facilities must provide drugs to patients, a relationship with a long-term care pharmacy is essential. For pharmacies to work with skilled nursing facilities, specific services are required. Yet with the average facility housing 100 residents, with each resident taking approximately 12 prescriptions per day, and with gross margins of 30% or even more, LTC pharmacy can represent a significant, attractive and growing opportunity.

Figure 2. Prescriptions Dispensed into LTC Settings per Resident per Month: 2011–2015

	2011	2012	2013	2014	2015
Total Prescriptions	9	10	11	11	12
Brand	4	3	3	3	3
Generic	5	7	8	8	9

Source: MHA Independent Long-Term Care Member Study, 2014, citing PDS.

The Growing Importance of LTC Pharmacy

As part of the Affordable Care Act (ACA), in 2012, the Centers for Medicare and Medicaid Services (CMS) introduced the Hospital Readmission Reduction Program. The goal of this program is to improve quality and decrease healthcare expenses by reducing unnecessary and often expensive hospital readmissions. The idea is to create financial incentives — in the form of penalties — for hospitals with above-average rates of avoidable readmissions. As was written in a recent *Kaiser Health News* story, “The federal government’s penalties . . . are intended to jolt hospitals to pay attention to what happens to their patients after they leave.”⁹ In October 2014, 2,610 hospitals received penalties for excessive readmissions. As a result, hospitals are increasingly focused on strategies to reduce avoidable hospital readmissions.

“LTC pharmacies will need to develop more extensive medication-management programs to meet the needs of facilities.”

— Mark Prifogle, CEO,
GrandView Pharmacy, Brownsburg, IN

This is relevant for long-term care facilities because approximately 40% of hospitalizations of Medicare beneficiaries end in discharge to a skilled nursing or rehabilitation facility, and roughly 20% of those discharges result in a hospital readmission.¹⁰ SNF executives recognize that working with hospitals to reduce readmission rates is critical to future

relations with hospitals, which are an important referral source. Hospitals want SNFs to implement high-quality programs and services that keep residents in the facility. Particularly important to preventing readmission are the first 48 hours after a resident is transferred to a facility.

LTC pharmacies are being approached by facilities to play a greater role in the transition of care, as issues involved that cause readmission are often medication-related. To support SNFs in reducing readmissions, LTC pharmacies are:

- Ensuring medications are appropriate, available and delivered in a timely fashion, particularly at admission.
- Monitoring residents, which may include medication reconciliation and counseling to improve adherence and minimize complications.
- Providing extensive medication management and reviews at arrival and discharge.
- Dispensing medication at the time of discharge for use in the community for up to 30 days. Some SNFs are requesting that their LTC pharmacies continue to dispense and closely monitor residents for up to 30 days post discharge.
- Occasionally providing infusion therapies and supplies to minimize the need to send residents back to a hospital when infusion care is required.

Because of the growing importance of LTC pharmacies in the care process, facilities are choosing their pharmacy partners carefully, based on the pharmacy’s commitment to quality and service capabilities.

Options for Retail Pharmacies to Enter the LTC Market

The most common way in which retail pharmacies can pursue the LTC opportunity is to simply start servicing nearby LTC locations. This can be done as an open-door pharmacy, which is essentially serving LTC facilities and residents out of an existing retail pharmacy. It involves purchasing from the same sources, off of the same contracts, and using the same license, facilities and computer systems. It does not require managing separate inventories. It is the fastest and easiest option, and requires the least investment.

However, some owners will choose to pursue the LTC opportunity by establishing a separate closed-door pharmacy location. Closed-door LTC

pharmacies are able to benefit from purchasing and reimbursement advantages that are not available to open-door pharmacies.

Some retail pharmacies may also consider diversifying their revenues by exploring other opportunities related to long-term care, such as the home infusion or specialty pharmacy markets. Each of these represents potential areas of growth; however, each is different from the LTC pharmacy opportunity, with different licensing and manufacturer criteria, reimbursement, contracts, operational and credentialing requirements, and service offerings. For the purposes of this guide, we will focus our attention on becoming an LTC pharmacy.

Closed-Door LTC Pharmacy

A closed-door pharmacy is a pharmacy that is not open to the general public, and that provides medications to patients residing in various settings, most commonly long-term care settings including skilled nursing and assisted living facilities. Importantly, closed-door pharmacies must have separate licenses from an existing retail pharmacy and must keep separate inventory. The closed-door pharmacy must have a separate address and physical entrance from a retail pharmacy, with no connecting doors, windows or passageways.¹¹

Basically, a closed-door LTC pharmacy operated by a retail pharmacy may be under the same roof, but is essentially two pharmacies operated as completely separate entities. Often, closed-door pharmacies for LTC are created by adding onto a retail store; in other instances, a closed-door LTC pharmacy is a stand-alone business, without any connection to a retail pharmacy.

Among the specific advantages of setting up a closed-door pharmacy for LTC are:

- Participating in a high-growth, higher-margin market with significant growth potential.
- Getting access to a broad portfolio of brand and generic pharmaceuticals and accessing non-pharmaceutical contracts, specific for closed-door pharmacies.

- Enjoying financial advantages of enhanced reimbursement from Medicare Part D contracts, which would only be available to closed-door LTC pharmacies, and access to pricing discounts as well as rebates.
- Being able to participate in special programs just for closed-door LTC pharmacies. An example is [McKesson's OneStop Generics Alternate Site Pharmacy](#) program, which offers special products, packaging sizes, pricing and promotions specifically designed for closed-door LTC pharmacies.

What is a Combo Pharmacy?

The term "combo" is used in various ways and means different things to different people. In general, when people refer to a "combo pharmacy," they usually mean an existing retail pharmacy that uses its retail license, receives retail rates, is treated as a retail operation, but serves some LTC patients. This is very different from the separate licensing, pricing and contracts of a closed-door pharmacy for LTC.

Considerations in Establishing a Closed-Door LTC Pharmacy

While the margins from a closed-door LTC pharmacy can be attractive (especially in comparison to a retail pharmacy) and the opportunity can be significant, establishing a closed-door LTC pharmacy takes investment and careful consideration. Among the many important considerations in establishing a closed-door LTC pharmacy are:

- **Licensing considerations and regulatory requirements.**

- **Obtaining separate licenses.** Simply serving long-term care facilities does not necessarily require that a retail pharmacy get different types of licenses, but opening and operating a closed-door LTC pharmacy does require entirely separate licenses. This includes all licenses and permits from the DEA, as well as separate NPI (National Provider Identifier) and NCPDP (National Council for Prescription Drug Programs) numbers.

- **Meeting state and federal requirements.**

Closed-door LTC pharmacies must meet all state board of pharmacy requirements. (A link to all state boards of pharmacy is provided [here](#). Each state's website has information about the board of pharmacy requirements for that state.) They must also meet CMS requirements if servicing Medicare patients in a long-term care setting. CMS' requirements include that all branded drugs be dispensed in quantities of 14 days or less, having 24-hour on-call capabilities, providing delivery services, and being able to provide consultations, such as monthly chart reviews.

- **Financial and reimbursement**

- considerations.** Margins for closed-door LTC pharmacies may range from 7% to 35% based on the geography, population served, number of beds served and product mix. Important financial considerations include:

- **Sources of payment.** Closed-door LTC pharmacies receive payments from facilities for Medicare Part A and Medicare Advantage Plan residents; from prescription drug plans (PDPs) for Medicare Part D prescriptions; from Medicaid for selected medications used in the facility; from commercial and private insurance; and from residents' out-of-pocket or private pay.

- **How an LTC pharmacy makes money.**

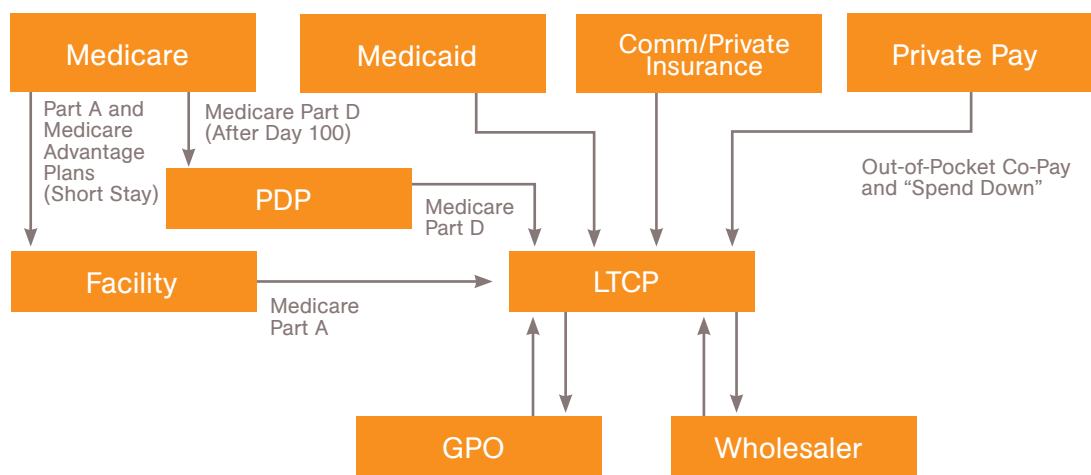
LTC pharmacies make money through medication costs, dispensing fees and profits based on the facility charge, minus the acquisition cost and rebates. Medication costs and dispensing fees are similar for closed-door LTC pharmacies and open-door pharmacies, but the profits based on facility charges are different because the costs of a closed-door pharmacy may be very different from an open-door retail pharmacy. Rebates are determined through contracts that a closed-door pharmacy may have with a GPO, a pharmacy network, a wholesaler or a manufacturer.

- **Pricing for closed-door LTC pharmacies.** Pricing is different for LTC compared to retail, and while pricing varies from state to state, reimbursement is often higher in LTC. Fee-for-service is used for Medicare Part A and Medicare Advantage Plans, and Part D reimbursement; pricing is set through contracts with the facility, PDP or purchasing organization. Compared to retail pharmacy, 90-day supply is unusual in long-term care, though not unheard of. Also, special pricing for selected medications, such as \$4 generics, is a price promotion that is not done in LTC pharmacy. Currently, branded medications are reimbursed based on Average Wholesale Price (AWP) minus 10% to 20%, plus a dispensing fee. Generics may be reimbursed based on AWP minus a percentage plus a dispensing fee, or using the Maximum Allowable Cost (MAC), set by each state, plus a dispensing fee.
- **Purchasing for closed-door LTC pharmacies.** One of the most significant advantages of becoming a closed-door LTC pharmacy is a purchasing advantage. Through various

contracts that are not available to retail pharmacies, closed-door LTC pharmacies can access a broad portfolio of brand and generic pharmaceuticals and participate in various discounts and rebates. However, accessing these purchasing and contracting benefits may require participating in a group purchasing organization that serves the closed-door LTC market. Whether to participate in a GPO and which one are important considerations.

- **Additional investments and costs for LTC pharmacies.** Owners of retail pharmacies are often curious when learning about the reimbursement, margins and growth rates for LTC pharmacies. However, in addition to requiring separate licensing and space, LTC pharmacies also require expert staffing (such as consultant pharmacists), specialized systems to serve LTC, and unique capabilities such as 24/7 delivery capabilities. Creating these capabilities typically takes investment, which can require capital for growth.

Figure 3. Reimbursement Process for Medications in LTC

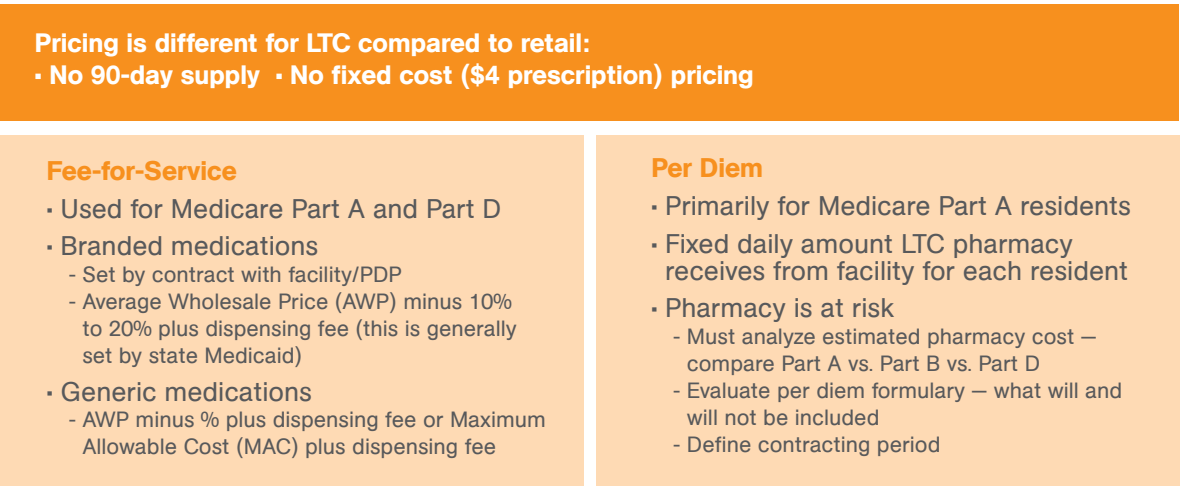


Data on file. MatureHealth Communications. Stevenson DG, Huskamp HA, Newhouse JP. Medicare Part D, Nursing Homes, and Long-Term Care Pharmacies. June 2007. No 07-2.

• **Packaging considerations.** CMS encourages compliance packaging, which requires being able to provide unit dose, multi-dose, and bingo-card packaging. According to a 2013 study conducted by NCPA's LTC Division and the Virginia Commonwealth University (VCU) School of Pharmacy, 23% of all doses supplied to LTC facilities were in 14-day or less cycles and 76% were dispensed in 28- to 31-day cycles. Complying with these packaging requirements increases dispensing costs — which NCPA has found are 25% higher for LTC facilities than traditional retail pharmacies¹² — and can require significant investment. The NCPA/VCU study found that most LTC pharmacies use automated medication packaging technology, heat and cold package sealers, bar code systems, sterile compounding hoods, LTC printers or labels, and electronic prescribing.¹³

Note: Beginning January 2013, CMS required all pharmacies dispensing prescription drugs to LTC facilities (both open-door and closed-door pharmacies) under Part D plans and Medicare Advantage plans to dispense solid oral doses of brand-name drugs in no greater than 14-day increments. This may be extended to generics in the future. In February 2015, CMS revised the terms of its rule requiring efficient dispensing of prescription drugs to Part D enrollees in LTC facilities. The original rule, which was intended to reduce medication waste, had led some Part D sponsors or their PBMs to prorate monthly dispensing fees, which was deemed by CMS as “Contrary to Congress’ intent.” Among other things, the new rule from CMS — which goes into effect for the 2016 plan year — prohibits payment arrangements, such as prorating, that penalize more efficient dispensing techniques.¹⁴

Figure 4. Pricing of LTC Pharmacy Services



Data on file. MatureHealth Communications. Stevenson DG, Huskamp HA, Newhouse JP. Medicare Part D, Nursing Homes, and Long-Term Care Pharmacies. June 2007. No 07-2.

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- **Facility considerations.** To serve skilled nursing facilities, LTC pharmacies have to make various investments. For example, one common investment is in medication carts, which can cost \$3,500 to \$5,000 each. For a nursing home with multiple wings, a long-term care pharmacy may need to purchase four or five carts, at a total cost of \$15,000 to \$20,000. This is just one of several possible considerations to accommodate and serve a facility.

Also important is the need to have an urgent/emergency box that includes medications that may be needed right away, before a pharmacy delivery, such as antibiotics or pain medications. What is to be included in this box is dictated by the state board of pharmacy, but the LTC pharmacy is responsible for providing and stocking this box.

- **Technology considerations.** Closed-door LTC pharmacies utilize technology in multiple ways, which include dispensing software, automated delivery systems, e-prescribing and electronic medical records.

- **Dispensing software.** All pharmacies — both retail and LTC — need dispensing software to track prescriptions and manage billing. Owners of a retail pharmacy that open a closed-door LTC pharmacy may be able to use the same dispensing software, but will likely need a separate license and/or a separate login, since these are separate entities and the information must be kept separately. Also, the dispensing software may need to be customized for LTC. In addition, having a software license just for the closed-door LTC pharmacy is necessary for the LTC pharmacy to get access to enhanced reimbursement and LTC reimbursement rates.

In general, the systems used by closed-door LTC pharmacies must have the ability to maintain demographic information about residents, monitor for drug interactions, adjudicate third-party payers, print drug dispensing materials and maximize workflow efficiencies.

- **Automated delivery systems.** While some packaging can be done manually, automated systems are often used for bingo-card and strip packaging. Packaging can become a differentiator when competing with other LTC pharmacies.
- **E-prescribing.** MHA reports that 57% of survey respondents used an e-prescribing system in 2014, but the majority of those responding still receive less than 10% of their orders through e-prescribing.¹⁵
- **Electronic Medication Administration Reconciliation (e-MAR).** MHA reports that 56% of independent closed-door LTC pharmacies used e-MAR in 2014, up from 37% in 2012.¹⁶ Many long-term care facilities will require that their LTC pharmacy use their e-MAR of choice. Since there are several dozen e-MAR technologies on the market, pharmacies must be prepared to handle these requests.

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- **Staffing considerations.** Closed-door LTC pharmacies must employ staff to physically dispense prescriptions, which requires dispensing pharmacists and technicians. Most facilities will require pharmacy services 24 hours a day, 7 days a week. Staffing and systems must be in place to provide appropriate services at night, on weekends and during holidays. In addition, regular support for the dispensing function is needed in the form of medical records personnel and delivery staff. MHA cites research from IntelliQ Health indicating that 57% of independent LTC pharmacies employ their own drivers to handle deliveries and 37% contract with a local delivery service.¹⁷

In addition, closed-door LTC pharmacies need to have consulting pharmacists (employees or contractors) to provide various consultative services to skilled nursing facilities. Consultant pharmacists are important members of a facility's healthcare team who provide primary care services as well as information and education.

- **Primary care services** include reviewing drug regimens, medication dosing services, drug monitoring and chart audits.
- **Information/education services** include education for staff and counseling for residents, along with activities to boost compliance.

Also, with the increased focus of hospitals and the entire health system on reducing unnecessary hospital admissions, LTC pharmacies and consultant pharmacists will be directly involved in programs to improve results in this area. This includes efforts upon a resident's arrival at a long-term care facility to ensure their prescriptions are filled and understood, to reduce unnecessary drugs, and to ensure smooth transitions upon discharge from a long-term care facility.

Dedicated staff to support a closed-door LTC pharmacy represent an additional expense, but as with a retail pharmacy, the right staff can provide great service that creates differentiation.

- **Marketing considerations.** Competing effectively in the LTC market is not as simple as just getting the necessary licenses and creating the operational capabilities to serve this market. Facilities will need to see commitment, understanding of the market and expertise.

However, established retail pharmacies have certain advantages. They often have a good reputation and relationships in a community, and may better understand a local market. They may also have prior experience providing outstanding personalized service in a complex, regulated environment. These advantages can be leveraged and used to differentiate an independent pharmacy owner. Retail pharmacy may also need to overcome community perception that they're "just retail" if they are going to offer the services and specialization of a closed-door LTC pharmacy.

A recent [article in *Pharmacy Times*](#)¹⁸ about entering the LTC market suggested identifying "value gaps" where LTC facilities need help lowering costs, improving quality and delivering a better patient experience. Pharmacists can create and leverage connections with physicians, home health agencies and hospital discharge planners for introductions to decision-makers at targeted facilities. The key for pharmacists is to build trusted relationships, demonstrate an understanding of a facility's needs and convey the pharmacy's ability to meet those needs.

Case Study: LTC Specialists, Scott City, Kansas

Jonathan Brunswig owned three retail pharmacies in Kansas that operated as open-door pharmacies, serving patients in five different nursing homes. But Brunswig saw an opportunity to grow his LTC business and improve his profitability by creating a separate, closed-door LTC pharmacy. The advantages Brunswig saw in establishing a closed-door LTC pharmacy were:

- Lower operational costs because of centralized operations for all LTC business.
- As a closed-door LTC pharmacy, eligibility for discounts and rebates as part of a group purchasing organization (GPO).
- The ability to offer customized, focused care for LTC facilities and residents, which can produce higher revenue and profit.

The downside of a closed-door LTC pharmacy is that it is a highly regulated environment with a complex claims authorization and adjudication process. It is also a labor-intensive business that involves high-touch services, such as ongoing quality assurance checks, emergency drug delivery, in-service training programs and consultant pharmacist services.

Despite those challenges, Brunswig believes that operating a closed-door LTC pharmacy makes sense for his business. He said the hardest part was transitioning his current LTC customers to a closed-door environment, which required initially setting it up and transferring the patient records to a new system. After that, “we just let it run,” he said. Brunswig sees the key to success as partnering with a good GPO and then marketing to secure contracts with facilities.

Exploring the Opportunity

As with any potential opportunity, it makes sense to first assess the market conditions.

- Some of the key questions to answer include:
 - How many facilities are there in your market?
 - Are new facilities being opened, and is the market growing?
 - How satisfied are these facilities with their current suppliers, and what value gaps exist?
 - How would you differentiate your offering from the current players in the market?
 - How could you leverage your existing capabilities and relationships in this new area?
 - What investment would be required to get started, and what is the potential upside?
 - What additional staff would be required?
 - How can you acquire your first LTC account to get the ball rolling?

Becoming an LTC Pharmacy

Once a pharmacy owner decides to create a closed-door LTC pharmacy, there are numerous steps in the process. Key steps involve licensure, IT systems, staffing, inventory, marketing and more. To help independent pharmacy owners on this journey, Mark Prifogle, the CEO of GrandView Pharmacy in Brownsburg, Indiana, has put together multiple tools to help owners get started. Below is an example timeline listing certain important steps. Additional tools and resources are available upon request; email alternatesite@mckesson.com.

1	Assign project manager to meet with Personnel, IT, Operations, Quality Control and Legal Affairs.
2	Apply for business incorporation in the state in which the pharmacy will be located. Refer to the rules relevant to the state you are filing in. This will determine the time frame for completing this portion. Confirm if a new corporate name will be created, or you will be filing as a foreign corporate entity. This will later affect how pharmacy application will be handled.
3	Find a facility to lease and enter into lease agreement. Call and set up utility services. Verify in lease which services are/aren't included.
4	Develop IT timeline to factor wiring, layout and security setup for the location.
5	Once a physical location has been secured, determine the type of pharmacy application for the state applying in based on the incorporation status in Step #2. Also, make sure to apply for the controlled substances license. These can take two to six weeks for approval.
6	Approval of the pharmacy license will require a physical inspection of the premises. All IT security must be completed prior to this; however, inventory may not be brought to the location until the premises has been approved by the board of pharmacy.
7	When pharmacy application has been approved, apply for NCPDP and DEA numbers. DEA registration will take three to six weeks for approval.
8	Contact McKesson to arrange for the transportation and setup of inventory.
9	The recruiting process should begin approximately five weeks prior to the arrival of inventory. Post an ad and begin interviews. This would permit any candidate to give his or her current employer two weeks' notice.

Conclusion

As independent pharmacy owners are looking to expand their businesses and assess possible opportunities, long-term care pharmacy may merit investigation. Based on the demographics in the United States and the increasing prevalence of chronic diseases, the long-term care market is expected to see sustained growth. Because long-term care facilities need services from and relationships with pharmacies, the opportunity for LTC pharmacies is likely to be significant.

A retail pharmacy can serve LTC facilities through its existing operations, but many owners are electing to create closed-door LTC pharmacies for the greater financial benefits. A closed-door pharmacy is a separate entity, with separate licenses, inventory, staff and, possibly, separate systems (or technology licenses). Pursuing this opportunity takes due diligence and investigation of the market, planning, possibly establishing a relationship with a GPO, and significant investment. However, the gross margins and the long-term growth of this market represent a substantial opportunity to increase and diversify revenue streams.

More Information

A wealth of information is available about the long-term care industry and about LTC pharmacies, particularly closed-door LTC pharmacies. Good sources of information include:

- The [CDC](#), which has extensive industry information about long-term care services in the U.S.
- NCPA Long-Term Care at www.ncpaltc.org
- Managed Health Care Associates, Inc. at www.mhainc.com
- [Long-Term Care Pharmacy 101 and 102](#): A two-part course developed and provided by McKesson, which is also available on NCPA's website
- State boards of pharmacy at www.nabp.net/boards-of-pharmacy
- Email alternatesite@mckesson.com for additional tools and support
- Visit RxOwnership.com for more general information on starting, buying and selling pharmacies

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¹“Long-Term Care: Consumers, Services, and Financing.” National Health Policy Forum. November 28, 2008. Cited by McKesson in Long-Term Care Pharmacy 101.

²“40 Must-Know Statistics About Long-Term Care.” Morningstar, August 9, 2012.

³“Long-Term Care Services in the United States: 2013 Overview,” National Center for Health Statistics, National Health Care Statistics Reports, Number 1, December, 2013.

⁴McKesson in Long-Term Care Pharmacy 101.

⁵MHA Independent Long Term Care Member Study, 2015, www.mhainc.com.

⁶Ibid.

⁷MHA Independent Long Term Care Member Study, 2014, www.mhainc.com.

⁸MHA Independent Long Term Care Member Study, 2014 and 2015, www.mhainc.com.

⁹“Medicare Fines 2,610 Hospitals in Third Round of Readmission Penalties,” *Kaiser Health News*, October 2, 2014.

¹⁰“The Revolving Door of Rehospitalization from Skilled Nursing Facilities,” *Health Affairs*. Available at <http://content.healthaffairs.org/content/29/1/57.full>. Cited in McKesson White Paper: *Medicare Initiative to Reduce Hospital Readmissions: Implications for LTC Pharmacy*. Accessed March 20, 2015.

¹¹“LTC Criteria,” GeriMed.

¹²“Study Finds Long-Term Care Pharmacies Face Higher Dispensing Costs; Must Meet Specialized Patient Needs.” NCPA, February 22, 2013.

¹³“Analysis of Costs to Dispense Prescriptions in Independently Owned Long Term Care Pharmacies,” NCPA’s LTC Division and Virginia Commonwealth University School of Pharmacy, February, 2013.

¹⁴“NCPA: Medicare Addresses ‘Short-Cycle’ Dispensing Fees at LTC Pharmacies,” February 9, 2015.

¹⁵MHA Independent Long Term Care Member Study, 2015; www.mhainc.com.

¹⁶Ibid.

¹⁷Ibid.

¹⁸“Long-Term Care: Expanding Into the Market,” *Pharmacy Times*, April 14, 2014.

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