



Independent Pharmacists Association of Ontario

Independent Pharmacists Association of Ontario (IPO) Positioning Paper

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**PREPARED FOR: INDEPENDENT PHARMACISTS ASSOCIATION OF ONTARIO
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1.0 PREFACE

THE IPO REPRESENTING SMALL BUSINESS, PROFESSIONAL PHARMACISTS

The Independent Pharmacists Association of Ontario (IPO) is a non-profit association of professional pharmacists who own their own Ontario pharmacy business. The IPO's Board of Directors is representational of their membership in its' mature, professional and ethnically diverse group of pharmacy business owners. The Board has developed this paper to relate independent pharmacists' business practices and the unique and challenging demands the Ontario Government has placed on the IPO membership.

The IPO was formed in 2006 as a direct result of the passing of Bill 102, the *Transparent Drug System for Patients Act*. It was recognized that the unique needs of independent pharmacists of Ontario required a separate voice from other large pharmacies and pharmacy chains. In forming a new association, it was hoped that current and future legislators understand and act to mitigate the dire impact of Bill 102 on the operations of independent pharmacists throughout the province.

In February 2007, 312 pharmacists attended the IPO meeting recognizing the urgent need for independents to be heard. The membership discussed what needs to be done to ensure that Ontario residents retain their access to prescription medicine in smaller pharmacies located in both urban and rural communities throughout the province. At the February meeting, pharmacists urged the IPO leadership to aggressively advocate for Ontario Government politicians and Ministry of Health officials to review and revise the new laws and regulations introduced by Bill 102 with consideration for the small business owners / professional pharmacists of IPO.

To date, the IPO has over 750 member pharmacies throughout Ontario -- and the membership is growing steadily.

2.0 BACKGROUND

CORNERSTONES OF LOCAL MEDICAL SERVICE DELIVERY

Typically, Independent Pharmacies are located in health buildings, walk-in clinics or in strip malls near health services. Many independents are one or two person shops located within or near medical clinics and doctors' offices where they offer reliable and convenient access to their customers. Their stores focus on the dispensary side of health care services with a bare minimum décor and few displays. A typical independent pharmacy will handle 15,000 – 16,000 prescriptions each year for at a total cost of about \$1 million.

Independent pharmacies are often family-owned and operated. It is not uncommon for a husband and wife team to operate the business with their children working as well. It is also common for the family business to be handed down through the next generation of the family.

Almost one in two pharmacists in Ontario (46%) is independent. As a group, these small business owners are significant. More importantly, however, is the fact that independent pharmacies have a substantial economic and social impact in the communities they serve. They employ people and bring tax revenue and spending dollars in to the community. They act as partners in providing health care services to the people, often in tandem with local doctors and seniors' residences.

2.1 SMALL, UNIQUE AND PERSONAL BUSINESSES

An Independent Pharmacy's Business Focuses on its Dispensary - Most independent pharmacists generate 90% of sales and revenue from dispensary/pharmacy services. This differs from chain stores who report only 20% of their revenue in this area (approximately 80% of their sales come from front-store items). As Independents, they focus on the prescription part of their business and do not sell other health and beauty products or front shop items. The result is that Independent Pharmacists know their customers by name and they know their health issues. They have different challenges than larger chain pharmacies because they don't have the buying power that corporate chains have, nor do IPOS have the same resources available to operate their stores or are they able to offer "loss leader products" to bring in new customers.

Independent Pharmacists have Strong Personal Relationships with Customers - They have strong personal relationships with their customers. People in the community consider Independent Pharmacies to be "their store", the pharmacist to be "their pharmacist." Customers tell IPOS that they find them easier to deal with because they are more accessible; the pharmacist knows them by name and is familiar with their medical history. They become part of their customer's health care team, as their dentist and family doctor.

Independent Pharmacists Pride themselves in their Personal Service - Independent pharmacists are front line health providers. They are passionate about their profession and see the business as a necessary element of their operation. They work 12+ hour days and view their operations as 'their lives'. They go above and beyond to provide personal service to their customers (home delivery, compliance packaging and counseling services, etc.).

3.0 IMPACT OF BILL 102

JEOPARDIZING THE VERY EXISTENCE OF INDEPENDENT PHARMACISTS

“The regulations associated with Bill 102 are unprecedented in the industry. The new law has presented some real challenges for independent pharmacists.”

**Baher “Ben” Shenouda
IPO President**

Independents are small business owners who are professional pharmacist's first and business men and women second. Many are not schooled in business yet face the day to day pressures of all small businesses in Ontario. Unlike the larger chain stores, government regulations and changes that came into effect as a result of Bill 102 have had a direct and immediate impact on their ability to make a profit and remain sustainable. Here are some examples of how the new law has impacted the IPO membership:

- Given their focus and reliance on income from the dispensary side of the business, the new regulations have been hard hitting on the bottom line – on average 34%. The rebates were used by independents to offset the cost of clinics, counseling, delivery services and technician salaries. The result has been devastating. Many independents have seen significant drop in revenues and despite cutting back services, hours of operation and staff - they have already or are in the process of considering closing up their business. The bottom line is that they are in business and their primary business and source of revenue is providing prescriptions to Ontario residents.
- Implementing *Meds Check* is a challenge and a net zero gain for pharmacists. Many Independents have to hire an additional pharmacist to run the counter to check and fill prescriptions while the primary pharmacist is meeting with a customer. The new program pays only \$50 for each appointment of 30 minutes, yet the average appointments are running 40 minutes and even higher (up to 1 hour for some Seniors). The average wage to hire a part-time pharmacist is \$50/hour. Pharmacists are not able to use any of their professional allowances to help offset the additional cost to offer *Meds Check* according to the 8 new categories resulting from Bill 102. The net effect is that Independents are losing money on this new government venture.
- The new regulations coming out of Bill 102 have removed the Independents' ability to use the rebates in a way to maximize profitability. The 8 new categories dictate to the pharmacists how they can spend their money. There is no other area of business operation in the province or the entire country that goes to this length. Larger chain pharmacies have the ability to work with the pharmaceutical companies to offset the loss of the rebates through their interaction with them in other provinces while independents do not have this work around available to them.

- The buying power of independents (even with the recent addition of the IPO wholesale buying option) is much less than the chain stores. Chain stores have other avenues for purchasing and stocking their drugs that are not available to independents. The change in how independents can use the regulations has had an immediate and negative impact on the business operation.

Ben Shenouda, IPO President, cites a litany of concerns relating to the implementation of Bill 102 in Ontario: “No other business is dictated to in how they negotiate their pricing based on volume and purchasing power. Bill 102 now stipulates how independent pharmacists should spend their professional allowances and doesn’t allow them, as a pharmacist and business owner, to make sound business decisions that directly impact the bottom line. And the *Meds Check* program is a new program designed to meet the Government’s desire to educate the Ontario public. Really, the independent pharmacists cannot meet this public education expectation when they are trying to make the ends meet as small business owners.”

“The regulations associated with Bill 102 are unprecedented in the industry. The new law has presented some real challenges for independent pharmacists.”

4.0 THE CURRENT REALITY

4.1 THERE ARE DIASTERS ON THE HORIZON FOR MANY INDEPENDENT PHARMACISTS

Independent pharmacies across the province have choices to make in order to survive the impacts of Bill 102. For the membership, these choices are unpalatable.

- Cutting hours of operation.
- Cutting staff.
- Increasing waiting times to fill prescriptions.
- Delaying the filling of prescriptions due to smaller inventories and fewer technicians.
- Cutting in home delivery.
- Implementing the *Meds Check* program with fewer resources, man hours and in most cases losing money.
- Incurring a 34% loss of revenue over all and increase in expenses due to the changes in how professional allowances can be used.

Here are some IPO members commenting on the choices now before independent pharmacists:

“How do I make ends meet? No other profession has this type of restrictions on them. This is not a fair playing ground. Only the big stores will survive. I’m not sure this was the Government’s intent with the Bill but that’s what is happening.”

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“I’ve been in the profession for 25 years. I don’t feel I should have to be throwing my profession in, but I don’t see a way out.”

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“The Government didn’t think it through. They didn’t understand the impact it would have on Independent Pharmacists.”

4.2 MEET A FEW OF OUR INDEPENDENT PHARMACISTS

MEET “N” OF HER INDEPENDENT PHARMACY WITHIN THE GTA...

N has been in the pharmacy profession for 25 years. She owned a Shopper's franchise for nine years before opening her own independent pharmacy within the GTA. N's operation is representational of 60 – 70 percent of Independent Pharmacists in Ontario. This is her story ...

Current situation

Her business is only two years old and is located in a medical clinic, with 300 square feet of floor space. The hours of operation are Monday - Thursday 9 – 8, Friday 9 -6, Saturday 10 – 3. She dispenses about 50 – 60 scripts each day and that volume hasn't changed.

Impact of Bill 102 in last Year

With the implementation of Bill 102, N has had to:

- **Cut staff:** Within one month she had to let her part-time technician go.
- **Cut in Service:** When the Government first cut back on the rebates it affected her immediately. Small independents like hers used the rebates to offset the cost of delivery service (she now does it after hours – 9 o'clock at night) and help cover the cost of a technician. With the technician she was able to provide better service to her customers like meter training, diabetic counseling and compliance packaging. She now has to do this all after hours.
- **Negative impact on family life:** This has had a huge negative impact on her family life. She's working 12 and 13 hour days just to keep her doors open. She's been forced to do deliveries herself after hours from 8:30 – 10:00 pm at night. She doesn't see an end to it.
- **Access to buying Pharmaceuticals:** It's been a huge impact – she can't buy at the same prices as the chain stores. She is part of the IPO buying group and it helps a little by keeping control of the prices. But she's now limited to buying from one place and if they don't have what she needs she has to go outside and pay much higher costs.
- **Delay in filling prescriptions/reduced customer service and access to pharmaceuticals:** Because she doesn't have a technician anymore or a driver to do deliveries or pick up drugs she needs during the day, she has to pick up the drugs after hours. This leads to delays of 1 ½ days for customers in getting their scripts filled.
- **Reduced customer service/Meds Check:** With the restrictions on the 20/40 rebate she's not sure how many clinics she can do. As it is now she's forced to do her *Meds Check* after hours and book appointments for people late into the evening. She feels there should be more freedom with the rebates and how they are used so she can address her difficulty with keeping inventory to meet the demand.
- **Impeded her ability to grow her business:** Many of her former customers are going elsewhere because of the drop in service. They can see that she's a one-person shop and often busy so if they walk in and can't talk to her directly or find out that they can't get their script filled right away they go to a chain store. This has impeded her ability to grow the business as well. Her business is stagnant at 50-60 scripts/day even though she's working longer hours.

- **Inventory costs have risen dramatically:** As a direct result of Bill 102 she now has to keep two sets of all drugs – one for ODB pricing and one for regular prices. The two pricing levels has meant that she's had to double her stock on these items and therefore been forced to reduce her overall inventory. She can't afford to pay her bills on time. Her money is tied up in inventory. This has also led to fewer customers.
- **Small Independent Pharmacies are closing:** She has three close friends who were Independent Pharmacists who have closed their doors and gone back to school. There's already a shortage of pharmacists so this isn't helping the situation. She's considering it herself as she sees no way out. (She's talking with some other pharmacist friends about opening a day care...)

“N” ON...

- **how the independent pharmacy is different:**

“I know my customers by name and I know their medical conditions. I build personal relationships with each one. I go to their homes. I counsel them on how to take their drugs. I am providing a service to the community and people are treated differently – they aren't just a number.”

“I can go beyond in Patient Care because I make my own decisions and am not restricted by head office rules and regulations. I can decide to give someone their prescription and pay me later if they are on disability or a fixed income and they don't have the money right away. I was never able to do that at Shoppers...”

- **if her pharmacy closes:**

She has her customers who thank her every day, send her letters ... *She's saved some from dying.* There was a recent person who switched over from a large chain pharmacy. She was on medications she shouldn't be on and she was taking them incorrectly. She was on 10 different medications and they weren't working so they kept getting increased. N spoke to her about how to take the different medication; she put them in a compliance pack and then personally delivered them to her home. The patient is doing much better now. This happens a lot. *“These people would fall through the cracks...”*

“How do I make ends meet? No other profession has this type of restrictions on them. This is not a fair playing ground. Only the big stores will survive. I'm not sure this was the Government's intent with the Bill but that's what is happening.”

“I've been in the profession for 25 years. I don't feel I should have to be throwing my profession in, but I don't see a way out.”

MEET HANY OF SEELEYS BAY DRUG MART IN SEELEYS BAY...

Hany was “recruited” by the local doctor and the town, a community of 600 people just north of Kingston. The town conducted an extensive search, interviewed and selected him from a pool of others. Hany has the community’s support as he’s the only pharmacist in town. His pharmacy is now located directly beside the doctor’s office.

Current situation

Seeleys Bay Drug Mart has been in operation for two years. It is independently owned and operated by the pharmacist and he has five employees. He fills about 550 prescriptions each week. This amount has not changed over the past two years.

People like their independent pharmacist because they find him easy to deal with. They consider the pharmacy “their store”. They want and expect Hany to be accessible so they can bring their prescriptions from the hospital or doctor’s office for filling directly and get free advice on over the counter medications. Seniors especially expect a higher level of service from independent’s than they do from chain stores.

Impact of Bill 102 in last Year

Hany services the town, the local medical doctor, the neighbouring community of Harris and a seniors’ home that is 45 minutes away. Most people didn’t understand what the negative impact of Bill 102 would have on their local independent pharmacy. There has been a direct impact on his ability to run his business and keep it viable. He’s had to cut services just to keep his doors open.

Bill 102 has had a dramatic impact on Hany’s ability to service his customers. He:

- **cut back hours** so he’s no longer open on Saturdays.
 - **no longer delivers** Rx to Senior’s and other people unable to get to the pharmacy.
 - **cut part-time** technician’s hours.
 - **increased the fee** for non DOB Rx (people are upset and take it personally) – It costs him about \$10 to dispense any Rx when you consider all the associated costs (labels, containers, computer, technician and Pharmacist time etc.).
 - **is considering further cuts** in hours of operation.
 - **is looking at creative ways to cut operating costs** so he can run a profitable business. If he can’t make a profit and closes down then the town will have no support – not even counsel for over the counter medications.
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MEET BERNIE OF *FOCUS PHARMACY* IN KINGSTON

Current situation

Bernie considers his pharmacy a “prescription center”. He has one full-time pharmacist (himself), one part-time pharmacist and three part-time staff. He operates in a 1,300 square foot facility located in a strip mall. He’s been a pharmacist for thirteen years, formerly working as a large chain store pharmacist.

Impact of Bill 102 in last Year

Bernie has seen a direct and immediate impact to Bill 102. His overall margin is down by 25% due to the lost professional allowance in his dispensary. He is trying to do “more with less” and more money is coming out of his bottom line, his own pocket. In his own words:

“The Government didn’t think it through. They didn’t understand the impact it would have on Independent Pharmacists. If they wanted to do away with the rebates on pharmaceuticals then there should have been an increase in the fee to compensate for this and they should have eliminated the ability of fee waiving by larger pharmacies.”

“Meds Check is nothing but a pure loss in revenue.”

The Government’s payment for consulting services only makes up about one quarter of what he has lost. He may recoup about 5% from the *Meds Check* program but his margin will still be down at least 20%. With the added time required to offer the program to his customers the 5% revenue he gains will be eaten up by additional staffing costs required to offer the new service. Bernie explains his reality:

“I have a vested interest in my business, so I take the time to spend with my clients.”

“Independents need a good location and a good business person to stay in business.”

The fact is with IPOs, most are operated by people who consider themselves to be pharmacists first, business owners second.

5.0 NEXT STEPS ON A PATHWAY FROM THE PRECIPICE

The Independent Pharmacists Association of Ontario is urging Ontario Government politicians and Ministry of Health officials to review and revise the new laws and regulations introduced by Bill 102 with consideration for the small business owners / professional pharmacists of IPO.

Government must begin to recognize the unique and troubling situation the new law and its regulatory regime has placed on independent pharmacists.

Independent Pharmacists' stories need to be heard and understood

The IPO membership must begin to share their plight with government officials. Members need to contact local MPPs and other key community influencers to let them know the impact that the new law has had on their ability to serve the community. Let them know their first-hand experience and the fallout from the introduction of Bill 102.

Independent pharmacists should also let their loyal customers know of their current challenges. Share this paper with the public and, again, explain the impact that the new law and regulations are having on the pharmacy's service.

Independent Pharmacists must seek commitments from legislators and officials

The IPO members need to familiarize themselves with the policy paper developed in conjunction with the **Ontario Community Pharmacy Campaign**. In the months ahead, the IPO will be urging changes to the new law and impending regulations. Therefore, it is important for IPO members to call on legislators and policy makers to the following specific policy changes.

- Remove the burdensome requirement for pharmacy reporting.
- Remove the 8 categories of service and allow smaller independents to use the rebates to offset the cost of counseling, delivery and technician salaries.
- Introduce real time price updating to cover the cost of drug inventories
- Increase the regulated dispensary fee from \$7.00 to \$11.46 to reflect actual dispensing costs.
- Recognize that Bill 102 and the new *Meds Check* program have had a dramatic and negative impact on Independent Pharmacists across the province.
- Put a face on the problem and let them know first hand how Bill 102 has negatively impacted Independent Pharmacists in their communities.

The Independent Pharmacists Association of Ontario is hoping the Ontario Government will embark on a new pathway – that will lead from the current precipice – and revise Bill 102 regulations to allow its IPO members to continue their pharmacy services for their customers and communities.