THE INDEPENDENT PHARMACIST’S SURVIVAL GUIDE

BY

GARY ELLIS

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INTRODUCTION
After 60 years in the industry – as an independent owner/pharmacist owning Sausalito (Ca) {Pharmacist -- I can finally endorse and recommend a publication to college students, pharmacists seeking freedom from the shackles of management, and independent pharmacists who need a business jumpstart.

Although most pharmacy schools do not teach entrepreneurship there is a need for all students to be exposed to the multi-facets of the industry which is changing quickly, challenging the professionals involved. The independent pharmacist brings value and experience to the community, as well as the opportunity to make a decent living.

I encourage all pharmacists to read The Independent Pharmacist’s Survival Guide.

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*The Pharmacists Planning Services, Inc. is a non-profit consumer, public health and pharmacy education organization.
ABOUT THE AUTHOR

Gary Ellis started Ellis Management Consultants; LLC in 1978 after a newspaper reporting career became unrewarding. Over the following years EMC served a variety of clientele including Japanese manufacturers, overseas shipping concerns, public economic development programs and campaign manager for a number of public officials (see ellismanagementconsulting.com roster of accounts).

Yet it was the grocery industry that taught Ellis valuable lessons. For 22 years EMC served four grocery chains, a dozen food brokers (the equivalent of drug wholesalers) and two food councils. It was also during this time that he met seven independent pharmacists who had started Managed Pharmacy Care, perhaps the nation’s first PSAO (Pharmacy Support and Administrative Organization) and definitely the first group to offer capitation to the health industry. In the grocery industry everything was done on a handshake. Unlike a drug wholesaler’s contract (and promises) the food industry completely honored its obligations.

It was the grocery presidents who were totally confused when they learned how independent pharmacists work – how they allow their vendors to dictate basically how a store operates. “You know, we’d drive to a manufacturer to personally pick up our drugs,” one grocery executive told me. But it’s the pharmacists who have created this problem. EMC explained to the grocers that one successful pharmacist actually signed a blank contract and when a copy of that document was requested, he exclaimed “those figures in this contract was not what I agreed to.” Surprise!

During the 24 years EMC was the Chief Operating Officer for Managed Pharmacy Care, created RxPR1DE (the nation’s first third party contracting network) and rolled out the Independent Pharmacists’ Contracting Network (IPCN), it worked with pharmacists in 35 (or more) states, successfully lobbied (based on political experience [see ellismanagementconsulting.com]) counties to halt mandatory mail order, and a host of other programs. Pharmacists are well educated to pass State Boards but not how to operate a business. In conversations with our more than 1,300 members over the years just a handful of pharmacists were equipped to actually make money at the “business” of pharmacy, understood how to negotiate a
lease and deal with wholesalers and finally helped the trade realize that competition isn’t another independent pharmacy.

This book actually began in 1997 but wasn’t completed until Ellis’ retirement in August of 2014. This served as platform for teaching 32 units of Continuing Education about business training. It was decided to advance that information in this e-book and while it is not the alpha-omega it will allow a pharmacy student, new owner, or pharmacist making the transition, to have a rudimentary understanding of the business of pharmacy.

There is one more reason to put thoughts on paper – making you a better pharmacist. Sadly about 98% of the industry knows what’s wrong with the industry and spend their valuable time calling and writing other pharmacists to bitch and moan but do little else. This is your industry and your livelihoods so do your part and become pro-active in helping your survival.

*Gary Ellis*
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A
Employee Manual

B
Arbitration Agreement

C
Safety Manual

D
Business Plan
Independent Pharmacist’s Survival Guide

It is the Best of Times; It is the Worst of Times.

Stolen from Charles Dickens? The words “yes;” the thought “no.” The Tale of Two Cities introduction also summarizes the state of pharmacists in today’s world.

At one time the only druggist/pharmacist available to the public was an independent pharmacist. The neighborhood apothecary not only compounded prescriptions but also sold general merchandise, acted as a grocery or candy/soda clerk (See’s Candies was founded by pharmacist Charles A. See, while Atlanta druggist Willis Venable helped founder John Pemberton perfect Coca Cola). In 1901 Charles R. Walgreen started with a single store in Dixon, IL and began what was known as a “chain” store.

Today chain pharmacists outnumber their independent counterparts as growth, restrictive trade agreements conducted by Pharmacy Benefit Management groups (PBMs) and retailing opportunities generally misunderstood by independent pharmacists allow for non-prescription income to power the corporation’s survival/expansion.

As many pharmacy students once understood, a chain store’s growth was limited by the number of pharmacists it could hire. A recruiting battle ensued and graduating students received “signing” bonuses (once restricted
to star athletes) such as cars, moving allowances and student loan payoffs). It was a good time to be a pharmacy school grad.

With more than 200 colleges and universities graduating hundreds of pharmacists annually, 2010 was the first year that graduates no longer had job guarantees. In fact, hundreds of graduates went without jobs and proceeding years no doubt will turn the number of “hundreds” into “thousands” of unemployed or underemployed pharmacists.

Ellis Management Consultants, LLC, which has led and advocated for thousands of independent pharmacists, believes that chain stores, now with an abundance of pharmacists, will also be reclassifying fulltime employees into part-time employees at the pharmacist and tech levels in order to save a premium of up to 40-percent in non-salary investment. This means that a pharmacist will be forced to work multiple jobs or become an INDEPENDENT PHARMACIST entrepreneur as even clinical (hospital) and researching pharmacists’ marketplaces also dry up.

Yes, there will be jobs in those industries – just not as many as before.

Where can the creative juices of an entrepreneur pharmacist be stirred? Some colleges offer limited “hands-on” business training. Other colleges accept “donations” from pharmaceutical companies and drug wholesalers who are obviously self-motivated. It should be declared early on in this e-book that drug wholesalers have a single interest – sell more product. The more an
independent store is involved in purchasing from a particular wholesaler, the more Wall Street profits. The independent pharmacist must also understand the contradiction of the major drug wholesalers. All the while a drug wholesaler proclaims its desire to “partner” with a pharmacy it competes with its independent customers by selling billions of product dollars to mail order giants (owned by PBMs).

Realizing these important facts, where can pharmacists or pharmacists-in-training, find assistance?

One option is this step-by-step document. The second step is by utilizing the consultation services of Ellis Management Consultants, LLC that works only with independent pharmacies throughout the U.S. Or you may opt to join a network of fellow independent pharmacists and there are several PSAOs available.

EXPLORING THE CHAIN STORE ENVIRONMENT

Chain and grocery pharmacists are hired to fill prescriptions in volume. Many high volume pharmacists complain about not being able to practice pharmacy as taught. Of course, they counsel patients upon request (as required by State law) but there is no time to establish patient rapport. Grocery stores offer pharmacy because it increased in-store sales by more than $40 in grocery sales per prescription. Chain pharmacy stores like pharmacist for the same reason. Because of pharmacy chains even offer such add-on benefits
as health care clinics to enhance retail sales. It’s a business and a good business – it may not just be your business.

This text has been authored for three specific audiences:

1. College students
2. Potential independent pharmacists perhaps working at a chain store
3. Independent pharmacist-store owners who need a “competitive edge”

Each segment offers in-depth discussion of a topic. While the text is divided into “chapters” those chapters are not prepared in a particular order of importance. Everyone should learn, or be reminded, about wholesalers, software, adjudication, location, business opportunities, new marketing opportunities, PBMs, mail order, and banking.

Upon completion of this guide, you will be knowledgeable to understand many aspect of the profession, know what Manuals, Policies and the Written Requirements of State and Federal governments, comprehend the various aspects of banking including a business plan that only requires your personalization, an employee manual, various marketing and business building techniques, and the comfort level to begin dialogue of store ownership.

Let’s now begin your education!
CHAPTER I

Self evaluation

The concept behind the Self Business Assessment is threefold: 1) it will save you time and money to evaluate your own business; 2) when completed it should either serve as a wake-up call or a re-enforcement of your practice; 3) if you are a student contemplating independent pharmacy the business evaluation section will "introduce" you to the variables required to be a successful pharmacist.

Highly paid business consultants would initially conduct a business evaluation before recommending various programs. By conducting your own evaluation, the results should show clear evidence to your business’s strengths and weaknesses, if any.
PERSONAL

YOUR NAME ______________________________________________
STORE NAME _________________________________________
ADDRESS ____________________ CITY _____________ STATE _____ ZIP __________
TELEPHONE (     ) _____________ FAX (    ) ________________
EMAIL ____________________________________________
FACEBOOK ____________________ TWITTER ____________________
CITY ________________ COUNTY ____________ STATE ____ ZIP ____
YEARS IN THE PROFESSION ______________
YEARS AT PRESENT LOCATION __________________________
LIST PROFESSIONAL ASSOCIATIONS YOU ARE A MEMBER

LIST MEMBERSHIP IN SERVICE OR VOLUNTARY ORGANIZATIONS
________________________________________________________
LIST HOBBIES __________________________________________

PROFESSIONAL BACKGROUND

PHARMACY UNIVERSITY ATTENDED __________________________
YEARS ATTENDED ______________
WHY DID YOU WANT TO BECOME A PHARMACIST?______________
________________________________________________________
HAVE YOU CONSIDERED LEAVING THE PROFESSION? IF “YES”, WHY?

______________________________________________________________

ARE THERE OTHER PHARMACISTS IN YOUR FAMILY? WHO AND WHERE DO THEY PRACTICE?

______________________________________________

LIST PROFESSIONAL SEMINARS (C.E.) YOU HAVE ATTENDED DURING THE PAST 12 MONTHS

_______________________________________________________

LIST DISEASE STATE MANAGEMENT COURSES YOU HAVE COMPLETED, AND WHEN

______________________________________________________________

LIST PHARMACY MANAGEMENT COURSES YOU HAVE TAKEN______
ABOUT YOUR STORE

DO YOU PRACTICE IN (circle one) A FREE STANDING BUILDING

MEDICAL CENTER   STRIP MALL RETAIL STORE (i.e. supermarket)

OTHER ____________________________________________________________

IS YOUR AREA (city) CONSIDERED (circle one) METROPOLITAN

LARGE TOWN       RURAL

AGE OF YOUR BUILDING ________________________________

AGE OF YOUR NEIGHBORHOOD __________________________

HAS THE NEIGHBORHOOD CHANGED IN THE PAST  2 years   5 years
10+ years ___________________________________________________

HAS YOUR NEIGHBORHOOD BUSINESS ENVIRONMENT CHANGED IN
THE PAST:   2 years   5 years   10+ years _______________________

WOULD YOU MOVE LOCATIONS, IF POSSIBLE? Why? _______________

_____________________________________________________________________________________

HOW MANY PHARMACISTS (retail or neighborhood) PRACTICE IN A ONE
MILE RADIUS FROM YOUR STORE ____________________________________________

HOW MANY PHARMACISTS PRACTICE IN A THREE MILE RADIUS FROM
YOUR STORE ____________________________________________________________

HOW MANY PHARMACISTS PRACTICE IN A FIVE MILE RADIUS FROM
YOUR STORE ____________________________________________________________

WHAT ARE YOUR STORE HOURS MONDAY THROUGH FRIDAY

____________
SATURDAY ________ SUNDAY ____________ HOLIDAYS ________

DO YOU OWN MORE THAN ONE STORE?  HOW MANY_______________

DO YOU OFFER EMERGENCY SERVICE _____ DAILY DELIVERY ______

DO YOU OFFER MAIL ORDER  yes  no

IF YES, HOW MANY PRESCRIPTIONS PER MONTH? ________________

LIST STORE HOURS AND OTHER PRACTICES OF PHARMACISTS IN A ONE MILE RADIUS FROM YOUR STORE ____________________________

LIST STORE HOURS AND OTHER PRACTICES OF PHARMACISTS IN A THREE MILE RADIUS FROM YOUR STORE______________________________

LIST STORE HOURS, AND OTHER PRACTICES OF PHARMACISTS IN A FIVE MILE RADIUS FROM YOUR STORE______________________________

WHAT IS THE POPULATION OF YOUR REGION (city) _________________

NUMBER OF HOMES AND BUSINESSES IN A ONE MILE RADIUS FROM YOUR STORE

NUMBER OF HOMES AND BUSINESSES IN A THREE MILE RADIUS FROM YOUR STORE

NUMBER OF HOMES AND BUSINESSES IN A FIVE MILE RADIUS FROM YOUR STORE

FROM WHAT AREA(S) DO YOU DRAW YOUR MOST PATIENTS

___________
IS YOUR PRACTICE LOCATED ON (circle one): BUSY STREET
SEMI-BUSY STREET QUIET STREET

IS YOUR PRACTICE LOCATED ON (circle one): CORNER or MIDDLE

IS YOUR STORE EASILY VISIBLE BY CARS DRIVING AT:

<table>
<thead>
<tr>
<th>Speed</th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>25 mph</td>
<td></td>
<td></td>
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<tr>
<td>40 mph</td>
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<td></td>
</tr>
<tr>
<td>55 mph</td>
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</tbody>
</table>

LIST THE SIZE, CONTENT AND LOCATION OF ALL OF YOUR EXTERIOR SIGNS

NUMBER OF PARKING SPACES

18
INTERIOR OF STORE

PHARMACY SQUARE FOOTAGE ________________

NUMBER OF SHELVES FOR Rx PRODUCTS __________

NUMBER OF SHELVES FOR OTC (non prescription goods) ________________

NUMBER OF SKUs on OTC SHELVES __________

CATEGORIES OF OTC PRODUCTS (i.e. herbs, cough & cold, bandages, greeting cards, food, gifts)

______________________________________________________________

SPECIALTY ITEMS OF YOUR STORE (i.e. delivery, mail order, compounding)

NUMBER OF DOOR ENTRANCES ___________

NUMBER OF WINDOWS ___________________

NUMBER OF VENDING MACHINES ______________

PRODUCTS CARRIED _______________________________________

NUMBER OF CASH REGISTERS _________________________________

NUMBER OF TELEPHONES ______________________________________

LENGTH (in feet) OF COUNTER
_________________________________________

DO YOU HAVE A CONSULTING AREA? _________

WHAT IS THE SEATING CAPACITY OF YOUR RECEPTION AREA
___________

DO YOU PROVIDE LITERATURE FOR YOUR CUSTOMERS? WHAT TYPES OF READING MATERIALS?
__________________________________________________________
EQUIPMENT EVALUATION

NUMBER OF COMPUTERS/ HARDWARE MANUFACTURER
_______________

SOFTWARE PACKAGE(S) UTILIZED
_____________________________________

NUMBER OF INCOMING LINES PER TELEPHONE
_____________________________________

NAME AND TYPE OF SOFTWARE PROGRAM ________________

ORDERING SYSTEM SUPPLIED BY YOUR WHOLESALER?
____________________

PRIMARY USE OF YOUR COMPUTERS/SOFTWARE
_____________________________________

DO YOU USE WORD PROCESSING? _______ WHICH ONE?
____________________

DO YOU HAVE A WEBSITE? ______ ADDRESS? _____________________

WHAT DOES YOUR WEBSITE FEATURE ___________________________

NAME OF YOUR DESIGNATED SWITCH ____________________________

WHO OPERATES YOUR COMPUTERS _____________________________

DO YOU PROMOTE YOUR STORE THROUGH FACEBOOK?  Y  N

DO YOU TWITTER?  Y  N

OTHER SOCIAL MEDIA _________________________________________
WHOLESALER EVALUATION

NAME OF PRIMARY WHOLESALER ______________________________

NAME OF SECONDARY WHOLESALER ___________. PERCENTAGE OF BUSINESS PURCHASED FROM SECONDARY _______________________

DO YOU BUY FROM TELEMARKETEERS? IF “YES” WHICH TELEMARKETEERS ______________________________? PERCENTAGE OF BUSINESS _______________?

LIST THE “PROGRAMS” YOUR PRIMARY WHOLESALER BILLS YOU MONTHLY

______________________________________________________________

WHAT PROGRAMS DO YOU DESIRE FROM YOUR WHOLESALER?

______________________________________________________________

WHY DID YOU SELECT THIS PARTICULAR WHOLESALER?

______________________________________________________________

NUMBER OF DAILY DELIVERIES __________________

DOES YOUR WHOLESALER DELIVER ON WEEKENDS  YES  NO

HOW OFTEN DOES YOUR WHOLESALE SALES REPRESENTATIVE VISIT? __________________

WHAT ARE HIS STORE TASKS? __________________________________

DOES YOUR WHOLESALER SUPPLY A STORE MERCHANDISER? YES  NO
DOES YOUR WHOLESALER SELL:

<table>
<thead>
<tr>
<th>Product Type</th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vitamins</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Herbal Products</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General OTC Products</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Era Products</td>
<td></td>
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</tr>
</tbody>
</table>

DO YOU OFFER “UNIQUE” PRODUCTS? ________________________________

HOW DO YOU FIND OUT ABOUT NEW PRODUCTS? __________________________

HOW DO YOU FIND OUT ABOUT NEW PROGRAMS? __________________________
STORE MAINTENANCE

WHO INSPECTS THE EXTERIOR OF YOUR STORE? _________________

    HOW OFTEN __________________________

IS YOUR STORE PROFESSIONALLY CLEANED?    YES    NO

    HOW OFTEN __________

WHO ON YOUR STAFF COMPLETES THE FOLLOWING TASKS?

    STRAIGHTENS OTC PRODUCTS ON SHELVES _________________

    EMPTIES TRASH ______________________________________

    SWEEPS INTERIOR ______________________________________

    SWEEPS EXTERIOR ______________________________________

    BATHROOMS __________________________________________

    HANDLES MAIL ORDER __________________________________

    SORTS DAILY MAIL _____________________________________

    STACKS FAXES _________________________________________

    MAKES BANK DEPOSITS __________________________________

    ORDERS PRODUCTS _____________________________________

    RECONCILES BANK STATEMENTS __________________________

    COMPARES EOBS TO INCOME ______________________________
BUSINESS OPERATIONS and EXPENSES

LIST MONTHLY EXPENDITURES FOR:

- ADVERTISING $ ____________
- ASSOCIATION FEES $ ______
- WHOLESALE PROGRAM CHARGES (non product costs) $ ______
- AUTOMOBILE EXPENSES $ ______________
- Rx COSTS $ ______________
- OTC COSTS $ ______________
- BANK CHARGES $ ________
- PERCENTAGE PAID FOR CREDIT CARD PURCHASES % _____________
- CLEANING SUPPLIES $ ____________
- CONTINUING EDUCATION EXPENSES $ ______________
- DONATIONS & GIFTS $ ______________
- DUES & SUBSCRIPTIONS $ ______________
- COMPUTER HARDWARE $ ______________
- SOFTWARE $ ______________
- TELEPHONES $ ____________
INSURANCE (general) $ ______________
    Worker’s Compensation $ ______
    Professional $ __________________
    Health $ ________________
    Life $ ________________
    Errors & Omissions $ __________

POSTAGE $ __________
PRINTING $ __________
ACCOUNTING $ ______
LEGAL $ ________________
RENT/MORTGAGE $ __________
TAXES (general) $ ______________
PAYROLL TAXES $ __________
LOAN PAYMENTS $ __________
MANAGEMENT FEES $ ______
TELEPHONES $ ______________
UTILITIES $ __________________
EMPLOYEE WAGES $ ______
SPECIAL BENEFITS $ __________
BUSINESS STATISTICS

WHO MAINTAINS BUSINESS STATISTICS ______________

HOW MANY PRESCRIPTIONS ARE FILLED DAILY ______

PERCENTAGE OF BUSINESS INCOME FROM:

- MEDICARE ______________
- MEDICAID (MediCal) ______
- COMMERCIAL HEALTH PLANS __________________
- PRIVATE PAY (CASH) ______________
- MEDICARE PART D ___________________
- MTM ________________________
- OTHER _________________________
PHARMACY PRACTICE ANALYSIS

AVERAGE MONTHLY AMOUNT OF DAILY OTC SALES

PERCENTAGE OF OTC SALES versus Rx SALES MONTHLY

NUMBER OF TELEPHONE CALLS ANSWERED DAILY?

NUMBER OF PRESCRIPTIONS FILLED BY ONE TECH DAILY

DO YOU OFFER SPECIALTY SERVICES (i.e. compounding) yes no
    IF YES, WHO PERFORMS THIS SERVICE

ARE YOUR PRESCRIPTIONS PRICE SENSITIVE TO THE COMPETITION yes no

ARE YOUR OTC PRODUCTS PRICE SENSITIVE TO THE COMPETITION yes no

DO YOU QUOTE DRUG PRICES ON THE TELEPHONE

DO YOU BARTER SERVICES IN YOUR PHARMACY yes no
    IF YES, WHAT PERCENTAGE

DO YOU HAVE A BOOKKEEPING SYSTEM? yes no

IS IT COMPUTERIZED yes no

WHAT BOOKKEEPING SOFTWARE

WHO RECONCILS YOUR "FILL LOG" WITH PAYMENTS?

DESCRIBE HOW YOUR BOOKKEEPING SYSTEM OPERATES?

DESCRIBE YOUR RECORD KEEPING SYSTEM
DO YOU HAVE AN INSURANCE LOG       yes  no

HOW ARE MESSAGES DELIVERED TO YOU ________________________________

ARE MESSAGES WRITTEN IN DUPLICATE       yes  no

WHAT IS THE AVERAGE TIME IT TAKES TO FILL A PRESCRIPTION ______

NUMBER OF EMPLOYEES __________

DESCRIBE EACH EMPLOYEE’S FUNCTIONS:

A) ______________________________________________________
B) ______________________________________________________
C) ______________________________________________________
D) ______________________________________________________
E) ______________________________________________________
F) ______________________________________________________

DO YOU OFFER STAFF BONUSES?   IF YES, WHAT CRITERIA IS UTILIZED ________________________________

DOES YOUR STAFF ALTERNATE LUNCH HOURS ________________

DO YOU PAY BY THE HOUR OR SALARY ___________________________

WHAT EMPLOYEE BENEFITS ARE OFFERED? ______________________

DO YOU HAVE AN EMPLOYEE MANUAL       yes  no
IF “YES”, ARE EMPLOYEES REQUIRED TO SIGN A FORM STATING THEY HAVE READ AND UNDERSTOOD THE MANUAL  yes  no

HOW OFTEN DO YOU EVALUATE STAFF MEMBERS FOR RAISES ______

DO YOU HAVE DRESS CODES  yes  no
IF YES, WHAT ARE THEY ________________________________

DO YOU HAVE WRITTEN OFFICE PROCEDURES  yes  no
IF YES, ARE THEY PRINTED AND DISTRIBUTED  yes  no

WHO OPENS THE MAIL? __________________________________________

WHO READS AND SIGNS HEALTH PLAN CONTRACTS __________________
______________________________________________________________

WHO RECEIVES AND ORGANIZES FAXES ____________________________

DO YOU HOLD REGULARLY SCHEDULED STAFF MEETINGS  yes  no
IF YES, WHAT IS COVERED _______________________________________

DO YOU ALLOW TWO-WAY COMMUNICATION  yes  no

DO YOU HAVE A TELEPHONE ANSWERING PROCEDURE  yes  no

IF “YES” WHAT IS SAID? _________________________________________
______________________________________________________________
CUSTOMER OUTREACH

DO YOU HAVE A MARKETING PLAN TO RECRUIT NEW CUSTOMERS?

DO YOU DISSEMINATE (mail, e-mail, telephone):

REFILL REMINDERS? yes no
CUSTOMER BIRTHDAY CARDS yes no
NEWSLETTERS yes no
SPECIAL NOTICES yes no

DO YOU HOLD A PATIENT APPRECIATION DAY? yes no
IF YES, HOW REGULARLY ________________________________

DO YOU OFFER COMPLIMENTARY SERVICES TO CUSTOMERS yes no
IF “YES” WHAT SERVICES? ________________________________

DOES YOUR STAFF GENERATE NEW CUSTOMER REFERRALS? yes no
IF “YES”, HOW MANY REFERRALS A MONTH? ______________
HOW IS THE STAFF REWARDED? __________________________

DO YOU OFFER IN-STORE SPECIALS? yes no
IF “YES”, LIST EXAMPLES _______________________________

DO YOU HAVE A PHYSICIAN RECRUITING PROGRAM? yes no
IF “YES”, HOW DOES IT WORK? ___________________________

DO YOU SPEAK AT SERVICE CLUBS OR ORGANIZATIONS? yes no

HOW DO YOU PROMOTE YOUR PHARMACY? ________________
DO YOU HAVE A BAG STUFFER PROGRAM?  
yes  no

(IF YES, INCLUDE SAMPLES)

WHAT PERCENTAGE OF PROMOTIONAL DOLLARS ARE SPENT ON:

- NEWSPAPER  
- IN-STORE  
- RADIO  
- TELEVISION  
- WHOLESALER CO-OPERATIVE PROGRAMS  
- DIRECT MAIL  
- SOCIAL NETWORKING  

HOW ELSE DO YOU ATTRACT NEW CUSTOMERS?
PROFESSIONAL RELATIONSHIPS

DO YOU HAVE A WORKING RELATIONSHIP WITH?

<table>
<thead>
<tr>
<th>Professional Category</th>
<th>Yes</th>
<th>No</th>
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<tbody>
<tr>
<td>PHYSICIANS</td>
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<td>IPAs</td>
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<td>HOSPITALS</td>
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<tr>
<td>SNFs</td>
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<td>CLINICS</td>
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<td>EMERGENCY ROOMS</td>
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<tr>
<td>DIAGNOSTIC CENTERS</td>
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<td></td>
</tr>
<tr>
<td>SPECIALTY</td>
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HOW OFTEN DO YOU CONTACT EACH OF THE ABOVE? ________________

DO YOU HAVE AN INCENTIVE PROGRAM FOR EACH PROFESSIONAL CATEGORY?  yes no

IF YES, WHAT ARE THE PROGRAMS? ________________________________
___________________________________________________________________
___________________________________________________________________
___________________________________________________________________
**PERSONAL EVALUATION**

GRADE THE FOLLOWING AREAS OF YOUR OPERATIONS:
“5” MEANING URGENT HELP; 1 BEING NO HELP NEEDED

<table>
<thead>
<tr>
<th>Area</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
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<tbody>
<tr>
<td>SUCCESS</td>
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<tr>
<td>TIME MANAGEMENT</td>
<td></td>
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<td>STORE OPERATIONS</td>
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<td>PROMOTIONS and SALES</td>
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<tr>
<td>MOTIVATION</td>
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<tr>
<td>ATTITUDE OF STAFF</td>
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<tr>
<td>MY ATTITUDE</td>
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<tr>
<td>ADDITIONAL EDUCATION</td>
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ARE YOU INVOLVED WITH SELF-IMPROVEMENT PROGRAMS

IF "YES", WHICH ONES? _____________________________________________

DO YOU READ/LISTEN/TRAVEL TO:

<table>
<thead>
<tr>
<th>Source</th>
<th>Yes</th>
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RATE THE STRENGTHS OF YOUR PHARMACY (5 being best):

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RATE YOUR PERSONAL MOTIVATION FACTORS (5 being highest)

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</table>
CONCLUSION

At the conclusion of this "exercise," you the practicing pharmacist should have a good idea about your store, your competition, your customers, your needs, your options to increase business, and short-comings that require immediate attention. **PLEASE TAKE THE TIME TO FILL OUT EACH LINE. YOU WOULD PAY ELLIS MANAGEMENT CONSULTANTS, LLC THOUSANDS OF DOLLARS FOR DOING THE SAME WORK. SO SPEND A FEW HOURS NOW AND SAVE THOUSANDS OF DOLLARS LATER.**

For those considering becoming pharmacy owners this survey provides a list of the variables you must understand. It is the "little things" that make a pharmacist's business successful. Some variables you must consider are the competition from both chain and grocery stores in your “sphere-of-influence”; their pricing models; the "little things" they do well and the areas that you believe need improvement.

It amazes this author about the amount of time NOT SPENT completing a "do diligence" of their competitors and opportunities BEFORE a single dollar is invested. Admittedly, this process may take a week or longer but it takes considerably more investment and “your time” (excluding emotion) to go out of business

You are smarter than others. Do not make this mistake.
Chapter II

Forms, Documents & Insurance

While there is no attempt to prioritize the importance of each chapter in the education process there is concern that both the practicing independent pharmacist as well as the potential independent pharmacist know, understand and have in their possession various forms, documents and manuals. The following is a list of 2015 required printed documents. If you are a practicing independent pharmacist without the minimum “forms” a PBM can legally terminate your contract; a State can issue fines and a State Board of Pharmacy may impact your license. Yes, these are critical to your business well-being.

EACH PHARMACIST MUST HAVE COPIES IN THEIR STORES OF . . .

Copy of current Federal/DEA License
Register for CURES
Copy of Current State License
Copy of Sellers Permit
Copy of Medicare/MediCal/Medicaid License
Copy of Business License
Copy of General Insurance License (with policy number, limit & expiration)
Malpractice Insurance for PIC
Worker’s compensation Insurance (if not covered in the BOP)

HIPAA MANUAL:
The HIPAA Overview, check off list of policies and procedures the pharmacy should have, all forms required by law, steps and timeline for compliance, as well as the final HIPAA rules. (Federal and State)

QUALITY ASSURANCE POLICY:
This policy is designed to document and review medication errors to determine cause and an appropriate response or action as part of a mission to improve the
quality of service and prevent future errors. (Federal and State)

**FRAUD, WASTE, and ABUSE (FWA) POLICY:**

FWA Policy is required by Medicare Part-D (CMS) for on-site visits and/or audits, and online training requirement information, per plan sponsor. (Federal and State)

**THEFT and LOSS POLICY:**

As required by both the DEA and State Board of Pharmacy. Includes internal controls and instructions for each agency on reporting requirements. (Federal and State)

**METHAMPHETAMINE EPIDEMIC ACT of 2005 POLICY:**

On October 12, 2010, President Obama signed this DEA regulation into law. Required, nationwide, policy for any pharmacy selling products that contain one or more key ingredients as OTC. In addition to the policy, yearly certification is required. (Federal)

**IMPAIRMENT POLICY:**

Required by many State Boards of Pharmacy. Includes internal controls, plus reporting requirements of incidents. May also be used for other states as part of their policies and procedures manual. (State)

**JOB DESCRIPTION:**

Pharmacy Technician Job Description as required by California State Board of Pharmacy. May also be used by other states as part of their policies and procedures manual. (State)

**RETURN TO STOCK:**

This policy is currently being requested by some PBM’s to be presented at the time of audit. It covers the duration of time and procedure before returning unclaimed prescriptions to pharmacy stock.

**CODE of CONDUCT:**

Required for all pharmacies participating in MPD

**INTERPRETIVE SERVICES (CA):**
Pharmacy is required to have both a written policy and agreement with a language service company.

**COMPLIANCE:**
Required for all MPD providers. (federal)

State Pharmacy Permit

NCPDP Application

DEA Certification
INSURANCE

In this day and age, insurance protection is exactly that -- required protection and part of your cost of doing business.

Many companies offer coverage options to you the business owner and operator. The only way to determine which coverage is applicable to you is by talking with a knowledgeable insurance representative.

Usually a BOP (Business Owners Package) is designed for your business, and has the correct coverage needed for your situation. The insurance company will try to look after your best interest (with remuneration, of course). BOP’s also are discounted deeply due to the generic attitude of the package. One BOP will fit many different classifications.

The basic necessities when it comes to coverage are:

**General Liability** -- this coverage covers many problems but not all of them especially on how the policy is written (i.e. broad based). Basic or broad coverage does not cover any type of theft or water-related problems.

**Professional Liability** -- It is imperative to have because the General Liability specifically excludes professional acts.

**Contents Coverage** -- (also known as Business Personal Property). This covers inventory, shelving, limited equipment, betterment’s and improvements.

**Money and Securities** -- Required for theft inside and outside of your store.

**Non-Owned Auto Coverage** -- Most owners do not realize that they are responsible for their employees driving activities during work hours even in their own cars.

**Hired Auto Coverage** -- This is short term rental auto coverage for up to 30 days.

**Accounts Receivable Coverage** -- Although this coverage is much needed it does NOT
replace your money if lost in a peril. It is only for the reconstruction of files and receipts so that you may recover some or all of your accounts receivable.

The insurance industry and the coverages change almost daily. In fact, one international company stopped writing BOP coverage and within the next month three new international companies added BOP, at discounted pricing.

**WORKER’S COMPENSATION** If you have employees, this insurance coverage is mandatory! No exceptions! No paying under the table because even if you pay staff “under the table” you are still liable for worker’s compensation payments. Worker’s compensation covers a number of employee claims and problems including dismissal, stress and the like. Because it is mandatory, get it covered immediately.

**EMPLOYMENT PRACTICES LIABILITY INSURANCE (EPLI)** is insurance designed to protect the employer against numerous new claims such as sexual harassment, stress and all forms of discrimination including racial, age, handicap, etc. If you have employees, someone will become disgruntled eventually. The basic coverage generally covers up to $1 million per claim and legal costs. It is routinely added to new BOP underwritten packages.

**CHECKLIST FOR SUCCESS**

Besides the government-regulated materials required for opening your store there are a number of documents required to “do business.” Be sure to order:

1. Internet webpage
2. Business cards
3. Letterhead
4. Matching letterhead second sheets
5. Matching envelopes
6. Return mail labels
7. Prescription pads
8. Employment applications
9. Time cards
10. Business checks with your name
11. Employee attendance forms
12. Vacation schedules
13. Expense receipts
14. All manuals (noted above)
15. Promotional hand-outs (magnets, pens, flyers, announcements of your business)

**VENDORS YOU SHOULD ALREADY KNOW**

So, you are ready for your first big day. Who makes your sign or prints your stationary?

Know your suppliers before you need them.

1. An instant print shop
2. Businesses you can cross-promote with
   (i.e. you place your business cards in their strip mall shops; you display their cards)
3. New business contact list
4. Announcements in media
   (a simple announcement of your name, store name, address, telephone, graduate school, local high school and affiliates such as Rotary Club)
5. An invitation to a service club as either a guest (and then member) or a speaker (many clubs meet before normal business hours)
6. Repair service including:
   Locksmith, telephone installer, service center for computers, copiers,
7. Buying Group or PSAO in your region
8. Insurance Agent
9. Banker
10. Wholesaler
11. Software supplier
12. Secondary marketing vendors
13. Specialty products vendors (your own vitamins, etc.)
14. IT specialist

**CONCLUSION**

If this sounds like Latin it is best to confirm with a pharmacy-related organization about securing these required documents. Some organizations will charge you thousands of dollars for these documents; others will charge you only an annual membership fee and provide the documents as part of your membership package. In any event they are necessary and the lack of such documents will result in large state, federal or commercial fines.

*ELLIS MANAGEMENT CONSULTANTS, LLC, WHICH RECEIVES NO RENUMERATION, SUGGESTs “DRUG STORE PARTNERS, LLC” (drugstorepartners@yahoo.com) TO HELP UNDERSTAND REGULATIONS.*
Chapter III

Business Partnerships

Nothing is more important to your business (and survival) than selecting the proper business partners. Nothing!

You, no doubt, remember the story about the pharmacist who died and went to heaven. St. Peter greeted him in heaven and said, “now we have a plan here. We send you to Hell for two days for you to compare locations. And certainly you can guess how great Heaven is. Then upon your return you’re asked to select where you’d like to spend eternity.”

The pharmacist thought that was a fair idea so “poof” he went to Hell. Upon opening the door to Hell, he saw green golf courses, the bluest skies, free flowing cocktails, beautiful oceans, and you name it. And for two days the pharmacist had a wonderful time.

Then St. Peter called him to Heaven, again. “Well, have you made a decision?” St. Peter asked the pharmacist.

“St. Peter, I don’t know what Heaven is like but Hell was great. I think I’d like to spend eternity there.”

So, poof, the pharmacist was sent to Hell.

Upon opening the door to Hell, the pharmacist was greeted personally by Satan, and a blast of hot air, grit, dirt, sand and just about everything imaginable that was wrong in the next world.

“I don’t understand,” pleaded the pharmacist to Satan. “The last time I was here I saw rolling golf courses, oceans, blue skies, pretty girls. What happened to all that?”
“The last time you were a Prospect,” laughed Satan. “Now, you’re a Customer.”

THE most important single decision you can make is hiring the correct drug wholesaler. And remember your wholesaler is very similar to a car dealership. Both are in business to make money -- your money. Both offer options, very attractive add-ons to basic services. Remember that you can pay for each option selected.

All wholesalers offer the “best” available, the most technically trained sales staff, the finest computer services, best delivery, top purchasing power, and, like Satan, a lot more. Be careful. Just because your pharmacist friend highly recommended a wholesaler to you does not necessarily translate to the best wholesaler for you.

Thirty years ago, each pharmacist ordered his own product directly from the manufacturer. Then the wholesaler approached every pharmacist and promised quicker deliveries, lower prices, better service, etc. Even today some name brand items are less expensive to purchase directly from the manufacturer than through your wholesaler.

In 1996, a pharmacist could order nearly every generic product manufactured. Today, each national wholesaler offers a “generic brand buying” program, or what’s called “automatic substitution.” Others call it “forced compliance.” If you order a product made by, let’s say, Qualitest, your wholesaler has your permission to automatically substitute any generic manufactured product he wishes when you participate in the Automatic Substitution Program. Some wholesalers bill you monthly for the privilege of participating in Automatic Substitution so while you save pennies, wholesalers are profiting by dollars.

That’s why it is so very important to select the correct wholesaler, or to change to the correct wholesaler, although any pharmacist in business for more than two years knows the frustrations.

Just think of the wholesaler as an automobile dealer. If the dealer sells Fords, he’s
going to sell you a Ford. If you want a Mercedes Benz, he’ll sell you a Ford, simply because he does not sell Mercedes. Perhaps you want a small four-wheel drive car like a Jeep. Your Ford dealer will try to sell you an Explorer. He does not carry Jeeps.

It is your responsibility to make the proper selection. The following list will help you select the Wholesaler who may be the best for you. We suggest making a list of the wholesalers and interview each.

A list of corporate offices of each wholesaler is included (subject to mergers or buyouts.) The corporate offices can direct you to a specific Division in your region.

Be aware of numerous weasel words used to obtain your business. Such enticing items as selling you drugs at “acquisition cost-minus” have always confused this author. If it is truly cost, how can a wholesaler offer you cost-minus 2% and stay in business? It’s simply not “cost.” It’s a listed price from one source or another but has absolutely nothing to do with wholesaler acquisition cost. And a cost-of-goods contract that you sign only refers to name brand drugs at “cost minus” and has nothing to do with generic pricing. Those items are “super netted” meaning (as you read through their contracts) cost-of-goods does not apply to generic pricing. In 2015 and beyond this is HUGE because generics may account for 90-percent of your business model. Wholesalers know this and offer “pricing” that includes items like “your cost-of-goods will decrease [cost minus 2% to cost minus 3%] if you purchase 14% of your generics from us.”

Of course there’s always in the contract two other items: 1) guaranteed monthly volume; 2) “the wholesaler may cancel this contract with 30 days notice.”
If you think finding the correct wholesaler may be difficult don't anticipate the anguish of selecting the proper software. For the book's purposes, software is divided into two categories -- a switch and the software program.

When you submit a claim for reimbursement, it's “adjudicated.” This process includes telling your computer software program which Bin to Switch into. Switching can cost up to 11 cents per transaction so it is important to find a good switch. Some Buying Groups, PSAOs and wholesalers have negotiated “switch” costs down to six cents a claim. Today, some organizations offer “free” switching. And that’s substantial. Investigate your options carefully.

Ask 50 pharmacists which software program is the “best” and you’ll have 50 different answers. Pharmacists become loyal to a particular brand name. Again, investigate. Some software companies charge up to $50 each time you add a health plan for adjudication purposes. Because some pharmacists fill more than 100 health plans this is expensive.

When identifying a software vendor, ask how much each of your transactions will “cost.” Software vendors and switching companies still share in manufacturer rebates. You do all the work, pay monthly transaction fees, and THEY get your money. No! This is negotiable. You have to ask.

At one time changing software companies was more time-consuming, expensive and more difficult than a divorce. Today there are inexpensive conversion companies that can transfer your files from one software vendor to another. Now you can wheel-and-deal,

A list of software companies is included, and will be updated. Spend a few days asking other pharmacists which program they “rent” and make your own conclusions.

Telephone the one(s) with the highest regard (do not, repeat NOT, take advice from your
wholesaler).

GUIDELINES FOR WHOLESALER SELECTION

Basic Service Wholesaler Cost
- Number of delivers per day
- Weekend delivery
- OTC products carried
- Return policies (stated in writing)

Computer Ordering Services
- Ordering System
- Add-Ons
- Number of Monthly Updates
- Cost per month

Do they "offer" a Generic Compliance Program?
- Monthly Charges
- Forced Substitution?
- Name of Manufacturer Who Sells the Most Product
- Is generic percentages "pegged" to name brand purchases?

Number of Sales Personnel
- Number of visits per week
- If no weekly visit, who services my account?
- How are new services introduced?
- Salesman’s role

Names of Other Pharmacy Accounts
- Within a 1-5-Mile Radius
- (50 miles in rural)

Additional Charges
- Upcharge cost
- Product Return Charges
- Is the Upcharge contract in writing?

List of Other Services Provided
- Does the wholesaler have a pharmacy health plan contracting network? Its name

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<tr>
<td>Weekend delivery</td>
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<td>OTC products carried</td>
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<td>Return policies (stated in writing)</td>
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<td>Add-Ons</td>
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<td>Number of Monthly Updates</td>
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<td>Cost per month</td>
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<td>Forced Substitution?</td>
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<td>Name of Manufacturer Who Sells the Most Product</td>
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<th>Number of Sales Personnel</th>
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<td>Number of visits per week</td>
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<td>How are new services introduced?</td>
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<td>Salesman’s role</td>
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<tr>
<td>(50 miles in rural)</td>
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<th>Additional Charges</th>
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<td>Upcharge cost</td>
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<td>Product Return Charges</td>
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<tr>
<td>Is the Upcharge contract in writing?</td>
<td>Y</td>
<td>n</td>
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(If "no" then get it in writing immediately)

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<tr>
<th>List of Other Services Provided</th>
<th>Option</th>
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<tr>
<td>Does the wholesaler have a pharmacy health plan contracting network? Its name</td>
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</table>
Does the wholesaler have an inventory management? 
  It’s name? 

Does the wholesaler have a rapid remittance program? Its name

  Does wholesaler have adjudication abilities? y n
  Does the wholesaler offer switching? y n
  Does the wholesaler have a retail pharmacy network? 
    Its name

  Does the wholesaler have a Homecare network? 
    Its name

  The wholesaler’s Service Levels (in percentages)?
    (the answer will always be 98%. Verify with the nearest pharmacist)

  Does the wholesaler offer Homeopathic products? y n

  Does wholesaler offer rebates for data collection? y n

  Does the wholesaler offer private label products? 
    Its name

Financing available y n

Does the Wholesaler Offer Staff Training y n
CRITICAL TO REMEMBER

The more “yes” answers also means that your wholesaler is positioned to also compete with you! And they will. As difficult as this is to believe, the Big Three wholesaler’s biggest book of business is PBM mail order companies. Mail order companies account for about 35-percent of all scripts filled and those percentages are growing weekly. And guess who loses that business? You, the independent pharmacist who is now attempting to work with a "wholesale partner."

One very important thing to REMEMBER! Get everything promised in writing, from their definition of “cost” to all the questions we asked above. Remember that wholesalers define cost differently for name brand drugs and generic drugs (generic drugs are customarily excluded from the cost-minus formulary).

Do not blame your wholesaler if you fail to do your own diligence. It is your money, your future and your success. Therefore, it is your responsibility to make the wisest business decision. And courtesy and friendliness of your rep is not to be considered.

Additional Tips:
1. Never sign any wholesaler contract that does not include: “either party may cancel this contract with 30 (or 60) days written notice without penalty. Most contracts give that “right” only to the wholesaler.
2. Do not sign a three-year agreement with your “new partner” without #1. The wholesaler wants your business for a guaranteed period of time and will subject you to litigation should YOU fail to honor the commitment. Can you look three years into the future? And certainly never, ever sign a 5-year contract.
3. Guaranteed percentage of purchases of product such as OTC or generics. This could affect your over-all cost-of-goods. Wholesalers are requesting 95% compliance (you
must purchase 95% of your goods from them) and that leaves you little to no wiggle room in "cherry picking" from a variety of smaller wholesalers or telemarketers, many of whom offer outstanding deals.

4. Never allow the wholesaler to have access to your “system” or software even if you hear “it will allow us to help manage your front end business.” Hogwash. It’s your money. It’s your store. It’s your information so guard it as you do your personal checkbook.

5. Payment terms can kill you. You know the length of wait for PBM reimbursements. The wholesaler wants its money ASAP due to their business model of making money from your money. Request 25-day payment terms. Shorter terms? Then request a better cost-of-goods.

6. Get everything in writing. Do NOT sign a blank contract with the promise of “I’ll take care of everything that we discussed” (says your courteous salesperson). Would you leave your mortgage paper blank? The author has documented evidence of stores being told by their sales rep that their cost of goods is “minus two” and when the pharmacist insisted on seeing that in writing learning his true cost was “minus nothing.” A sales rep lie? No more than a car salesperson.

7. Of course, you think litigation is the answer. In seven years you might get the answer.

8. Do not accept credit memos. Get rebates returned in cash or, better yet, off invoice rather than quarterly rebates.

9. Be mindful of EFTs (electronic funds transfer) simply because the electronic system works both ways -- it can receive and ACCEPT your money. And it can deduct monies from your account without your knowledge or permission. Consider opening two banking accounts – one for payments and one for reception.
10. Request a definition of “cost” in writing.

11. Some wholesalers say that any litigation must take place in THEIR home state. This is correct but only if you allow it. “X” out that state (if referenced in contract) and write in your home state. It’s where you do business and where your folks know the law the very best. It benefits the wholesaler to send you 3,000 miles away to conduct a lawsuit and they know this.

12. There are so many "add ons" they cannot be listed here. But a few include a unified name like "Health Mart" and a third party contracting network like PPN. You pay for each of these services. In return the wholesaler might offer to lower you cost of goods by 10 or 20 basis points (100 basis points in one percent). If you add up the fees (up to $1,000 per store per month) you’ll discover that the wholesaler is making more money -- your money -- for providing these services than you're saving. And do you need a "united front" to be successful? Nope.

13. Restrictions. Many wholesalers "restrict" your movement meaning once you enroll in their third party contracting network you MUST fill every health plan they sign your store to and the reimbursement rate you’re contracted to perform. You simply lose your individuality and ability to fill only those health plan prescriptions you need. For example, rural rate reimbursement is higher than standard reimbursements. Does your third party network know if you're a rural store or a standard store? Do they care? With 5,000 or more members they don’t. And remember wholesalers are also competing for mail order business from the Big Three PBMs and they use your store as bargaining chips. To expand this comment, mail order companies account for billions of wholesaler dollars. Express Scripts contract with AmerisourceBergen is estimated at $14 billion annually, in 2014. That’s more than you and all the other pharmacy customers ABC can account for BUT the independent pharmacist
yields the highest profit to the wholesaler. That's you, so remember that your wholesaler can also become your biggest competitor.
CONCLUSION

In the simplest of terms and definitions this author can offer, your pharmacy is YOUR business. Everything in that store is YOUR responsibility. Would you leave your home’s mortgage in the hands of your friendly banker? What about money car payments to the dealer? Just remember that it is your education, your experience, your stewardship, your commitment to your customers and most of all YOUR MONEY, so protect it well.
# Wholesalers

<table>
<thead>
<tr>
<th>Wholesaler</th>
<th>Address</th>
<th>Phone</th>
<th>Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>AmeriSourceBergen</td>
<td>1300 Morris Drive Suite 100, Chesterbrook, PA 19087</td>
<td>800-829-3132</td>
<td><a href="http://www.amerisourcebergen.com">www.amerisourcebergen.com</a></td>
</tr>
<tr>
<td>McKesson</td>
<td>One Post St., San Francisco, CA 94104</td>
<td>855-625-7385</td>
<td><a href="http://www.mckesson.com">www.mckesson.com</a></td>
</tr>
<tr>
<td>ANDA Distribution</td>
<td>2915 Weston Rd., Weston, FL</td>
<td>954-217-4500</td>
<td><a href="http://www.andanet.com">www.andanet.com</a></td>
</tr>
<tr>
<td>Miami-Luken, Inc.</td>
<td>265 S. Pioneer Blvd., Springboro, OH 45066</td>
<td>800-999-0302</td>
<td><a href="http://www.miamiluken.com">www.miamiluken.com</a></td>
</tr>
<tr>
<td>Morris &amp; Dickson Co.</td>
<td>410 Kay Lane, Shreveport, LA 71115</td>
<td>800-388-3833</td>
<td><a href="http://www.morrisdickson.com">www.morrisdickson.com</a></td>
</tr>
<tr>
<td>Burlington Drug</td>
<td>92 Catamount Dr., Milton, VT 05468-1001</td>
<td>802-893-5105</td>
<td><a href="http://www.burlingtondrug.com">www.burlingtondrug.com</a></td>
</tr>
<tr>
<td>Pharmed Group</td>
<td>3075 NW 107th Ave., Miami, FL 33172</td>
<td>800-727-6331</td>
<td><a href="http://www.thepharmedgroup.com">www.thepharmedgroup.com</a></td>
</tr>
<tr>
<td>Capital Wholesale Drug</td>
<td>873 Williams Ave., Columbus, OH 43212</td>
<td>614-297-8225</td>
<td><a href="http://www.capitaldrug.com">www.capitaldrug.com</a></td>
</tr>
<tr>
<td>Prescription Supply, Inc.</td>
<td>2233 Tracy Rd., Northwood, OH 43619-1326</td>
<td>800-777-0761</td>
<td><a href="http://www.prescriptionsupply.com">www.prescriptionsupply.com</a></td>
</tr>
<tr>
<td>Cardinal Health</td>
<td>7000 Cardinal Place, Dublin, OH 43016</td>
<td>614-757-5000</td>
<td><a href="http://www.cardinalhealth.com">www.cardinalhealth.com</a></td>
</tr>
<tr>
<td>Rochester Drug Cooperative</td>
<td>2450 Jetview Dr., Rochester, NY 14604</td>
<td>800-585-7220</td>
<td><a href="http://www.rdcdrug.com">www.rdcdrug.com</a></td>
</tr>
<tr>
<td>Dakota Drug</td>
<td>28 N. Main St., Minot, ND 58703-5009</td>
<td>866-210-5887</td>
<td>Dakdrug.com</td>
</tr>
<tr>
<td>Seacoast</td>
<td>13422 Lynam Dr., Omaha, NE 68138</td>
<td>800-727-2115</td>
<td><a href="http://www.seacoastmedical.com">www.seacoastmedical.com</a></td>
</tr>
<tr>
<td>DMS Pharmaceutical Group</td>
<td>810 Busse Highway, Park Ridge, Illinois 60068</td>
<td>847-518-1100</td>
<td>Dmspharma.com</td>
</tr>
<tr>
<td>Smith Drug Co.</td>
<td>9098 Fairforst Rd., Spartanburg, SC 29301</td>
<td>864-582-1216</td>
<td><a href="http://www.smithdrug.com">www.smithdrug.com</a></td>
</tr>
<tr>
<td>Harvard Drug Group(owned by Cardinal)</td>
<td>31778 Enterprise Dr., Livonia, MI 48150</td>
<td></td>
<td>H.D. Smith Wholesale Drug Co.</td>
</tr>
<tr>
<td>Company Name</td>
<td>Address</td>
<td>Phone Number</td>
<td>Website URL</td>
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<tr>
<td>Valley Wholesale Drug Co. (owned by HD Smith)</td>
<td>1401 W. Fremont St. Stockton, CA 95203-2697</td>
<td>800-247-6255</td>
<td><a href="http://www.vwdco.com">www.vwdco.com</a></td>
</tr>
<tr>
<td>King Drug Co.</td>
<td>P.O. Box 145 Hartford KY, 42347</td>
<td>800-469-2609</td>
<td><a href="http://www.kingdrug.com">www.kingdrug.com</a></td>
</tr>
<tr>
<td>Value Drug Co.</td>
<td>PO Box 9311 Altoona, PA 16601</td>
<td>814-944-9316</td>
<td><a href="http://www.valuedrugco.com">www.valuedrugco.com</a></td>
</tr>
<tr>
<td>Louisiana Wholesale Drug Co.</td>
<td>149 Service Rd. Sunset, LA 70584</td>
<td>(337) 662-1040</td>
<td><a href="http://www.lwdrx.com">www.lwdrx.com</a></td>
</tr>
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</table>

*Italics denote shortline or generic distributors*
Software System Suppliers

Like the decision facing you about a wholesaler supplier, you also must select a software company. Your software system must be able to connect you to your switch, bin number and ultimately the health plan for adjudication.

The following lists most of the software manufacturers (subject to closings or mergers). As with wholesalers, not all software manufacturers are as good as others.

THE LIST

NCPDP is an organization dedicated to providing “electronic” services to the trade. The following information was provided by NCPDP:

<table>
<thead>
<tr>
<th>Vendor Name</th>
<th>Contact</th>
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<tr>
<td>Advanced Pharmacy Systems</td>
<td></td>
<td>724-733-3677</td>
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<tr>
<td>Applied Micro Systems, LTD</td>
<td></td>
<td>215-322-7995</td>
</tr>
<tr>
<td>Best Computer Systems</td>
<td></td>
<td>630-893-9210</td>
</tr>
<tr>
<td>Computer - RX</td>
<td></td>
<td>405-799-5282</td>
</tr>
<tr>
<td>Costa Management Group</td>
<td></td>
<td>856-309-0808</td>
</tr>
<tr>
<td>Creehan &amp; Company</td>
<td></td>
<td>724-743-9154</td>
</tr>
<tr>
<td>Data Doc, Inc.</td>
<td></td>
<td>845-638-2025</td>
</tr>
<tr>
<td>Data Recovery Inc.</td>
<td></td>
<td>248-473-7520</td>
</tr>
<tr>
<td>Datascan</td>
<td></td>
<td>631-698-6285</td>
</tr>
<tr>
<td>Company</td>
<td>Phone</td>
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<tr>
<td>DayTech Corporation</td>
<td>530-274-2550</td>
<td></td>
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<tr>
<td>Definitive Homecare</td>
<td>877-277-4876</td>
<td></td>
</tr>
<tr>
<td>Digital Simplistics, Inc</td>
<td>913-894-6414</td>
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<tr>
<td>Etreby Computer Company</td>
<td>714-533-1138</td>
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<tr>
<td>Health Business systems</td>
<td>215-442-9300</td>
<td></td>
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<tr>
<td>Health Care Software</td>
<td>800-524-1038</td>
<td></td>
</tr>
<tr>
<td>Healthcare Automation</td>
<td>401-732-8980</td>
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<tr>
<td>Icepts Technology Group</td>
<td>717-214-1000</td>
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<tr>
<td>Kalos, Inc</td>
<td>785-232-3606</td>
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<tr>
<td>KeyCentrix</td>
<td>316-262-2231</td>
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<tr>
<td>Management by Information</td>
<td>501-833-8383</td>
<td></td>
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<tr>
<td>NDC Health</td>
<td>404-728-2593</td>
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<tr>
<td>NDC Health</td>
<td>412-474-1861</td>
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<tr>
<td>Opus - ISM</td>
<td>973-256-7633</td>
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<tr>
<td>Opus Core</td>
<td>631-234-7370</td>
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<tr>
<td>PC1 Professional Systems</td>
<td>800-624-1745</td>
<td></td>
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<tr>
<td>PDX, Inc.</td>
<td>817-367-4379</td>
<td></td>
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<tr>
<td>Pharmacy Computer Services</td>
<td>541-471-7274</td>
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<tr>
<td>QS/1 Data Systems</td>
<td>864-503-9455</td>
<td></td>
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<tr>
<td>Company</td>
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<tr>
<td>Renlar Systems</td>
<td>678-937-2946</td>
<td></td>
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<tr>
<td>Rescot Systems</td>
<td>215-638-8000</td>
<td></td>
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<tr>
<td>RNA Health Information</td>
<td>214-237-4510</td>
<td></td>
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<tr>
<td>RS Software</td>
<td>405-321-5356</td>
<td></td>
</tr>
<tr>
<td>Scientific Retail Systems</td>
<td>989-673-6226</td>
<td></td>
</tr>
<tr>
<td>ScriptPro LLC</td>
<td>913-403-5941</td>
<td></td>
</tr>
<tr>
<td>Software Strategies, Inc</td>
<td>479-631-7600</td>
<td></td>
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<tr>
<td>SoftWriters, Inc.</td>
<td>412-492-9841</td>
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<tr>
<td>Steel City Software</td>
<td>724-745-6700</td>
<td></td>
</tr>
<tr>
<td>SuiteRx Inc.</td>
<td>510-686-8405</td>
<td></td>
</tr>
<tr>
<td>TechRX 1 System</td>
<td>205-437-3107</td>
<td></td>
</tr>
<tr>
<td>TPS</td>
<td>817-296-7014</td>
<td></td>
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<tr>
<td>Transaction Data Systems</td>
<td>800-289-7930</td>
<td></td>
</tr>
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CHAPTER IV

PERSONNEL

Who doesn’t love working with employees? One common employee motto is: “if you pay us peanuts then expect the work of monkeys.” But as an employer you are allowed to write employee reviews and some can be pretty funny such as: “brain damaged, his coffee cup has a higher IQ; reached rock bottom and now starting to dig; the village called yesterday, it’s looking for its idiot; couldn’t be less productive if brain dead; Mother Teresa told him to get a life.”

Okay, so we’re kidding, not about personnel, but the above jokes.

Hiring the proper personnel is not a joke and can make or break your pharmacy. Yes, we know that you are the “smart” one but if you also remember to hire “smart” employees your job becomes much easier and allows for immediate growth and expansion.

Some labor-intense “think” factories and creative agencies have a motto: “the inventory goes down the elevator every night.”

So be prepared to pay prevailing wages for your “inventory.” There are two easy methods in determining fair reimbursement – ask a neighboring pharmacy; go to the Internet and access SALARY.COM which lists prevailing wages by state and zip code.

PHARM TECH
In most states, your technicians must be licensed and can fill as many prescriptions as a pharmacist (with supervision) but cannot take telephone prescriptions. Of course, the pharmacist is responsible and liable for any errors (although the State of California actually filed action in 1998 against two techs). Salary ranges from $ ______

CLERK
One person should be assigned to the telephones and prescription “hand overs”. A set greeting should be established (see Telephone Manners) for both your telephone and counter. You must work with this individual especially when preparing weekly or monthly sales offers. Salary from $ ______
**CLERK-TYPIST**
This position types prescriptions (and adjudicates in the system), gets TARS, works the telephones and works for the pharmacist and pharm techs. A good clerk-typist, even without a pharm tech, will return dividends to a growing pharmacy. **Salary from $______**

**MERCHANDISER**
Yes, you’re not a supermarket but a “merchandiser” can make you a lot of money. We met one high school girl interested in retail who worked 12 hours per week as a merchandiser at an independent pharmacist. Her main duty consisted of inventorying and straightening candy bars in a pharmacy attached to a medical clinic. She also straightened shelves, asked customers what they might desire in a store and relayed this information to the pharmacy/owner. “Yes,” assured the owner, “she paid for herself many times over.” **Minimum wage.**

As this industry evolves, new employee “types” are required such as MTM specialist/coordinators. Those salaries are negotiated but remember you can’t pay salaries higher than the income. A 3-to-1 ratio of income to salary is acceptable.

**EMPLOYEE COMMUNICATIONS**

Just as your employee must be considered a valuable asset, you must also anticipate dealing with human nature problems.

Maturity and intelligence strongly suggests that you do not engage in “sexual harassment” under any definition including, off-colored jokes, hugging or grabbing. As a matter of fact, sexual harassment insurance is the hottest selling package around today.

Good communications are a must, regardless of staff size. It is a good idea to install an “information” board where everyone can see notices including scheduling, “weekly retail specials,” a copy of your latest insert, flyer or advertisement and other such information. If you offer incentive programs (see marketing) this is a good place to post the monthly winners’ names.

As the personnel manager here are some suggestions:

A. Never assume that an employee understands his/her role. Written job descriptions define job tasks. Job descriptions can be modified at any time. Should you assign
additional roles to an employee, re-define the job description. At each salary review period ask the employee to submit a written description of their job as they see it (you may be surprised at the answer).

B. Do not overlap job responsibilities between employees for this will ensure in-fighting. However, DO cross-train your employees to ensure continuity.

C. Never reprimand one employee in front of another. Never say negative comments about one employee in front of another.

D. If you only work for money so will your employees. Stress the care-giving you have been trained to provide as a professional. This will infect your employees, too.

E. Reward efficient employees with bonuses or special favors. Discuss why they are being rewarded. Use your bulletin board to post notices of good work or favorable suggestions.

F. Use the Help Wanted ads and Internet, to secure new employees (see examples). Use a separate post office box or a personal email address if you are attempting to replace an existing employee.

G. Never hire friends! A reprimand against one is a reprimand against all.

H. When terminating an employee, wait until an appropriate time and do so in private. In today’s job environment generally a “written notice of unacceptable work” should be given to an employee before termination. Be honest with the employee being terminated and never use the word “fired.” What is said and done during the termination period may be used against you later. Don’t surprise your employee. You should give written warnings before the final termination. If theft, fraud or drug abuse is the reason, an immediate termination may be possible. Protect yourself! Attorneys are an inexpensive “tool” in today’s complex employer-employee relationship.
ADVERTISING FOR THE PROPER HELP

Internet advertising is probably your best sources of new employees. Below are suggested advertisements. Faxing or e-mailing resumes eliminates the telephone calls and walk-ins. List your starting wage to eliminate people only seeking high wages.

Clerk
New (or growing) pharmacy seeks Clerk. Must enjoy working with my patients; be efficient with a clear speaking voice and type. Experience helpful but may train the proper individual. Excellent working conditions, $__ ph plus benefits including health. Send confidential resume to _________.

Clerk-Typist
New (or growing) pharmacy seeks Clerk-Typist. Must like working with my patients, doctors and health plans. Must be computer literate and type at 50+ wpm. Excellent working conditions, $____ plus benefits. Send confidential resume to _________.

PHARM TECH
New (or growing) pharmacy seeks Pharm Tech. Must be licensed in (your state). Must know drugs, enjoy my customers and type at 50+ wpm. Excellent working conditions, $____ plus benefits. Send confidential resume to _________.

MERCHANDISER
Ideal position for high school senior or college student who enjoys retail. Hours mon, wed, fri from 4 to 6 p.m. starting at $9. Will train proper individual. Apply in person at (name & address of pharmacy).

DON’T BE AFRAID TO POST YOUR CLASSIFIED ADS ON THE INTERNET! However, do NOT use your pharmacy name.
EMPLOYEE QUALITY CHECK LIST

Hiring the proper individual is critical. Do set aside time to interview individuals either before store hours, during slow store hours or in the evening. Yes, it interrupts your personal time but a poor hire takes more time to terminate than you will spend during the hiring process.

<table>
<thead>
<tr>
<th>Feature</th>
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<th>MAYBE</th>
<th>NO</th>
</tr>
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<tbody>
<tr>
<td>Dresses professionally</td>
<td>y</td>
<td>m</td>
<td>n</td>
</tr>
<tr>
<td>An individual you can respond to</td>
<td>y</td>
<td>m</td>
<td>n</td>
</tr>
<tr>
<td>Has appropriate office skills (i.e. typing)</td>
<td>y</td>
<td>m</td>
<td>n</td>
</tr>
<tr>
<td>Knows drugs</td>
<td>y</td>
<td>m</td>
<td>n</td>
</tr>
<tr>
<td>Smiles</td>
<td>y</td>
<td>m</td>
<td>n</td>
</tr>
<tr>
<td>Efficient</td>
<td>y</td>
<td>m</td>
<td>n</td>
</tr>
<tr>
<td>Dependable</td>
<td>y</td>
<td>m</td>
<td>n</td>
</tr>
<tr>
<td>Healthy</td>
<td>y</td>
<td>m</td>
<td>n</td>
</tr>
<tr>
<td>No family or children problems</td>
<td>y</td>
<td>m</td>
<td>n</td>
</tr>
<tr>
<td>(you cannot ask during interview so listen)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reliable transportation</td>
<td>y</td>
<td></td>
<td>n</td>
</tr>
<tr>
<td>Typing speed</td>
<td>y</td>
<td>m</td>
<td>n</td>
</tr>
<tr>
<td>Brings copy of appropriate licenses</td>
<td>y</td>
<td></td>
<td>n</td>
</tr>
</tbody>
</table>

(Be sure and ask each interviewee to perform a task on the computer or office software package to actually check out typing speed)
JOE DESCRIPTIONS (sample)

Clerk

1. Answer telephones
2. Greet customers
3. Gives prescriptions to pharmacist (or their system)
4. Check insurance information
5. Straighten OTC products
6. Review OTC ordering
7. Gives mail to pharmacist
8. Place faxes in specific area
9. Present sales specials to customers
10. Order literature for reading racks
11. Straighten waiting area four times per day
12. Straighten shelves each morning
13. Gives prescriptions to customers
14. Order office supplies
15. Work with merchandiser (or becomes the merchandiser)

Clerk-Typist

1. Type prescriptions on computer
2. Solve eligibility problems
3. Present typed information to pharmacist/tech
4. Compile insurance problems
5. Get TARS
6. Assist on telephones
7. Assist in Rx department
8. Alert pharmacist to any problems
9. Assist in mail order

Pharm Tech

1. Accurately fill prescriptions
2. Answer telephones
3. Assist pharmacist in any manner
4. Solve eligibility problems
5. Get TARS
6. Alert pharmacist to any problems
7. Assist in ordering Rx products
8. Cover pharmacy when pharmacist consulting
9. Recall programs for patients/doctors

One method in reducing and eliminating employee problems is to write an Employee Manual. See appendix A. Many state governments and PBMs require a written manual.
Many insurers, and even some health plans, are now insisting on receiving a copy of your employee manual. The manual in the appendix are “suggests.” There are countless others. One large employer we have worked with in the past issued a one-page Employee Manual (the Code of Conduct would suffice); others have lengthy Manuals. In case of litigation, for example termination, the opposing attorney will request a copy of your Manual. And they’ll ask, “How can you terminate Sally because it’s not in your Manual.” Hence the one-page version vs. the longer version. However, it is helpful in your self-defense as well as improved communications with your staff. At least what are presented are guidelines to your expectations.

In the Appendix is an example of an employee manual, an arbitration agreement, and a safety manual.

*EMC recommends, and does not receive compensation for the referral, McMahon & Associates for specific personnel questions and answers: themcmahongroup@aol.com*
CONDUCT OF BUSINESS

(blank) Pharmacy is a professional operation, conducted by a highly trained pharmacist. It is the desire of the pharmacist/owner to provide each patient with a clear understanding of the caring and concern we have, regardless of payment method, health plan or Medicare status.

Each staff member is an extension of the pharmacist and should consider him/herself to be so. This pharmacy relies heavily upon you, particularly, to ensure customer satisfaction.

Remember, that the customer's needs come first. They are here because they are in ill health. We need to convey an atmosphere of warmth, cheerfulness and friendliness. Do everything in your power to show them that you care. Remember their names as you would want someone to remember yours. Learn to leave your problems at home. Also remember that our customers may be sensitive to payment methods and medications and do NOT wish these problems exposed to the general public. Accordingly, give no customer the impression that your comments or questions may be overheard by others.

Positive comments from the patients should be relayed to the pharmacist as soon as possible. On the other hand, problems should be also made know to the decision-makers because they may result in unforeseen “trends” that can be quickly overcome.

All staff members are expected to remember the pharmacist’s Conduct of Business philosophy, to work towards its spirit and to remind others you come in contact of this spirit. Yes, there will be hectic times but by treating each customer and employee as an individual, the chaos will be reduced.

Signed,
CHAPTER V

BANKING

“There’s so little money in my bank account, my scenic checks show a ghetto.”

Phyllis Diller.

The best time to discover a business bank is when you don’t need the money. Easier said than done because once you begin conversation with bankers about your business they will want certain documents like the Executive Summary of your Business Plan. You have one handy, right?

Of course not and about 99% of your peers don't either. To overcome the "fear" of a BP (okay, some think it's similar to an oil spill), one follows in Appendix D but be keenly aware of several variables. Most banks want three years of previous performance if you’re seeking a loan to purchase an existing pharmacy. You probably cannot explain to the banker that this is a worthless document as reimbursements from various health plans continue to fall while your cost-of-goods continue to rise. Who knows where the cycle will be next year or the year after? (This is important knowledge when purchasing a store which will be discussed later). Don't lose focus on this important equation. But the banker wants it anyway so provide the income-expense spread.

Also remember that because a banker wears a dark suit does not mean s/he's less of a used car dealer. Bankers receive commissions on programs you purchase; loan officers receive commissions on loans written, and friendships forged in college or the chamber of commerce don't necessarily translate to better lending/banking. Just think “used car sales rep” and you are on stronger footing.
**Negotiating the Loan**

You are not entitled to a business loan, you must earn one. Several national drug wholesalers offer loans but carefully read the fine print. Once you receive a business loan from a wholesaler you become an indentured pharmacist servant including requirements of mandatory purchasing and participation in all wholesalers' programs. However, many wholesalers will allow “start up” pharmacists 90 to 120 days to pay Rx bills. Take advantage of whatever you can negotiate.

The best time to work on a Business Loan is when you do not need one. And how do you know when you will need one? That’s the trick. Take time to meet with bankers; explain your goals and dreams and request their participation. This might require multiple visits with multiple banks.

Now that you’re “buying” a business loan also remember that the bank is worried about you. By asking the bank some routine questions, and handing in a Business Plan, you become a pharmacist above the norm. Be sure to double check:

1. Does the Bank respond quickly to your lending requests?
2. Are you intimidated by loan documents?
3. Are there small business specialists on staff?
4. Can they write an SBA loan?
5. Can you transfer funds on the telephone between checking and interest-bearing savings?
6. Compare banking costs
7. Are their hours convenient?
8. Does the bank have cash pickup service?
9. Do they offer Earning Credits for corporate checking accounts?

Be able to answer questions. If you need to refinance an existing debt or wish to expand you may desire a long-term business loan. Or a line-of-credit loan can help you pay bills (to keep your wholesale buying discounts) over a short period of time and there are no charges until you use the line-of-credit. Your lending institution will ask you some simple questions so be prepared.
1. **Business financial statements for the past three years.** You must prove what you claim so have a list of business assets (equipment, Rx inventories, fixtures) and a payable statement (money owed from health plans) and liabilities statement that includes salaries, payable loans) on a document. Your accountant can prepare such a statement. These statements should be updated every six months.

2. **Business tax returns for the past three years.** If a corporation or partnership plan on presenting the past three years of the IRS form 1120. If you are a sole proprietor plan on submitting your individual tax returns for the past three years.

3. If requesting a long-term loan, for expansion as an example, you may be asked to support the loan with your **personal assets including your home or stocks.** Have those documents prepared, as well.

4. Some cities loan money to start-up or expanding businesses. Your city or county redevelopment agency, or business development agency, are sound reasons to start-up or expand in a particular city. Beware, however. Because of politics you may be directed to a location that is a poor risk for you. Just because the terms are outstanding is NOT the reason to expand to that location. Generally speaking Beverly Hills, CA. will not offer redevelopment packages.

5. Remember, the lending institution must answer to its stockholders, too. Don’t expect special treatment because you and a banker golf together.

6. Many new pharmacy owners will listen to drug wholesalers to finance stores. Drug wholesalers are not lenders, they sell drugs. The more stores buying product from them the higher their earnings. Yes, they want to “loan” you money to purchase a store ON THEIR TERMS. And they’ll ask for five-year terms.

7. SBA loans are fine but remember they are not 100-percent loan to value.

See Appendix D for one example of a Business Plan. Generally speaking a copy the Executive Summary is acceptable to open lending discussions. Here’s one:

**EXECUTIVE SUMMARY**

___ Pharmacy will begin operations in 2015 to service the needs of (city, state) consumers and patients utilizing those pharmacy skills as learned (or practiced at) (college or job site) as well as offering exciting products (select secondary marketing opportunities) while focusing on the future.

**Mission/Goals**
The mission of ___ Pharmacy is to meet the daily challenges and necessities of patients, their dependents and their family and friends.

**Benefits**
The benefits of ___ Pharmacy to the patient population and community are numerous and varied. By developing a viable retail pharmacy and (secondary marketing) consumers will
receive product at reasonable cost, have an excellent resource for health care and find (OTC) ___ products. Coordinating these opportunities will improve business opportunities for the community.

Analysis
An analysis of pharmacy providers was conducted on ___ and it was learned that in a one-mile radius there are no pharmacies to meet the demand of ____ residents; in a three-mile radius there is only one pharmacy to meet the needs of ____ residents and in a five-mile radius there is ___ pharmacies to service the needs of ___ residents.

Marketplace Financing/Investment Return
After reviews of similar organizations throughout the U.S., it was determined that developing this new business will lead to a profitable picture in ___ months by combining pharmacy earnings with the secondary marketing program that will be implementation. (The financial model is found below)

Management
_____ Pharmacy will operate as a “for profit C corporation” (or S corp or LLC) in the State of __________________________.

Financial Analysis
Initially, financial support will come from a line-of-credit being established with___ and my wholesaler _____. The financial model is: (see Appendix D for formula).

NEGOTIATING WITH YOUR BANK
Banks are not churches, they are businesses that must return profits to its stockholders and the only way to make money is to make your money. Be prepared, after receiving loan approval, to ask your bank for specific items and programs that will make you money.

According to banking regulations, corporate checking accounts are not eligible to receive interest payments. How much money do you sock away in your business checking account each week?

Be sure and ask your banker for a SWEEP ACCOUNT. Sweeps work in two methods:

1. Tell your banker how much money you want in your corporate checking account on a daily basis. Any excess money over that limit is deposited into an interest-
bearing account. This is “swept” automatically so you don’t even have to think about it.

2. Money is automatically deposited into an interest-bearing account and “swept” into your corporate checking account for a pre-determined balance in the checking account.

Either method allows you to draw interest – your interest – into specific accounts and pay bills without much thought.

Be sure and ask your bank for “EARNINGS CREDITS” which most business banks will not disclose.

The term “earning credits” was developed to assist real estate escrow and title companies that deposited millions of dollars into corporate checking accounts without the ability to earn interest. The Internal Revenue Service (IRS) created a list of “allowable reimbursable” items the bank will pay your pharmacy for (if you have enough money in an account). Among the items the IRS says the bank can reimburse for are:

* Loans at a Preferred rate
* Short-term overdraft privileges
* Imprinted checks
* Bonded safekeeping of municipal securities
* Processing of shipping and insurance in connection with transfers on collection of municipal bonds or bound coupons
* courier/messenger/delivery service
* Subscriptions to industry periodicals
* Payment of connection fees for computes & faxes
* Lease of telephone & computers
* Armored car service
* Full endorsement stamps
* safe deposit box
* Night deposit facilities
* Data processing
* Payment of record storage
* Lease of copier & fax machine
* Credit reports
* Purchase of business forms
* Equipment leases
* Computer supplies & repairs
* capital lease obligation costs
* legal/accounting fees
* Insurance costs
* telephone

Remember that you must have receipts and careful documentation to be eligible for Earnings Credit reimbursements, and YOU MUST HAVE ENOUGH MONEY IN YOUR NON-INTEREST BEARING ACCOUNT to cover the bank’s reimbursement fees. In other words you cannot expect more in Earnings Credit Reimbursements than your account has earned in interest.

**LINES OF CREDIT**

Every pharmacy should have a line of credit available. Lines of credit are available to a certain amount, say $50,000. You only pay interest on the money you borrow (i.e. $10,000 of the $50,000) and if you don’t borrow it you don’t pay for it (although some banks will ask for an origination fee or a fee to “keep your line alive.” Tell you friendly banker you are most certain to find a bank in your area that won’t be this outrageous.

One ideal “trick” is to open a Certificate of Deposit (CD) and create a line of credit against it. While traditional lines of credit cost the standard prime lending rate (don’t get caught up on those figures about prime rates) plus a point or two, you can establish the interest rate of your CD (i.e. 3%) and your line of credit fee to be paid to the bank will be 1.5% above the rate you’re collecting (i.e. 4.5%). You not only use your bankable money for a good program, but you also can establish any rate of interest your family wishes to receive while you write off the line of credit expenses against your business.

**Conclusion**

Negotiating with your bank can be as much fun as negotiating with your used car
dealer. Do not expect or anticipate receiving anything from your friendly bank. They are simply in business to make money from your money. As we always tell my favorite bankers “you’re one of the few institutions licensed by the Federal government to steal my money.” That’s always a big hit but I’ve never been disagreed with when I further explain: “I bust my butt to make money. I put my money in your bank. I want my money out for business or personal reasons and you: 1) charge me five times in lending interest over what you’re paying me for the privilege of storing my cash in your place; 2) levy fees and service charges against MY money for the privilege of then lending my cash to someone else at five times what you pay the saver.” No wonder your author is so popular around the banking industry.

When it’s your money that it’s definitely worth the battle.
CHAPTER VI

MARKETING

Everyone knows marketing!

“If I wasn’t a pharmacist, I’d be in marketing” or “of course, marketing is easy. You just follow your instinct.”

If it’s so easy, why do businesses fail and why do pharmacists go out of business?”

Marketing is not easy. Marketing is a series of steps (Objectives) to reach a given result (Goal). Making more money is not a Goal, it is a dream. Expanding so large as to hire three pharmacists to do your work so you can golf is not a Goal, either.

Marketing includes more than just advertising; more than just promotions. It is the focus required to be successful (assuming you have a good staff, a good location and a workable Gameplan).

STEP ONE

In your author’s hierarchy of marketing, six steps are required to be answered before your Marketing Program can begin. We call it the GO RACE system:

1. G GOALS

Usually 2-3 years in advance, such as “filling 300 prescriptions per day” or “earn a strong secondary income”

2. O OBJECTIVES

Those steps or programs required to reach Goals. If the Goal is to earn a strong secondary income then Objectives may include: a) education; b) certification; c) identify product; d) develop “appeals” to your audience; e) analyze competition; f) test promotional
program; g) analyze results; h) make go/no go decision.

3. **R  RESEARCH**

After Goals and Objectives are identified, a Research program must commence (an example as noted above). Remain open-minded and if the research shows you have a bad idea then develop a new one. If you completed the Survey in Chapter I then you have a pretty good idea as to the Objectives (series of steps) required to reach the Goal.

4. **A  ACTION PLAN**

Once the research has identified a target audience to meet your Goal, the Action Plan is developed. Generally known as “brain storming” this step allows you to develop the program required to reach a Goal. Wholesalers, product manufacturers, educators and the like may be called upon to serve as additional Research components and to help develop the Action Plan. For example, if the homeopathic sales center is your desired Secondary Marketing avenue then call in the troops. Your drug wholesaler is probably developing a program to fight off the Health Food Stores and may have an entire program already developed for you. Be careful, though, because the Wholesaler has his best interests in mind first. Health magazines contain lists of numerous homeopathic products and by contacting the manufacturers you will get some idea of distribution, training and literature involved. This step includes the “how to’s.”

5. **C  COMMUNICATION**

Once you know what to do and how to get it, you must convey your products to your target audience (as identified in the Research and your Questionnaire). By “testing” your Communications step you literally “test” two variables -- “how best to reach your Target Audience” and “is this correct product(s) for your target audience.” Communications may
include media (newspapers, radio and TV), in-store promotions, Internet and social mediums.

6. EVALUATION

Before the program begins, have definitive evaluation indicators in place. Increased sales is just one small indicator. Customer feedback, fast-moving versus slow-moving products, additional sales training, and pharmacist education may all be required to reach your Goal. By understanding that additional sales are not a true indicator of success, you can evaluate your weaknesses and strengths to help reach your Goal.

By subjecting all of these thoughts and research to paper your conclusions become a working marketing document and suitable to attach to a Business Plan. Yes, your research will impress bankers.

YOUR DIRECTION

Pharmacists remain the most admired occupation in the U.S. So use your status, good will and knowledge to increase business.

Let us assume that filling prescriptions was the reason you opened, or purchased, a store. But in today’s environment, prescription reimbursements are shrinking. Is it because of competition, managed care or chain stores? Probably all three. But don’t lament the fact. Move ahead.

A solid Marketing Program will mean the difference between success, failure and long-term success.

SECONDARY MARKETING OPPORTUNITIES

(also referred to as CUSTOMER CENTERS)

It is virtually impossible to enjoy a good lifestyle based on today’s prescriptions alone. The wise pharmacist “bones up” on business -- not just filling prescriptions -- before
heading into the pharmacy wars.

Your drug wholesaler has an extensive list of “opportunities” for you to consider as a “secondary” income tool. Beware, however, because the wholesaler offers these same opportunities to all of their customers, and some of your competitors. A wholesaler’s program is national marketing in scope. You may require only local help.

Why does the wholesaler offer these opportunities? Two major reasons -- to earn advertising allowances, and to collect “slotting” allowances – and of course to make money. When a major brand manufacturer proposes an item to a wholesaler -- razors, hair tonics, etc. -- the “sale” is generally supported by a generous “advertising allowance” paid by the manufacturer to the wholesaler. Just watch those ads on television or read those newspaper ads. Whether the wholesaler uses the allowance on advertising, in-store promotions, OR KEEPS IT, is strictly up to the wholesaler.

“Slotting allowance” is a term meaning that if a manufacturer wishes an item to be placed in the wholesaler’s warehouse, the manufacturer must “pay for the slot in the warehouse.” The incentive to the wholesaler, therefore, is to gain as much “slotting” dollars as possible. Some wholesalers send the merchandise directly to the pharmacy -- without the pharmacist even ordering the merchandise -- to ensure large manufacturer orders. Remember, if you wholesaler sells Fords you are going to get a Ford. (you can negotiate a “free” return policy if your wholesaler insists on doing business in this manner.)

Secondary Marketing opportunities should be identified before your store is leased. You may require the extra room for meetings, or for consulting or to offer a special service. And it certainly does not hurt when naming your store either:

ELLIS PHARMACY and HOMEOPATHIC CENTER
WELLNESS CENTER and PHARMACY
**Rx FOR LIFE**

Okay, so pick your own name! But remember. Gary’s Pharmacy is not as strong as Gary’s Pharmacy and Wellness Center or Ellis Pharmacy and Homeopathic Center for Healthy Living.

Research, research and research. If you’re in an existing store it’s okay to expand on the name. Below is a sample listing of secondary opportunities with brief explanations.

**HOMEOPATHIC CENTER**

This is an incomplete sentence and is really randomly placed. Consider fleshing out the paragraph (e.g., Herbs, vitamins, and natural products are receiving considerable consumer attention, particularly as people look to holism for improved health. CoQ10, niacin, cinnamon, and acidophilus are just a few of the products being manufactured and advertised heavily. Likewise, some manufacturers offer extensive education to pharmacists, so why not broaden your product offerings and use your professional status to make suggestions to specific customers? You don’t need a large area, but you should "label" and "sign" that particular retail space as a Homeopathic Center so that it stands out to customers.)

**BABY WELLNESS CENTERS**

For the upscale customer areas, "baby centers" offer a product line that can appeal to mothers and their children. Your Baby Center becomes an information-sharing location, a lecture center for young pediatricians to gain new patients and a marketing opportunity for the pharmacist to stock such items as allergy-free clothing, special drugs, organic products, OTC products and even shoes.

**ANIMAL CENTERS**
What do dogs and drugs have in common? A lot, if you market the opportunity properly. In an upscale area without a large pet center, a pharmacist can supply special foods, lotions and vitamins and even feed for the upscale pet. Don’t forget the Internet linkup for the “doggie dating service” (really). Many pharmacists make a decent living with pet compounding already so a Center enhances the revenue stream. If you have a happy pet chances are the owner is happy, too, so his/her prescriptions can be filled at the same time.

ORGANIC CENTERS

Offering organic food products such as juices, produce, milk, meats and other such products will allow you to capture the “health food” audience. You’ll need to plan early for this venture, so ensure your audience is organically inclined and talk to food, not drug, brokers who specialize only in organic products. You’ll be amazed at the variety and opportunities available in this endeavor. If this is your appeal, plan on cooling or refrigeration in your store.

HEALTH CENTERS

Where does a customer discover “health” tips – including advice from exercise to diet to strength? Your pharmacy. This center requires a pharmacist interested in health and welfare, and practices the same. You don’t need to sell dumbbells to be successful (a tie-in and finders fee would be nice when you recommend a customer to a fitness outlet, so line up participants early and don’t forget to give your customer their business card). There is one pharmacy center in Pasadena that includes a pharmacy center, organic center and a workout center. This works.

HOME HEALTH CARE (DME)

Drug wholesalers and others have tons of items available by catalog. Your customer
orders from the catalog, and it’s delivered the next day by the wholesaler. You earn a nifty 10-percent of the product cost without spending a dime. What’s the catch? Really none. Leave room in your store to display wheelchairs and other products, and have many customer catalogs available. Some DME profit has eroded with the advent of CMS’s service bidding but some DME products make for excellent holiday gifts, and profits.

LECTURE CENTERS

This takes some room but allows for excellent traffic flow. Where can soccer teams hear a lecture from a top-notch pro? In the Ellis Pharmacy and Sports Center, that’s where! prostate testing, cancer clinics, asthma talks, wellness lectures . . . only your imagination limits you to the use of a Lecture Center. The center will build customer flow, and provides you with an excellent opportunity to expand other aspects of your business. Even HMOs will pay to host potential customers in your store. This is an ideal plan for a large store where the traffic has fallen drastically due to customer demographics. Lectures can be scheduled at various non-peak business times or on Saturdays. It gets new consumers in the store.

POSTAL CENTERS

Perfect for any neighborhood but without the franchise cost. Gift wrapping, post office boxes and a mail service bring additional traffic flow into your pharmacy with only one staffer required. No, you don’t need $35,000 to purchase franchise rights. The successful necessities are available On-Line so take a stroll through a UPS or FedEx store (formerly Mail Boxes, Etc.).

COSMETICS

Depending on your demographics, this could be a winner. One Studio City, California pharmacist, tucked away in 600 square feet of a supermarket, makes a ton of
money on cosmetics. Upscale, one-of-a-kind cosmetics the Hollywood stars require before screen tests. He has no competition because he was first “in” with the product and knows how to purchase the product. By the way, Studio City is not to be confused with Glendive, MT.

**COFFEE/FOUNTAIN**

One enterprising Seattle pharmacist opens a window in his store and sells hot coffee to the commuters waiting for buses. He nets several hundred dollars a day. Coffee can be purchased from vendors in heated containers and refreshed every four hours. Turn-of-the-century ice cream fountains support a young crowd and can earn additional revenue.

**GOURMET SANDWICHES**

Are you located in a busy medical building? Why not sell flavored coffees and upscale sandwiches? Caterers are looking for outlets so you don’t even need a sandwich counter. If a Subway can make it by only selling sandwiches, what can your pharmacy do? Be sure and check your City, County and State health requirements for product storage.

**FLOWERS**

Lacking competition from florists, flowers are wholesaled incredibly inexpensively and can turn your store into a beautiful smelling and looking area. This is particularly true if your pharmacy is located near a hospital, LTC or SNF. If you deliver flowers don’t forget to advertise your prescription delivery business, too!

**BOOKSTORE/PERIODICAL CENTER**

Is there a quality periodical center nearby? If not, fill that void. Magazine distributors charge only for the product that is sold. Book venders always are looking to find another outlet. Consider book reviews by your staffers or friends. Periodicals and books hear the checkout counter is a perfect way to let customers find their next weekend’s reading. A
perfect “gift” for shut-ins or patients.

WATER CENTERS

It could be the craziest idea ever but low-income foreign customers are lining up to purchase water from giant reverse osmosis machines. Also consider specialty waters, too.

HOBBY or GIFT CENTERS

Of course, it sounds stupid. But in Southern California, the Long’s Drug Store in Moreno Valley had the largest selection of N, Ho, O and Garden hobby trains in the nation. In fact a special warehouse was constructed to handle the mail order business. In Delano, California an enterprising pharmacist offers the best selection of gifts, perfumes and the like for the entire city of 27,000 despite competition from chain pharmacy stores. A Lodi, California store about one block long, displayed gifts and furniture from around the world. A special “invitation only” party following Thanksgiving not only raised funds to local charities but also provided exceptional gift opportunities for the locals.

WEIGHT LOSS or STOP SMOKING CENTERS

Today’s manufacturers, wholesalers and others seek sales angles. Shouldn’t you? What better way for a pharmacist to help customers, or a potential customer, than by offering programs in weight loss or smoking cessation. Plenty of products are available to satisfy the demands of any customer. Special lectures can be held after normal store hours for people to provide testimony as to the personal success. Manufacturers have written audio and video promotional materials that you can utilize.

SPORTS CENTERS

Remember the lecture centers for youth soccer, etc. This is a specific variation for your Secondary Marketing store. Catalog orders for training equipment, wraps, special nutrients, etc. can make your store a standout in many areas. Your special interest in, let’s
say, baseball can accommodate all sorts of orders. No, you won’t be competing with the local sporting goods store but you certainly can cross-promote with it by specializing in certain forms of equipment, bandages or remedies.

**ASTHMA or DIABETES CENTERS**

Special treatment centers were tried, with some success, in parts of the country. Don’t duplicate a “losing” program but be aware that centers such as these may be required in your part of the town and certain health plans may co-op with you. It may take several letters or telephone calls in the start-up stage to organize these centers. Many disease state programs already are available but reimbursements do not add up to the amount of time required to perform specific tasks. By creating this special center additional assistance may yield solid dividends. Some stores offer many sugar free products in order to cater to a diabetes audience. It’s more than just socks and shoes.

**EXISTING STOREFRONTS**

These variables are valuable for existing store owners, too. By rearranging your physical store, exploring co-operative possibilities or by bringing in two or three “centers” you can create a reversal of fortunes.

In an old 7,000 square foot former food and gift wrap store, you can combine a Lecture Center and a Wellness Center along with your Rx. Other entrepreneurs may wish to lease space in your storefront as well but be careful and ensure the “tenant mix” will be conducive to you.

**BEGINNING STEPS OF PHARMACY PROMOTIONS**

Never, ever assume. Just because you have big signs, an ideal location and perfect visual opportunities, don’t leave *anything* to chance. (Later in this Section we will discuss marketing tools)
Identify your best customers for business.

*Residential*

In a residential area, your neighbors are your best customers. There are a number of ways to reach this marketplace:

1) **A “walking service”** to deliver printed materials door-to-door. Cheaper than bulk mail but not effective in an apartment density area.

2) **Telemarketing.** Reverse telephone directories are available from your local telephone service center and include telephone numbers on a street-by-street address. You can select which streets you want called. Telephone calls should focus on personal invitations to visit the “new” store (an existing store can also use this approach if a Secondary Marketing Center is added.) By carefully wording your presentation you can avoid the Do Not Call List syndrome.

3) **Direct mail.** Mailing lists can be purchased from qualified mail order houses to “hit” specific zip codes. Your direct mail piece(s) must be attention-getting because the reader will make a decision to keep it in two seconds. Use the word FREE somewhere in the opportunity. The second most admired phase is HOW TO. . .

4) **Insert Packing/Marriage Mail.** These publications can “target” your message by zip codes. Much less expensive than conducting your own direct mail unless your “Secondary Customer Centers” are upscale.

5) **Customer Center target advertising.** If your Secondary Marketing Opportunity is aimed at upscale young mothers, this demographic information can be purchased from your mailing house. The Customer Center becomes a focal point for marketing opportunities. Today’s mailing lists are generally 95% accurate.

6) **Co-op opportunities.** If you’re close to a Flower Shop why not offer pill delivery through
them? Or vice versa. If you reside in a strip center or cluster group, be sure to have plenty of counter displays in their stores in a co-operative advertising effort.

7) **Chiropractors.** Use your “brother” health care providers to prominently display your pharmacy’s name, address and services (besides pills). They will expect the same.

8) **Doctors Offices.** Ask their staff to recommend -- better to call in -- your store for prescriptions. This may take several early-morning visits with donuts but eventually you’ll win their love and support.

9) **Senior Centers.** Flyers, displays and the offer to supply lectures, etc. are key variables in the fight to win customers. If possible, deliver prescriptions to these centers on a regularly scheduled basis.

10) **Mobile Home parks.** Many of these folks are near shut-ins. Offer delivery services and make sure to supply their 90-day supplies for them as a “special” opportunity. Each park offers a meeting opportunity so take advantage of it.

11) **Service Organizations.** Chambers of Commerce, Rotary Clubs, We Tip business groups, generally do NOT have pharmacy participation. But many of these groups have morning meetings and evening mixers so join BEFORE you open your doors. Make sure to provide plenty of business cards.

12) **Large employers.** These facilities offer gathering opportunities for their employees. If a dry cleaner can pick up and drop off clothes on a regular basis you may be able to offer pill delivery, as well, with the proper training.

**IN-STORE INCENTIVE PROGRAMS**

Once your doors are open, the telephone numbers are promoted and your first two promotional pieces have been distributed, the work can start.

Begin your Rewards Program using your employees.
Every customer who walks through your doors should be the recipient of some marketing tool. To ensure success, prepare Incentive Programs for your staff, just like in restaurants. When your waitress offers you special desserts, for example, they are being “spiffed” by management in the form of a cash bonus or points in a contest (the more chocolate mousse on their tickets, the more points. The most points win cash and prizes).

**Incentive Suggestions**

Inform each staff member of your upcoming marketing programs. One method is the Employee Bulletin Board noted in the Personnel series. Explain the sale and the program. For example:

"Next week is a Vitamin Sale. Remember this telephone greeting: ‘Thank you for calling Ellis Pharmacy and Wellness Center. And remember to stock up on XYZ Vitamins this week because they are being offered at half price.’ For every telephone call answered is awarded 100 points.

The customer picking up a prescription should be told something similar. For every OTC product sold, give the sales clerk 100 points per bottle. Post the amount of points by each employee name during the week so everyone can get caught up in the excitement.

Each in-store marketing program should be supported with prescription bag flyers, printed on bright paper. The flyer may say: “Available the week of August 1-8, BIG Vitamin Sale. One half off” (we will discuss “offers” later). This supports your program. And if you’re really good, an advertisement or flyer should be distributed. Don’t forget your “marketing” points to such areas as trailer parks or senior centers. Vitamins can be ordered from an order sheet and delivered during your traditional rounds of pill deliveries.

Be sure to give out 100 points to each employee who greets a customer by name. We all like to be noticed and regular customers certainly enjoy the notoriety."
Of course, you’re busy. So share the responsibility with your Pharm Tech. Some months a “secret” employee may be utilized to maintain the score.

Rewards to winning employees can include money, dinner or gift certificates. An annual Grand Prize winner (most points accumulated during the year) receives a really neat prize such as a Cruise, Travel Vacations or a Dine Out package. As a store owner, you’ll make tenfold over the cost of annual prizes.

Points got you down? One pharmacist we know has a unique quarterly program for all of his employees. He gave them 10-percent of OTC gross sales after a baseline (actual cost of product) is met. He places the commission money in a large jar and the employees can see the cash build on a weekly basis. After a month or quarter, the cash is divided among his employees.

**Special Programs**

**Emergency Cards**

As a start-up business, or an on-going program, Emergency Cards are an ideal give-away. Purchase blank plastic cards (about 2 cents each), order pre-printed labels with your store name, address, telephone and Internet address and then on your store’s printer, note the customer’s name and allergies and other brief information. New labels can be printed when an old prescription label is filled. Your customer will thank you, your customer can call you and you are providing a valuable FREE service for traveling customers.

**Reminder Letters**

A number of software programs can provide customer information for mailings. Letters will be appreciated by patients on maintenance drugs but this program also is available from your wholesaler. These letters may keep your customers away from mail order.
Prescription Bag Stuffers

Each customer leaving your store must have an insert (bag stuffer). Announce vitamin sales, holiday greeting card sales, your Secondary Marketing notices and sales, Customer Appreciation Day and other special notices you may wish for your public to know. If you produce a monthly newsletter, this a great distribution point.

Weekly/Monthly Specials

Build your sales around key times of the year. A (generic) sun block sale during the spring will be welcomed by everyone. During the winter months, a Cough and Cold (generic manufactured) sale may be welcome. Vitamins, herbs and homeopathic remedies can also be exposed to your customers. If you can receive special supplies like sun glasses, watches or whatever, these sales can be presented to current customers.

Newsletters

If you have the time, or a good friend, The Ellis Pharmacy and Wellness Center newsletter can be produced on a regular schedule. Every month a newsletter can be produced and mailed, distributed in bags, given as reading material in your store and used as a mailer to your primary target area, clinics and medical groups. A pharmacist has much useful information that their customers would enjoy reading about. Don’t forget to have you telephone number in several places as well as an Internet address. Don’t forget to ask your local university (journalism or business departments) if they have students requiring intern units to become authors of your newsletter. Orange Coast College, a community college in Southern California, has a full-blown “advertising agency” on campus and its students are required to work with small businesses for the experience. They get the experience and exposure; you get on-going communications. By time-lining (pre-planning newsletters 12 months in advance) each issue’s content the student can write far in advance as well as
provide exciting layout templates.

**Offers**

How do you appeal to your customers? When selling vitamins do you offer 50-percent off (and don’t be like some cheap retailers we know who re-price the sale items during the evening before the sale begins) or 2-for-1. Is a “buy 2 get 1 free” better? Who knows? Each marketplace is unique. **Experiment.** That’s right. Don’t be afraid to offer 50-percent off one month and a Two-for-One sale two months later. You’ll quickly learn the buying norms of your community.

**Customer Appreciation Program**

Every regular customer likes to be remembered. What better way than with your semi-Annual customer Appreciation Program. Regular customers can fill out forms for a drawing and win a month’s supply of (generic) cough medicine, a trip, dinners, sunblock or any items you believe have a strong appeal. Be sure to give them a “cents off” OTC coupon every time they come in during the Appreciation Program. It’s your way of saying “thank you” with plenty of opportunity to “market” this special program.

**EXTERNAL PROGRAMS**

Of course, you’re busy. But everyone wants to work harder when times are tough. By working hard now, times won’t get tough.

Several inexpensive communications avenues are always available:

1) **Speakers Bureau for service clubs, etc.**

   Every service club wants a speaker, especially one who will fill in on short notice. What about a pharmacist? Your speech may not have great visuals but it can include: Managed Care Update; Generic versus Name Brand drugs; your Customer (Secondary Marketing) Centers. Handouts can include your Monthly Sales Special Flyers or your
newsletter (be sure to have a sign-up sheet so everyone in attendance joins your mailing list). You will not only get your name out to the community but provide a valuable service.

2) Internet

For a modest fee, your pharmacy can go worldwide. Don’t be afraid to sell vitamins or market your Secondary (Customer Center) Market. Include an “ask the pharmacist” e-mail. DO be afraid to sell prescriptions on-line.

But Internet sales of product, such as sugar-free candy, is another matter. One store in Southern California sells scratch-made sugar free chocolates worldwide because the pharmacist’s mother was a diabetic. The candy is brewed in the store sending a great aroma around the neighborhood.

ADVERTISING

Large customers can focus on Image Advertising (called “branding”). You can’t. An ad featuring a smiling pharmacist saying “we fill most health plans” won’t do as much for you as for a national chain. Present what you do best such as monthly specials, Secondary Marketing programs or the like.

Cable Television

An “inexpensive” buy in most marketplaces. Your message should focus on action responses such as “Take Advantage of our Two-for-One vitamin sale” or introduce a new marketing service. Most cable companies will film your ads for free. But there are some problems including a limited “reach” or viewer audience.
**Shoppers**

Generally, the publishers offer flexibility in distribution and printed items. For example, you can have printed and inserted into a weekly shopper magazine your store’s flyer, by zip code. This, of course, eliminates needless distribution with the printed message. Grocery chains use the Shoppers to present printed weekly sales messages. Depending on your required “reach”, the weekly shoppers may be a solid medium for message presentation. You may experiment with a “sale” item to learn the reach of this publication.

**Daily Newspaper**

In small marketplaces, a newspaper could be a good purchase. In metropolitan areas, only the chains advertise and that’s more for image building than special offers. Some health care professionals, like chiropractors, advertise via an editorial news column of patient information. You’ve probably seen these efforts. Your secondary marketing elements such as homeopathic, organic centers or kiddie sections may be ripe for this approach. It is difficult, however, to advertise your shop as the “most caring” or “low price leader” when these two variables have little impact on your overall profit structure. Because of generally large circulation (especially in non-rural areas), newspapers have a large reach but over compensate for your market share. Costs are generally considered in Cost Per Thousands. On the positive side, most daily newspapers have a fine advertising department to design your ads. Ask your advertising representative if you can write (or co-author) a regularly scheduled pharmacy story. And remember that the “reach” of daily newspapers has diminished greatly and so has the placement price.

Always try to place your ads in the special sections such as the television guide or Sunday entertainment sections. Readers keep these special sections for an entire week while most newspapers are discarded nightly.
Ensure that your advertisement is in the proper section of the daily newspaper. (Your best insurance is through you Customer Survey noted in Section II).

Although your sales representative is working for a commission he also remains a good source for insight and information (remember, he’ll lose you as a customer if you pull your ads). The sales staff will know what Special Sections will be appearing and the dates the Special Sections will be printed. This is an excellent opportunity for a complete marketing blitz including press releases, a radio spot and an in-store effort.

**Weekly Newspaper**

Weekly newspapers offer opportunity, and risk. In non-adjudicated weekly newspapers (adjudicated in this definition means the newspaper circulation is audited) it is very difficult to ascertain exact circulation figures. If the publications are mailed, you can request a copy of the post office mail receipt, which is given to a controlled circulation group (a nice term for throw-away publications). On the other hand, if the weekly publication is well received, has a good circulation reach and is attractive, this medium may be ideal for your store and its secondary marketing opportunities. You can ask to submit weekly stories to support your advertising. The newspaper generally will find this a good opportunity to provide health care information to its readers, too.

**Radio**

Radio can be very expensive, up to several hundred dollars per minute for great stations with high ratings, and generally their reaching power is too vast for a single store. Small stations offer low rates but listenership may be prohibitive, too (that’s why the rates are so low). If possible, request an opportunity to provide a weekly news broadcast about health care issues relating to pharmacy. An ad, or station sponsorship, may be required (some radio stations will “sell” you a time slot for a minimum amount under the guise of a
news call-in show). If you choose to advertise on radio, just supply the “rough” copy block and the station will supply the “voice” for free. That’s part of the service.

**Television**

In most marketplaces, this medium is prohibitive. Only the chains prefer television advertising and that’s to present an overview of the chain and its professionalism. In small marketplaces television may be an acceptable medium if you can feature your secondary marketing opportunities.

**Public Relations**

Writing and submitting public relations releases to weekly and daily newspapers, magazines, radio stations, and even television stations, is acceptable and quite “doable” (see form press release in the example section). Your initial press release should focus on your credentials and your store opening. A second press release may stress the number of health plans you participate with and a third press release may focus on your selected secondary marketing opportunities. Do NOT put all this information in one press release. And do not write a press release of more than one page. Two things will happen. You may be consulted with about other stories and you generally will get some “free advertising” in several publications for only the cost of a postage stamp or email.

Another form of welcomed public relations is in the form of a Speaker’s Bureau. Every organization and club desires speakers, sometimes on short notice. You are an ideal candidate to discuss health plans, name brand drugs versus generics, how to save money on prescriptions or the best health plans for pharmacy products. If you produce a newsletter, flyer or something similar, this speaking opportunity is a great time to pass out your materials. And be sure to circulate a sign up sheet for upcoming “sales” or newsletter mailings.
Magazine Advertising

This can be rated with a daily or weekly newspaper. Slick, expensive magazines may be appealing for your secondary marketing such as cosmetics or wellness centers (if that’s your marketplace).

Marriage Mailing

This industry includes the printing and circulation of several businesses in one mailing packet or coupon book which is distributed to a large audience. Generally coupons feature a “cost off” or savings coupon. This is difficult for Rx products but it can be produced to coincide with a monthly special sale or to promote your secondary marketing opportunity (customer center).

Specialty Advertising

This term relates to companies who produce “give away” items such as key chains, potholders or pens with your name and telephone number printed. Each specialty advertising company has catalog upon catalog of merchandise with pricing. Your initial marketing program should have some sort of specialty products produced for give-aways and reminders.

Welcome Wagons

Many communities greet new residents with Welcome Wagons of materials and gifts. Your pharmacy should be among the first stops for new residents in your town. A pen with your name and telephone number, a special OTC discount or a newsletter offer is certainly solid gestures of good will.

PAYING FOR YOUR PROGRAMS

Marketing is not an expense, it is an investment. Instead of investing in a stock fund managed by some distant company, you are investing in yourself.
Just as large companies can demand Slotting Allowances or Advertising Allowances, you can, too! Sell advertising in your own newsletter or do as one Texas pharmacist we know who charges $10 per OTC shelf item per month. Multiply that times 100 items and you’re doing pretty well. Of course, your wholesalers won’t like that very much.

If you design flyers advertising special items (homeopathic or private label vitamins) ask for co-op advertising dollars. Generally, a co-op program will return up to six percent of the cost upon approval of the marketing piece. Big companies use it; you should, too. And if you purchase radio time for a talk show be sure and solicit your own advertising, too.

**Always have expiration dates on your coupons. This creates a sense of urgency or ends your program when your “product” must be returned to the wholesaler.**

The Big Three wholesalers offer merchandising programs and co-op advertising as well. But be mindful -- be very mindful. One marketing program will sponsor a NASCAR, which might be great for stores in South Carolina but not for your location, and another used co-op dollars to sponsor a “chair” at a college to teach becoming an entrepreneur. In one instance we know that the “professor” hired by the wholesaler went bankrupt!

**MARKETING IDEA TIMELINES**

Before opening a quarter or getting ready for a new and better year, organizing your thoughts on paper is critical to over-all success. If your staff knows what to expect, then your customers will, as well.

1. Initial 90 days of promotional ideas
2. Three written press releases with release (mailing) dates
3. Contact names at all newspapers, radio and television or cable
4. List of service clubs (available from the local Chamber of Commerce)
5. Co-Operative marketing ideas and contacts

6. Social media outlets

**MARKETING SCHEDULE TIMELINES**

The elements of a marketing program cannot be shuffled off to a side room while you focus on other things. It must be pre-planned and carefully designed. Remember the press release? You can write all three and even address the envelopes or emails weeks before you decide to distribute them or save your offers in the “draft” section of your emails. The following form may help in your marketing planning. DO NOT LEAVE THIS UNTIL THE LAST. A poor effort because of deadlines reveals much about you to the reader or listener. And it will be negative.

**(SAMPLE)**

**MONTHLY MARKETING BUDGET SUMMARY**

Date _______ Month of _____________________.

<table>
<thead>
<tr>
<th>Media (daily newspaper, weekly, radio, etc.)</th>
<th>Size/Cost of Placement</th>
<th>Deadline Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Weekly Times newspaper</td>
<td>$150</td>
<td>August 1</td>
</tr>
<tr>
<td>2. WZYC Radio</td>
<td>$500 (10 spots)</td>
<td>August 3</td>
</tr>
<tr>
<td>3. AVCO (coupon marriage mailing)</td>
<td>$500</td>
<td>August 10</td>
</tr>
<tr>
<td>4. Monthly Special (vitamins)</td>
<td>$250 bag stuffers</td>
<td>Printer 8-15</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(sale begins Aug. 25)</td>
</tr>
<tr>
<td>5. Press release on vitamin sale</td>
<td>no cost</td>
<td>mail August 17</td>
</tr>
</tbody>
</table>

Marketing budget $1,700
Monthly reach 29,500

**BE SURE AND POST A COPY OF THIS SUMMARY ON THE EMPLOYEE BULLETIN BOARD**
MONTHLY MARKETING BUDGET SUMMARY

date _______  Monthly Budget ________________________________

<table>
<thead>
<tr>
<th>Program</th>
<th>Size/Cost of Placement</th>
<th>Deadline</th>
<th>Date</th>
<th>Reach (number of people)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
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<td>6.</td>
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<td>7.</td>
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</tr>
<tr>
<td>8.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TOTALS**

media costs total for the month ____

Monthly reach ______
TRACKING THE RESULTS

Telephone calls to marketing guru's aren't necessary if you develop and monitor your own marketing programs. Any number of simple methods is acceptable to tracking results:

1. Use a different telephone number, if possible, for each promotional segment (i.e. vitamin sale);

2. Offer different promotional products such as vitamin sale for bag stuffers; 2-for-1 on (radio and newspaper). While this dilutes the suggested marketing thrust it will assist in tracking your best promotional mediums;

3. Coupon redemption is a “poor” standard to track results. However, it is the standard in most mass marketing programs. Most weekly newspapers and smaller direct publications discourage you to use coupon redemption because of the fear of a poor response. Many of your account representatives will simply say “our customers are too busy to clip coupons.” Don’t believe it. However, large manufacturers use a simple formulary -- “when a program commences we count cases sold.” If you “move” $1,500 in vitamin sales then the sum total of your marketing was pretty good!

4. When possible “collect” coupons. Each coupon will have a store identifier -- marriage mail in one color; bag stuffers in bright colors; newspaper ad printed on newsprint and so forth. Place the coupons in a large envelope and have a staff member count each coupon. Always have expiration dates on your coupons. This creates a sense of urgency or ends your program when your “product” must be returned to the wholesaler (depending on the contract you negotiated with the wholesaler)

5. “Institutional Advertising” is not designed to be monitored. Some examples of institutional advertising include internet advertising, public relations or specialty
advertising (i.e. pens, potholders);

6. It is just as important to identify what does NOT work. For example, a public relations effort may not yield any ink or hits. Don’t let this discourage you. It just takes one solid feature story on you or the health care industry to make this program successful. Because marketing is not an exact science, you should also know when to stop

TRACKING (sample)

Using the sample noted earlier in this section, an easy tracking program would consist of marketing and counting each response to your program:

1. Weekly newspaper coupon
   ________________ week of Aug. 1
   ________________ week of Aug. 8

2. WZYC Radio
   ________________ week of Aug. 1

3. Marriage mailing)
   ________________ week of Aug. 1
   ________________ week of Aug. 8

4. Monthly bag stuffers
   ________________ week of Aug. 25
   ________________ week of Sept. 2

(Always have expiration dates on your marketing pieces. This creates a sense of urgency or ends your program when your “product” must be returned to the wholesaler without penalty.)
(SAMPLE BAG STUFFER printed on colorful paper. Ensure that your staff place he stuffers in the bags):

THIS WEEK ONLY AT ELLIS PHARMACY and HOMEOPATHIC CENTER!

VITAMIN SALE!
Buy 2 get one FREE
For Vitamins A’s to Z’s, Ellis Pharmacy and Homeopathic Center will recommend the finest vitamins available for your family!

SALE ENDS MARCH 28TH SO HURRY!
(909) 555-1212
WE’RE NEXT DOOR TO ST. MARY’S HOSPITAL

Sample public relations release #1

Dr. Gary Ellis, a 2014 graduate of the Michigan School of Pharmacy, is proud to announce the opening of the Ellis Pharmacy and Baby Wellness Center, 1114 Main Street in Anywhere, USA, next to St. Mary’s Hospital.

The Ellis Pharmacy and Baby Wellness Center is a full-service pharmacy accepting all health plans and major credit cards. It is proud to also offer the area’s finest Baby Wellness Center featuring items not found elsewhere including organic foods and clothing.

Ellis Pharmacy and Baby Wellness Center can be called during store hours, 9 a.m. to 7 p.m. Monday through Saturday, at (909) 555-1212.

(note to press: Gary Ellis can serve as a health care news “resource” by contacting him direct). A sidebar here: reporters need “resources” to explain certain topics. Some reporters will ask, for example, what is a PBM. This information is vital to their next report.

PR-Sample #2

Ellis Pharmacy and Baby Wellness Center, 1114 Main Street, Anywhere next door to St. Mary’s Hospital, is pleased to announce the ability to accept the following health plans: AETNA, Secure Horizons, etc. Ellis Pharmacy and Baby Wellness Center can be called during store hours, 9 a.m. to 7 p.m. Monday through Saturday, at (909) 555-1212.
Ellis Pharmacy and Baby Wellness Center, 1114 Main Street, Anywhere, next door to St. Mary’s Hospital, is pleased to announce several new products and an upcoming lecture in its Baby Wellness Center.

Beginning July 1, Ellis Pharmacy and Baby Wellness Center will make available certified organic cotton diapers, etc.

On July 14, beginning at 6:30 p.m., pediatrician Dr. Little John will lecture on “Keeping Your Baby Happy and Healthy.” There is no admission fee but seating is limited so reservations are required. Please call Melinda at (909) 555-1212 for information.

Sample radio spot

COPY

(75 words for 30 seconds/ 150 words for 60 seconds)

Pharmacy Name ________________________________

Title of Spot ________________________________

Length (30 or 60 seconds) ______________________

Co-Op ____________________________ Date ____________

ELLIS PHARMACY AND BABY WELLNESS CENTER, LOCATED NEXT TO ST. MARY’S HOSPITAL, IS PLEASED TO PROVIDE YOUNG MOTHERS WITH NEW, NON-ALLERGENIC DIAPERS, CERTIFIED ORGANIC COUGH SYRUP AND RICE-UP, A RICE MILK REPLACEMENT FOR YOUNGSTERS WITH WHOLE MILK ALLERGIES.

IN ADDITION, OUR FULL SERVICE PHARMACY WILL OFFER A SERIES OF WELL BABY LECTURES BY NOTED PEDIATRICIAN LITTLE JOHN ON JULY 1, 8, 15 and 22 BEGINNING AT 6:45 P.M. THERE IS NO CHARGE BUT RESERVATIONS ARE REQUIRED.
(if you were to utilize a copy block like this, there are three potential co-op
advertisers including the manufacturer of the diapers, cough syrup and Rice Up).

PRINT ADVERTISING

Designing an eye-catching advertisement, especially a smaller ad, is a very difficult
task. Fortunately, many media offer FREE ad design. However, they will require your input
on copy and you can NEVER assume you’re working with a crack designer.

There are several variables to consider for advertising including:

1. Ad size increases ad recognition
2. Color increases recognition by three times (but generally costs four times more)
3. Co-operative advertising efforts (a lecture series plus your full-service store) increases
   acceptance
4. The more white space, the more recognition
5. You have two seconds (or less) for eye appeal
6. Make your ads recognizable through the same design, borders or type faces
7. Use simple layouts
8. Always use a “hook”, something to “catch” the reader’s eye
9. “HOW TO” and “FREE” remain the two most eye-appealing words (hook)
10. Use limited words. A picture or illustration is worth a thousand words
11. DO use your store name, telephone, address and landmark (if applicable)
12. DON’T generalize, or use big words, health professional words or excessive claims
13. Advertising placement is in the proper section of the publication
14. Make an offer (but if it’s too good to believe, it won’t be)

THIS ALSO APPLIES TO YOUR WEBPAGE OFFERS
MY ADVERTISING CHECK LIST (to be utilized if laid out by the publication)

yes no  EYE APPEALING (HOOK) HEADLINE
yes no  SIMPLE LAYOUT
yes no  TYPE FACES STAND OUT AND DON’T DISTORT THE MESSAGE
yes no  AN “ACTION ITEM” IN THE COPY
yes no  YOUR NAME, TELEPHONE, ADDRESS, LANDMARK EMPHASIZED
yes no  SIMPLE LANGUAGE
yes no  SPECIFIC COPY APPEAL
yes no  CO-OPERATIVE POTENTIAL
yes no  AD PLACEMENT IN MY PRIMARY MARKET

(print advertising sample)

FREE Wellness Baby Series Lecture

Ellis Pharmacy and Baby Wellness Center, located Next to St. Mary’s Hospital, Proudly Hosts

“How TO KEEP YOUR BABY SMILING”
by Pediatrician Dr. Little John
6:45 p.m., July 1, July 8, July 15, July 22, Reservations required

Ellis Pharmacy and Baby Wellness Center is Your
Full Service Pharmacy

*Major Credit Cards Welcomed  *Allergy free Clothing  *Accept all Health Plans
(909) 555-1212
Monday-Saturday 9 a.m.-7 p.m.
(24-hour Emergency Service Available)

(for doctor introduction use big type and an offer)

Ellis Pharmacy and Baby Wellness Center welcomes your patient prescriptions via telephone, fax or Email. Please plan on also providing a hard copy of the script ASAP.

Call your patient’s prescription to (909) 555-1212 and it will be filled when they arrive. GUARANTEED! That’s our way of saying “thank you” to the Hope Medical Clinic.

105
STEPS to SUCCESS

(This step should be completed before any program begins, a store is purchased or opened and should also accompany your Business Plan.

<table>
<thead>
<tr>
<th>Date</th>
<th>Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>___</td>
<td>Determine business goals</td>
</tr>
<tr>
<td>___</td>
<td>Ascertain your Secondary Marketing Opportunity (Customer Center)</td>
</tr>
<tr>
<td>___</td>
<td>Identify Your Location</td>
</tr>
<tr>
<td>___</td>
<td>Negotiate Lease with Secondary Marketing Opportunity in Mind</td>
</tr>
<tr>
<td>___</td>
<td>Develop a start-up or target opening date (leave at least 4 weeks from scheduled build-out completion date and store opening)</td>
</tr>
<tr>
<td>___</td>
<td>Write internet copy</td>
</tr>
<tr>
<td>___</td>
<td>Interview Wholesalers</td>
</tr>
<tr>
<td>___</td>
<td>Prepare Employee Manuals</td>
</tr>
<tr>
<td>___</td>
<td>Hire staff</td>
</tr>
<tr>
<td>___</td>
<td>Join third party contracting organization</td>
</tr>
<tr>
<td>___</td>
<td>Order specialty advertising items, business cards, stationary, envelopes, etc.</td>
</tr>
<tr>
<td>___</td>
<td>Determine your best advertising avenues. Fill in advertising schedule.</td>
</tr>
<tr>
<td>___</td>
<td>Write copy for radio, newspaper, marriage mail, etc.</td>
</tr>
<tr>
<td>___</td>
<td>Make grand opening media buys</td>
</tr>
<tr>
<td>___</td>
<td>Introduce your pharmacy to local doctors, clinics, etc. Leave your business cards, specialty advertising items with staff. Note whom you talked with for future reference.</td>
</tr>
<tr>
<td>___</td>
<td>Stock store (wholesaler and Secondary Marketing projects)</td>
</tr>
<tr>
<td>___</td>
<td>Determine Grand Opening Sales Specials</td>
</tr>
<tr>
<td>___</td>
<td>Stock store (wholesaler and secondary problem)</td>
</tr>
</tbody>
</table>
Hang signs announcing Grand Opening of your store

Hang Employee bulletin board, announce special program

Prepare bag stuffers

Telephone clinics, etc. to remind Grand Opening Date

Prepare second ad
CHAPTER VII
Location Selection

*The newbie pharmacist was thinking of his real estate agent*: *Q: When is a one-story house a two-story house? A: You get one story before you buy, and the second story after.*

Do you remember what your first Realtor told you about selecting a home? “Location, location, location.” If you were concerned about finding the proper location to raise your family, then consider that the demands required to locate your pharmacy are even more critical. Simple location alone can make the difference between success and failure.

Obviously, selecting a State is the most important. Not just for your business but also for your license to practice. We assume that you have taken your state exam in the state you wish to practice pharmacy. If not, try to select a growth state. And that’s easier said than done.

For example, the Rust Belt isn’t so rusty. In fact, Arizona and Nevada were booming and Colorado, the state of choice in the late 1980s, isn’t as affordable as before. Texas and Florida generally have the lowest health plan reimbursement rates -- some reimbursements as low as 0 cents per prescription.

Your state should offer fair laws of competition, opportunity for independents, good bank financing and a strong reimbursement program for Medicaid (or MediCal) state program. In addition, select at least 10 commercial plans that offer strong reimbursements.

But what about a city?

Hopefully, you’ve had an opportunity to serve as a Relief Pharmacist at an independent or retail location already. This will give you some idea of the neighborhood,
cliente and opportunity. If you haven’t completed your “Do Diligence” than do this first. By working relief you can “meet the neighborhood.” You may have to “volunteer” at a pharmacy in the area you wish to work. This short time investment will yield solid dividends.

If you are currently at a site there is no reason why you cannot move or expand into another location if the opportunities are better. While it may be troublesome to expand, you have an opportunity to examine the new location before closing down, or selling, the other site.

A medium-size city is a good choice for a new location but you can’t count on that city not attracting a Wal-Mart soon (although some independent pharmacists prefer to compete against a Wal-Mart or Walgreen’s due to personal service). Preferably, about 10,000 citizens per each pharmacy is a good choice for a location. What DOES count is the number of health plans in the state. Some states, like California, have hundreds of health plans paying greatly reduced reimbursements. Other states, like New Mexico, North Dakota or Idaho, have more cash-and-carry customers and may not attract as much of the HMO beast.

Some non-favorable locations may include:

* **non-mobile seniors** (because of mail order)

* towns dominated by **chain stores** or even other **independent pharmacists** (a quick scan of the INTERNET provides an immediate response to the above questions)

Don’t be afraid to drive the neighborhood during the day and **the evening**. Of course, it’s a lot of work but filing for bankruptcy is even more difficult.

Downtown locations, generally, are dominated by **professional businesses**, and also are generally unfavorable. If you’re sick you probably won’t go to work. Also,
downtown locations usually have heavy traffic patterns and limited parking opportunities. Both are poor choices UNLESS you have a very convenient drive-through window (discussed later) or delivery capabilities to office buildings.

A three-to-five mile radius away from the competition in a residential neighborhood may be your best choice. Rural opportunities, regardless of location, must consider population, competition and density, too. Cows generally don’t use prescriptions. But if you have a strong population base PBMs generally double your reimbursement. But “rural definitions” vary by PBM. As a rule, one pharmacy per zip code or 25+ miles apart.

**OPTIMUM CHOICES**

A large medical building, or a professional medical building, offer the best opportunities. You can establish relationships with the doctors for prescription referrals. And sick patients like the ease of walking into your pharmacy.

A secondary factor is accessibility. Generally medical buildings have large parking lots. Your patients can use the lot, too. And if you have a bus stop in front of your location you now have the best of all worlds. If you are near a hospital emergency room you also have a solid opportunity but your hours may have to be extended.

Medical clinics serving the lower income folks are also good choices unless there’s 340B competition. And so are locations with frontage on major traffic lanes, or adjacent to landmarks or public places. Entry into your parking lot should be convenient from both traffic lanes. Well-lighted lots are important for after-work crowds.

The **BEST** opportunity is a location inside of a medical building with a DRIVE THROUGH lane. Convenience to your customer is optimized.

And if you’re locked into an area already? Ask the landlord to place a drive-through window. In metropolitan areas customers are seeking convenience (just like fast food). So
supply their needs. There is no new Walgreen’s constructed without a drive-up window.

The least desirable locations are stand-alone location without major traffic. Typically, customers like to combine stops. That’s why retail pharmacy chains or supermarket pharmacies have it easier over independents. Customers can shop in a chain store while they wait for a prescription.

You may be able to negotiate a location within a supermarket. Because of union restrictions many chains do not wish to hire pharmacist-employees. You, as an independent contractor leasing space within a supermarket, help the supermarket chain with value-added services at no expense to them while paying low rent, too. And some supermarkets, under construction, may include a drive through window if you immediately lease the space.

Before we leave this critical area, other variables should be examined.

**Secondary Marketing Opportunities** are critical to success in today’s environment (see marketing). If you, the pharmacist, have a retailing background in hobbies, for example, your retail hobby can be the big attraction with the Rx playing a secondary role. For example, the Long’s Drug Store in Southern California offered one of the best model railroading shops in the Country! And its mail order business was dynamite.

If you believe, and practice, homeopathic medicine, your location should cater to a more receptive crowd. Rx drugs, rather their profits, can become secondary. Or if you know and love cosmetics even the Hollywood crowd can be exciting. One drug store -- located in Studio City, California -- is about 600 square feet inside of a supermarket. But the pharmacist exists, no thrives, on selling upscale cosmetics to the Hollywood crowd. He has a monopoly on those great cosmetics. Rx is secondary.

Signage is important. A 12 foot by 3 foot sign in a bright color -- red on a white
background -- can attract new business. The word PHARMACY along with your Secondary Marketing opportunity. Announcing a Pharmacy Drive Through window can dramatically increase business, too. (Naming a store is discussed later, in detail.)

**SITE SELECTION AIDS**

Proper site selecting is an art. Many companies, notably fast food chains and high volume retail outlets, hire site selectors. You may consider this in lieu of doing your own work because of the high cost of failure.

Among the variables site selectors investigate are:

1. **Traffic Counts.** Yes, someone actually sits in a car or on a chair and counts cars traveling past the site. Of course, it is time-consuming, but bankruptcy is more costly. Site selectors will count cars on specific days such as Monday of the first week in a month and Tuesday in the second week, and so forth. Do not count traffic on consecutive days because of the variables involved such as holidays. Do NOT count during days when your store will be closed. And remember that when you count traffic each car must have a method of driving into your store. A car cannot cross a medium or hurdle over trees. And cars traveling at the speed of sound are not going to stop and shop with you.

   The more cars per hour at a 35-mph range the better opportunity for you (but don't forget the variables mentioned above).

   Obviously, the more cars that can enter your parking lot, the better. With a proper “hook” (signage and secondary marketing opportunity) you can do very well.

2. **Neighborhood Counts.** Community pharmacists are active in their community. Do you know how many houses are in specific radius? You should know because the higher the density the better opportunity for profits.

   Several “tools” are available. The easiest way to explore a “site” is through
Another method is to drive the 1-5 mile radius around your projected store. Count each home or apartment complex.

Many city economic agencies offer census data. This data is based on the U.S. census taken every 10 years. The data is “manipulated” by statistical geniuses who make certain projections after each decade mark. This will allow you an idea of gender, income and ethnic makeup of the people surrounding your projected site. Some companies can supply additional information. Your leasing agent can arrange for you to obtain this information, if the agent is properly motivated.

Of course, you can join the parade of some fast food outlets. The people at Carls, Jr. always tried to erect a store as close as possible to a McDonald’s. Their thinking was of customers “product switching” into a Carl’s product.

Some California pharmacists, who were once quite afraid, now enjoy competing with a chain pharmacy and even open in direct competition. You, as an independent pharmacist, can win versus a chain IF you practice customer service!

A few closing comments about an independent pharmacy in an upscale neighborhood. If your store is “new”, be prepared to market accordingly. You want to become known to your “neighbors”, so plan on spending evenings attend civic center activities, city council meetings, weekend events and the like. Yes, it’s like political campaigning except you don’t have to kiss babies.
INTERIOR OFFICE SPACE & CONFIGURATION

Store size depends on your secondary opportunities ranging from at least 1,000 square feet (if not located inside of a clinic) to 25,000 square feet if you sell trains and other hobbies. Your counter build-out must coincide with state requirements and a “consulting” area must be factored into the initial design. And be sure to lease on the bottom floor preferably near the entry way, elevator or staircases (if inside of a medical building).

If you are planning homeopathic sales, for example, plan this in your design phase. Many pharmacists today realize the importance of “networking” to create and maintain business, so they lease accordingly.

A “meeting room” area can attract much new business (see marketing and promotions) with lectures from new area physicians (they love the opportunity, too), homeopathic practitioners and even meeting areas for local organizations (one California savings & loan utilized its “community room” to host groups and organizations as its only promotional tool). People who become familiar with your location also become familiar with you. You must weigh the cost of extra space against the potential revenue.

The more doors your store has, the more opportunity for theft. One door allows you to “watch” the proceedings. Two doors, usually one in the front and one in the rear off the parking lot, increases patient ease but also increase theft. Three doors are an invitation to theft disasters.

The front door approach can highlight many items but it is the most attractive area to announce “specials” such as a vitamin sale or an upcoming lecture. Your cash register can be near the door, to collect all monies, but not the consulting area.

Floor displays, with rotating merchandise offerings, can improve sales and save on the cost of fixed shelving.
Customer waiting areas should include easy access -- physically or visually -- to retailing opportunities. Individual chairs offer optimum mobile opportunities over benches. Do NOT put the waiting area in front of your counter spaces. This is a waste of vital retail merchandising opportunities. Remember to include reading material racks or an electronic message such as a video displays.

Hanging posters or electronic message centers may add profits but remember your store should carry the products and items your customer base requires -- not just what you want to sell (unless the hobby is an exclusive such as model railroad items). Your drug wholesalers (see working with wholesalers) also will want to stock your shop with THEIR products. Just because you can return items without charge will not do YOU any good. Don’t rely on your wholesaler to serve as your merchandiser. That’s your job. There are virtually no customers who will drive to your store to purchase a “private (wholesaler name) label” product.

Shelving can be arranged to maximize retail opportunity. Instead of a straight counter, cut in a “v” pattern to allow for more shelving space. That will allow for more items to “face” the consumer. Neon on that shelving will increase customer satisfaction in some areas. But you know your audience, by now.

**HOURS OF OPERATION**

Everyone wants to work 8:30 a.m. to 5:30 p.m., Monday through Friday. Your hours must satisfy customer demand.

Location near emergency centers or after-hour medical clinics require longer hours. Store location by heavy traffic throughways require hours that match commuter driving requirements. And don’t forget that seniors enjoy early hours; stay-at-home parents enjoy later morning and early afternoon drop-offs, and full-time working parents want the
convenience of after-work hours.

Only you know your target audience. But you MUST maintain store hours they, not you, desire. That’s why many chain druggists work 24 hours per day, seven days a week. If you have the energy, park your car outside of a 24-hour store and count the customer traffic. You probably will find very little 24-hour business but it’s great for marketing purposes.

If you negotiate a supermarket lease, the chain probably WILL want your store open seven days a week. But depending on the doctors in the area, one negotiation tool to use in your favor is to report that most doctors don’t work on Sundays and you won’t have prescriptions to fill. If the store insists, negotiate lower square footage rates.

Your author remembers one telephone call from a struggling pharmacist who said: “we’re all going to be out of business soon.” He was asked his operating hours. “Monday through Friday, 9 a.m. to 5 p.m. and no weekends.” When questioned about those hours, the pharmacist pleaded: “I have a family life, too, and I want to be home with them.”

True to his prediction, he was soon out of business but mostly likely had more time to spend with the family.
NEGOTIATING YOUR LEASE

Most leases are standard documents. That is to say, standard to leasing agents. As you read over your lease be sure to ask questions and have those answers supplied IN WRITING. Agents have a tendency to change companies or “they just can’t remember” saying that.

The landlord should agree to pay for improvement costs and amortize those costs into your lease. The longer your lease, the lower the improvement costs called TI (tenant improvements). Don’t budge on this one. It will save you valuable working cash. Of course, prime real estate will eliminate some negotiating leverage for you.

Remember, you also are charged for “common area” generally including the parking lot, lobby, hallways, etc. Some accounting companies make their entire living analyzing “common area” over-charges and suing landlords. Make sure your lease does NOT include paying for common area if others in the building or strip mall leave or break their lease. And DO have the common area amenities spelled out, such as how many years for the parking lot to be repaved or new carpet in the hallway.

Remember, ask for the moon. Someone will give it to you!

LEASE SPECIFICATIONS

1. Total monthly lease payment;
2. Number of months;
3. Square foot costs (in specifics);
4. Lease extension (without penalty);
5. Air/heating and electricity charges after “normal” business hours;
6. Dollar amount of any scheduled lease changes (Year One cost less than Year Two);
7. Tenant Improvement clause which may include rent deductions if you pay for the
buildouts, or allowances upon completion of your lease;

8. A “buyout” clause that reveals to you a pre-determined amount of cash you will have to pay should you vacate the premise;

9. A clause giving you the right to all ingress (enter) and egress (exit) the premise at any times without restrictions;

10. Signage rights including size; description (what you are allowed to say on your sign); color; style of lettering; proximity to the street, hallway or parking lot entrance; and any restrictions that limit your retail opportunities.

11. Your lease should include “all use rights” for subletting purposes.

12. The lease MUST include a “non competing” clause which prohibits another pharmacist (or special interest business that may compete with you such as a hobby center). Keep in mind, however, a non compete clause is generally a litigation-losing measure.

13. Ask the landlord to pay for all utilities including water, electricity, gas/oil and to maintain all heaters and air conditioners in excellent working order (you may have to fight on this point). And make sure if the landlord pays for air conditioning that you are not charged for additional hours (some systems close down at 6 p.m., for example).

**EXISTING LEASES and some OPTIONS**

If you are currently under a lease, with too much space or too much competition, and you have the appropriate options to alter your store consider:

1. Inviting other health care professionals such as optometrists or dentists, into your building. Two professionals are better than one, especially if you have 7,000 square feet and no interest in selling wrapping paper or toothbrushes. Each of you can
advertise for the other and increased foot traffic is a builder for the both of you.

2. Develop Secondary Marketing Opportunities for yourself. Each location can accommodate additional business, especially if you cannot escape your lease. There are countless opportunities.

3. Sublease your additional space to a tenant that will increase your foot traffic.

4. Seek a new location. Some leasing companies have other vacant space. And rather than lose your business they may transfer leases to another location. Of course, you will pay a fee for this privilege. Another way out is to pay three months rent and close the shop.

5. Ask a government agency. Many cities and counties offer “relief” to the established business owner. Every city wants as many health care providers as possible. Your city may assist you in re-negotiating a lease or purchasing the property you lease.

SUPERMARKET (or similar) LEASE

1. Supermarket stores desire seven-day-a-week coverage (see hours of operation). Your area may not have doctors who write prescriptions on late Saturday or Sunday. If the store insists on seven-day-a-week, ask for:
   a. all OTC product sales in the store
   b. lower to no cost square footage rates
   c. drive-through window
   d. cross-promotion opportunities (share of promotions/shopping bag flyer inserts)
   e. organic cooler for specific product sales (drinks, milk, yogurt)
   f. armored car cash handling privileges (to coincide with their store)

   Settle for three of the above with a release clause stating that if less than ___ prescriptions are filled on Sundays (and/or late Saturdays) you can eliminate those hours of
operation while maintaining a-f.

**Working with the Government**

You have no doubt heard of the three biggest lies: 1) I’ll love you as much in the morning as tonight; 2) the check’s in the mail; 3) I’m from the government and I’m here to help you!

Well, the government can be supportive of your business operation. But you have to ask!

Many city and county agencies are anxious to help new businesses by offering utility and tax relief. Other cities may even serve as their own Redevelopment Agency and provide interest-free or greatly reduced loans for you to build a new pharmacy. Some government bodies even help with rent relief. Just about every city wants additional health care providers. You have something very important to sell.

Obviously, you have to pick your city with this in mind. Beverly Hills, CA does not have a Redevelopment Agency. You probably cannot cut a deal with Beverly Hills, either. You can in other cities (if it makes economic sense to do so). Some pharmacies prefer poor or ethnic neighborhoods because residents have travel constraints. If you are interested in doing business in these areas, contact the city council representative in the district you wish to conduct business. Call for an appointment and present yourself. Ask the council person to serve as your spokesperson and, INSIST, on being introduced to other council members. (Sometimes the council person you have selected as your “champion” may have upset others on the Council. Other members will vote against your champion despite the solid business decision at hand. You offset this possibility by meeting as many decision-makers as possible).

Loan packages for building or leasing, adding inventory, etc. may also be possible.
through your local government agencies. These packages are available at very low interest rates and can be prepared by government staffers. Again, ask.

**PARTNERING**

Some doctor groups, hospitals and health plans desperately desire a pharmacy near their large patient population.

Some health plans -- FHP for one -- attempted to purchase or build their own pharmacies. But no one health plan can generally support an independent pharmacy and FHP quickly retreated from this idea. However, there can be an opportunity for you to ASK the health plan if they have a high concentration of patients in an area not served by current pharmacists. If the answer is “yes” a package may be arranged including a loan or interest-free loan to set up shop.

**EQUIPMENT**

Your selection of equipment can be a heavy financial burden to new owners. Some drug wholesalers have lease programs but beware it generally is more expensive than what you can do on your own.

You may consider a straight purchase, or the leasing of equipment. List the cost of purchase versus lease on the lines below and figure out which option is the most financially beneficial. Of course, some of the lease costs may be refundable under Earnings Credits.

At the rate of product improvement, leases may give you the most options. But they also may be more expensive, or may not include upgrade possibilities within your lease. During the negotiation period ASK. If, for example, you want to lease a computer, ASK the leasing company if you can upgrade computers at the same monthly lease (computers continually decrease in cost) or if they replace broken or damaged equipment for free. This will give you optimum flexibility at a set cost. A sample of equipment you may want to
include:
<table>
<thead>
<tr>
<th>ITEM</th>
<th>PURCHASE</th>
<th>LEASE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer</td>
<td>Do not lease from wholesaler</td>
<td>do not use wholesaler owned computer*</td>
</tr>
<tr>
<td>Computer Software Network</td>
<td></td>
<td>lease</td>
</tr>
<tr>
<td>Telephone System with at least 3 lines</td>
<td>____________________________</td>
<td>_____</td>
</tr>
<tr>
<td>Copier (desktop works just fine)/Scanner</td>
<td>____________________________</td>
<td>_____</td>
</tr>
<tr>
<td>FAX (plus copier/scanner)</td>
<td>____________________________</td>
<td>_____</td>
</tr>
<tr>
<td>Chairs (pre-owned okay)</td>
<td>____________________________</td>
<td>_____</td>
</tr>
<tr>
<td>Literature racks (ask suppliers for free racks)</td>
<td>____________________________</td>
<td>_____</td>
</tr>
<tr>
<td>Filing cabinets</td>
<td></td>
<td>purchase used</td>
</tr>
<tr>
<td>Shelving</td>
<td>____________________________</td>
<td>_____</td>
</tr>
<tr>
<td>Internet Provider (DSL or Cable provided)</td>
<td>____________________________</td>
<td>_____</td>
</tr>
</tbody>
</table>

*in more than one instance when litigation begins concerning pricing, the wholesaler will “reclaim” his computer that was “loaned” to the store thereby eliminating most of a pharmacist’s prescription evidence
CHAPTER VIII

INVENTORY CONTROL

The successful independent pharmacist also is a successful inventory control specialist.

While many wholesalers claim to offer exciting inventory control systems only one person can actually control the inventory -- you!

Some software programs can tell a pharmacist what was ordered last week, last month and even last year. Many wholesalers also offer “automatic” substitution meaning you receive what you ordered last year, or last month, without actually having to order the product.

Beware!

Last year a flu epidemic swept through your town, or you won (or lost) a new health plan. Only one person can order produce properly -- you!

Many pharmacies are happy with a 4.3 inventory turn per year (having to replace the inventory about three times per year). This is not good for you.

Strive for a turn of 12 to 36 times per year. That means that about every 45 days you have completely new inventory in your store.

If pills are on the self for up to 59 days, and you have a free 60-day return policy, for heaven’s sake, return the inventory to your wholesaler. This means you can order product, and have it delivered, within any two-day period of your workweek. This also means that your wholesaler, not you, is paying for the privilege of stocking product in HIS warehouse, not your store.

Many astute pharmacists have a rule of thumb to return merchandise within 59 days.
if unopened. So how do pharmacists lose control of inventory? It’s known as effective sales personnel, or annual Trade Show discounts.

Pharmacists receive telephone calls announcing “special deals” daily. Or wholesale sales personnel visit a store, remind the pharmacist how much product was sold last year at this time and then announce “special” purchasing prices.

Unless you truly know how many products you will be using in a short time the odds are against you in saving tons of money.

This is not to say that telemarketing houses and specialty marketers don’t offer exciting deals. But you must be careful of ordering too much or ordering short-dated items just to save a few bucks. Remember! Your goal is to turn your inventory.

**INVENTORY CONTROL TIPS**

1. If product is on your self for nearly two months, return it.
2. Attempt to order only enough products for two working days. That allows you one day to order new product, and another day to receive it. If you’ve negotiated a wholesaler deal for two deliveries per day you can reduce this formula to as little as one day. In some instances of outstanding offers you can order at one month at a time but only if you KNOW the product will move in 30 days (due to a personal contract, for example).
3. Don’t get caught up in special deals or contest wins. The only winners in those programs are your sales people.

Don’t let a whining sales rep talk you into breaking out of this formula. Through sophisticated tracking systems, the wholesaler knows your ordering habits. The rep will ask for an invoice of a product you ordered elsewhere in order to bring it back to his supervisors, and negotiate a better deal. **NEVER RELEASE INVOICES TO YOUR WHOLESALER FROM OTHER PURCHASING SOURCES** because the wholesaler then
contacts the supplier -- usually generic manufacturers -- and demands better pricing.
Chapter IX

Buying and Selling a Pharmacy

Unlike “normal” businesses, selling or purchasing a pharmacy is a difficult proposition.

Most businesses sell on gross sales or several times “net” profits. The business of pharmacy is not as exact.

If you’re a buyer, there’s no better motto than “buyer beware.” Don’t fall for the most used phrase of “and I didn’t record my cash business” routine, either. Yes, cash can be a handy escape from paying taxes but keeping two sets of books is illegal and most certainly unprofitable to you.

Once a husband-wife dentist team purchased an existing business from an old-timer in Los Alamitos, CA. These young graduates were quite excited about beginning a new business venture – and in those days banks were financing dentist office loans – so they asked the retiring dentist for the customer files (pharmacists should ask for prescriptions). The retiring dentist proudly pointed to file cabinet after file cabinet of patient records. It was only several months into the new venture – and after the seller was paid in full – that the youngsters began examining the files. To their horror most of the files were at least 5 years old and were from customers many miles away. It seems like the retiring dentist had moved his practice from downtown L.A. about 30 miles east in the past few years. Our youngsters bought not a living customer base but rather many large file cabinets of worthless paper. Fortunately, their energy paid off and a good direct marketing program re-created the customer base. But they didn’t take the time to check records. Yes, it was quite costly.
Don’t fall for the same problems. Double books are a disaster waiting to happen. Cash business is gravy over the mashed potatoes and beef. It’s not a substitute meal. Do your homework and get expert help if needed.

Enough of the warnings. Many drug wholesalers are anxious to maintain independent pharmacy business and are willing to participate in “brokering” deals. But it’s like the company store and you know whose soul is owed to the company store! The drug wholesaler is only interested in verifying your credit and retaining a customer. Sometimes the wholesaler places a new store against a rival wholesaler’s store to create competition. This, of course, does you absolutely no good but makes money for the wholesaler. Get expert help, if needed, and not from the wholesaler.

Banks find financing pharmacists an unusual exercise because of the high cost of product.

Chain drug stores generally purchase independent operations based on the number of prescriptions filled over a 12-month period for a percentage price per prescription plus inventory. We’ve recently heard of chains paying $500 per NEW prescription when buying your store so if you’re considering a sale then consider reaching out to new customers. Another formulary is “inventory” (defined as paid off inventory and we hope you don’t have a lot of that).

Frankly, we don’t like either method. A seller will attempt to make as much as possible. The buyer wants to purchase as low as possible. Many pharmacists figure that a prescription must “gross” $15 to be profitable (although declining reimbursements are making this plateau difficult to maintain) after ingredient costs. If you can multiply a gross times the number of prescriptions filled, ignoring cash business, then deduct costs such as labor, insurance and rent, you may have an equation you can live with. Of course, there’s
always the “multiplier effect” of net earnings such as three times net. For sellers, this is why adding Secondary Marketing income is so important.

Unfortunately, there are other variables, too. Perhaps this store has a large front end (non Rx business). This must be factored in after the Rx equation is determined.

Buying of “good will” is, unfortunately, a declining opportunity in the pharmacy business due to lower reimbursements allowed by certain health plans. Because the industry is changing so quickly due to variables out of the control of most pharmacists buyers and sellers must change constantly. Today the independent pharmacist is a very marketable asset and if you throw your services into the sales mix you can add additional thousands of dollars to the sale of your store.

ELLIS MANAGEMENT CONSULTANTS, LLC RECEIVES NO REIMBURSEMENT BUT HAS SUCCESSFULLY WORKED WITH TERRY CATER, mba/rph WHO HAS YEARS OF EXPERIENCE HELPING BUYERS AND SELLERS: tcater@comcast.net
CHAPTER X

Building Your Business

Health Plans

In today’s managed care health environment, being able to access health plans is critical to customer care.

No, not everyone is happy with reimbursement rates and not everyone ever will be. But today is far different than the 1980s and before. Reimbursement rates have fallen. But we believe that the number of cash-and-carry customers will ease this impact.

The quickest method in obtaining health plans is to join a PSAO (pharmacy service and administration organization) formerly called Buying Groups. Or, simply call each health plan you desire and ask to become a provider. Chances are that you, as a new pharmacist, will meet some resistance from the health and insurance plans and you will probably hear “we have all the providers we need.” You must then offer some special such as extended or weekend hours (chains are offering 24-hour, 7-day-a-week service), free delivery etc. DO NOT THREATEN A HEALTH OR INSURANCE PLAN WITH A LAWSUIT REGARDING RESTRAIN OF TRADE OR ANYTHING SIMILAR. It has already been done by others, with deeper pockets than you, without success. A health plan can -- in most cases -- be exclusive and that may mean excluding YOU.

By joining a PSAO you will have the opportunity to fill every health plan that organization offers. Some PSAOs or Buying Groups are countywide, regional, state or national. Your wholesaler may also have a contracting network (but do you want your wholesaler to supply your product AND be responsible for generating the majority of your
Some wholesalers charge as much as $100 per month to belong to their networks and mandate that you must fill every contract they have developed (in April 2014 both PPN [AmerisourceBergen] and Access Health [McKesson] agreed to a contract of AWP minus 18.75 + 15 cents). Pharmacists were forced to work for about $3 per prescription.

Below is a list of PSAOs. We have tried to eliminate the PSAOs’ owned and/or operated by wholesalers for the above mentioned reason.

Managed Pharmacy Care
28200 Highway 189, R-110
P.O. Box 969
Lake Arrowhead, CA 92352
1-800-582-5889

Northeast Pharmacy Service Corp.
1661 Worcester Road, Suite 405
Framingham, Massachusetts 01701
800-532-3742

Professional Pharmacy Alliance
7636 N. Ingram Suite 111
Fresno, CA 93711
559-261-2136

Pharmacist’s Association of Western New York
2005 Niagara Falls Blvd., Suite 3
Amherst, NY 14228
Tel: 716-564-0860

Alabama Pharmacy Cooperative Inc
5601 Shirley Park Dr.
P.O. Box 728
Nessemer, AL 35021
800-532-2724

Mutual Drug Company
816 Ellis Road
Durham, NC 27703
800-800-8551

EPIC Pharmacy Network, Inc.
5024 Campbell Blvd. Ste R
Nottingham, MD 21236
800-965-3742

IPC
1550 Columbus St.
Sun Prairie, WI 53590
800-755-1531

Michigan Pharmacists Assn.
408 Kalamazoo Plaza
Lansing, MI 48933
517-484-1466

GSPO
405 Rochelle Ave
Rochelle Park, NJ 07662
201-712-1499
HEALTH PLAN RED FLAGS

In today’s hectic managed care environment you, the independent pharmacist, are given tons of health plan contracts to sign by some PSAOs (third party contracting organizations) *BINDING* you to specific duties and obligations.

Most pharmacists, in their haste, review only the reimbursement rates. If the AWP
and minus are acceptable, the contract is signed.

Below are RED FLAGS to look for in any new contract you are considering:

1. **No cash discount cards allowed.**
   Discounters are becoming increasingly brazen in their promotions. You do not have to participate in this program. Remember, only the card company makes money.

2. **MAC updates required.**
   All too often reimbursement notices (especially when they decrease) are nearly a thing of the past. When a contract is signed, you can request specific information required to run your store. Don’t be afraid to ask.

3. **Plan notifications to members and pharmacists.**
   Okay, so you’ve signed a new health plan contract. How do people find out about YOUR store. Ask! Find out publication publishing dates. Ask how your store will be promoted. If they don’t have a plan to promote you find out if you can promote yourself with that plan.

4. **A definition of “dispensing” to include cost of drugs and no other fees allowed.**
   How many times are expectations hidden? Are there consulting requirements? Are health plan questions expected to be answered? You must use your valuable time to answer questions above-and-beyond the normal call of a pharmacist.

5. **Supply limits.**
   What are the minimums and maximums. Traditionally, you discover these answers after the contract is on-line through adjudication. Ask before signing.

6. **Automatic approval of contract without signatures.**
   Not only is this illegal, it is standard practice. No health plan wants to call 50,000 pharmacists to make sure they wish to continue a health plan. And many times, after drastic reimbursement cuts, you are still expected to fill prescriptions. LEGALLY YOU ARE UNDER NO OBLIGATION.

7. **Equal pay for retail and mail order.**
   Many times health plan mail order has better reimbursements. Many health plans believe that mail order is “easier” than a pharmacist filling a prescription. Make sure there are no “split reimbursements” allowed.

8. **Pharmacy manual a “must”.**
   Each health plan has a manual or contract. It is available upon request. Do so because it will answer the first seven questions.

9. **Audit Arbitration locations.**
   Each health plan has auditing rights of your store. Where the audit arbitration site is located can be very important to you. Medco insists that any audit arbitration take place in New Jersey. Express Scripts insists on meeting in St. Louis. You, as the intelligent pharmacist, will insist on a mutually agreed arbitration site.
10. No payment for hidden transaction costs.
Today, health plans are taking money away from you in their reimbursement checks (up to 30 cents per claim). These costs are “processing” fees. But you already pay a processing fee with your switch, as well through the “minus 17%”. Be sure to ask your health plan about these fees before signing.

11. Minimum of two-week notice before audits, which must include specific prescription numbers that must be requested in writing.
Your time is valuable. You have an hourly charge attached to your business. Don’t allow an auditor to rifle through your files, take your valuable time (and that of your staff’s) all the while searching for something, just anything. Be specific. You want specific prescription numbers, in writing, before the audit begins. You want notification to prepare for the audit. Although it’s the legal right of any health plan to audit, make sure your rights are noted on the contract you return.

12. No requirement of more than 5 years of record keeping
Generally, in a state by state case, five years is the legal requirement (be sure and check with your state pharmacy association).

13. Payment within 15 days of the transaction
Yes, it is your money. And you deserve it. Some health plans take up to 75 days. Make sure there is a “penalty” clause in your contract demanding payment within 15 days or you’ll add service and financing charges. Note those charges in the contract you return.

14. Zero balance contracts to include “if contract pricing is lower than the co-payment the difference of the co-payment remains at the pharmacy.”

15. PBMs to pay sales tax on items your state deems taxable
In some states, and with some health plans, you may be required to actually pay a sales tax on specific items. Add to your contract that the PBM pays your sales tax on taxable items or that shrinking reimbursement will be even smaller when the state gets done with you.

16. Electronic Fund Transfers
Sadly many Pennsylvania pharmacists learned, the hard way, that EFTs are a two-way street. A PBM can deposit funds into the store’s account and just as easily remove those funds even without your knowledge claiming “an audit” is forthcoming. So if it’s mandated by your PSAOs (and the Big Three wholesaler-operated PSAOs love that) make sure you maintain two accounts (as mentioned in the banking section) – one to receive income and one to pay bills. In this manner no PBM can recapture your money without your knowledge.
CHAPTER XI
IMPROVING YOU AS THE PRODUCT

Our former football coach had a motto posted:

“Every day, in every way, we get a little better.”

We can get better every day. You learn about new drug products and new health plan contracts every day. You can and should learn about new business applications, too.

On the following pages are some concrete ideas to improve your business.

1 “Thank you” letters
2 Store evaluation forms
3 Telephoning for success
4 Internal tips
5 Telephone etiquette

THANK YOU LETTERS
(referrals)

The best way to develop new customers is by thanking that special “old” customer. A sample of the letter:

Dear ______:

Just a brief note to sincerely thank you for your thoughtfulness in suggesting to ______- that he/she have their (prescription filled, wheelchair rented) health care need filled in my store.

I thank you for the trust you have placed in my professionalism as highlighted by your recommendation.

Please be assured that your patient (friend) will continue to receive the best possible treatment at my store and that you can count on my personal assistance should a need arise. The letter can also be used to thank current customers by eliminating just a few
words.

**EVALUATION FORM**

(Either mail this evaluation form to key customers -- defined as cash-and-carry or reference customers from area doctors -- or place in the patient’s medicine sack)

**WITH YOUR HELP WE CAN GET EVEN BETTER** *(customer survey every six months)*

Your name (optional) __________________ date you entered my store __________________

Were you greeted in a pleasant manner (circle one)  
yes  
no

Were you told how long your prescription would take to be filled  
yes  
no

Was ______ (store) clean  
yes  
no

Was personal information requested of you in a confidential manner  
yes  
no

Did you request/receive counseling from the pharmacist?  
yes  
no

Did you receive your prescription in the allotted timeframe  
yes  
no

Did our personnel call you by name to get your prescription  
yes  
no

Were you informed of our Special Offers (marketing program)  
yes  
no

Would you return  
yes  
no

Because we select an employee of the year, please let me know if an employee merits special attention _________________________________.

(please return by mail or place in our suggestion box on your next visit)

**Obviously, this is not an empirical research project but it allows for patient feedback and, more importantly, announces to your staff that Customer Service really is important.**
**JUST CALLING TO SAY “THANK YOU”**

Don’t you appreciate a telephone call from someone who says “thank you?” So do your customers and patients.

Remember, an independent pharmacist offers something that a chain store pharmacist or mail order doesn’t – personal, caring service.

Plan on calling two patients each evening before you leave the store, or in the morning before the chaos begins. Try calling two of your new patients. Ask them if they are feeling better or have any questions. Tell them to call you if they have ANY problems. Chances are they won’t but what a great opportunity for you to gain additional friends.

In fact, one bank chairman of the board spent every Friday morning calling customers. Whether the customer was angry or glad, the chairman called as many of his thousands of customers each Friday for four hours. It worked magic.

One former Ellis Management Consultants, LLC client, the nation’s largest glass bending company, was instructed to call his customers and thank them for an order. “You couldn’t believe the response,” said the owner. “Everyone thought there was a problem with their order and that’s because I only called with problems. They simply couldn’t believe I was calling them with a positive statement.”

It’s okay to show personal interest in a patient/customer. You’ll be very pleased with the response.
TELEPHONE ETIQUETTE

People -- prospective and current members -- know your store and its employees mainly through telephone contact. Therefore, it’s vital to maintain telephone “manners” at all times. It is my desire to make your store known for its telephone professionalism. The following are some telephone tips:

Don’t EVER!

1. Don’t answer the telephone while engrossed in other matters; take one second to focus on the call.
2. Don’t allow your disappointment or anger to reflect your telephone attitude. Customers perceive more than the words we say.
3. Don’t say “hold please” and leave the line. The other party may not have the time to “hold”, or a customer may feel insulted in being given a command by an unknown voice.
4. Don’t leave a telephone caller on “hold” without a periodic check.
5. Don’t be abrupt or rude at ANY time, no matter how much you feel this. You will benefit from patience and your tact.
6. **Don’t ever hang up the telephone first.** Allow the caller to end the conversation. Remember how you feel when a sales clerk slams the telephone in your ear?
7. Don’t make promises you can’t keep. “Your prescription will be ready in 10 minutes” must be accurate. Don’t become a chain store.
DO

1. Smile when you pick up the telephone; your voice reflects your attitude.

2. Be enthusiastic. Your enthusiasm and energy levels are contagious and work wonders in your control of the conversation.

3. Have a specific greeting to be used by all members of your staff when they receive a telephone call. Some companies use the receptionists first name and a “how may I help you” or “thank you for calling X pharmacy, we are delighted to help you.”

4. When a situation warrants placing a call on “hold” ask the caller to please wait and assure them someone will respond in a moment. “The pharmacist is on the telephone but he will be with you in 30 seconds” is a solid answer. This notifies the caller (s)he is important and that the pharmacist is actually busy on another project.

5. Go that extra mile to help the caller achieve the purpose of his or her call. Be patient. Remember, callers are customers.

6. When taking a message, always doublecheck the caller’s name and telephone number.

7. If the call is important, such as negotiating or disagreements with your wholesaler, STAND rather than slouch in your chair. You think better on your feet than on your butt. Standing allows you to assume control of the situation -- even if on the telephone. Just because you’re standing every day doesn’t translate to the same thing. Okay?
TAKE CARE OF YOUR OWN HOUSE

Of course, you are busy. In fact, one pharmacist in a resort area was so busy he never straightened a file, built a nice display or thought of making his shop more presentable. “I simply don’t have time,” he told me. “From the moment I arrive at my shop until closing time I’m constantly busy.” And what time did the shop open? “At 9 a.m. until 5:30 p.m.,” was the answer. “Then why don’t you arrive at 8:30 a.m. or stay until 6 p.m.?” He had no answer. Indeed, he lost his pharmacy not much later.

BUT YOU ARE SMARTER AND MORE AGGRESSIVE THAN THAT. SO INCLUDE:

1) Name badges for your employees (first name and title such as Pharm Tech) brings a touch of personality to your store. Some manufacturers will even make your badges. Some states require name and job description on badges, and also identified when the telephone is answered.

2) Many pharmacies smell, well, “sick”. Your shop can have a special odor through air fresheners or the like. Your store can smell different which makes your shop a little different than the others. And you can sell those candles too.

3) Signs -- big signs -- are very important in the day-to-day business operations. Try to walk into your local supermarket without seeing signs. Special announcements, vitamin sales, secondary marketing opportunities that should SCREAM at your customers. Yes, you are in retail business!

4) Display shelving is an important method in doing business. Merchandisers or friends who design homes or businesses, can make your store a special experience.

5) Suggestion boxes, with pencils and paper, to ask your customers what else they desire when visiting your store. The consumer may steer you into excellent secondary marketing opportunities or similar.
CHAPTER XII

CREDENTIALING (for health plans)

Hours of Operation

Languages Spoken

Pharmacy License Number _______________ Expiration Date __________
DEA Number ___________________________ Expiration Date __________
Medi-Cal (Medicaid) Number __________________________ Expiration Date __________
NCPDP Number ___________ Federal Tax I.D. _________________
NPI______________________
Business License ___________________________ Seller’s Permit Number
_____________________________________
Organization Information (circle)   Corporation   Sole Proprietor   Partnership   Franchise
Other ______
Corporate
Name__________________________________ DBA__________________________________

List of Pharmacy Owners

Workers Compensation Carrier ___________________________ Expiration Date __________
Employment Practice Liability Insurance Carrier ___________________________ Expiration Date __________
Professional Liability Insurance Carrier ___________________________ Expiration Date __________
Insurance Carrier address _________________________ Policy Limits ______

Policy Limits/Level of Coverage’s

________________________________________________________

Outstanding regulatory or disciplinary action? _____ yes _____ no  If yes, explain
________________________________________________________

Participation in the Institute for Safe Medication Practices Self Assessment Program
(www.ismp.org)

Review of the HHS/OIG Sanction Report and the GSA List of Parties Excluded from
Federal Procurement and Non-procurement Programs upon initial hiring of any
employee/contractor and annually thereafter to ensure that any employee/contractor
responsible for furnishing, ordering or prescribing an item or service that will be paid by any
Federal health care programs. The pharmacy must IMMEDIATELY remove any
employee/contractor found to be on such list.

Please Check Description/Services That Applies to Your Store:

_____ Full Service Retail

_____ Apothecary

_____ Square Footage

_____ Delivery

_____ Drive Up Window

_____ Separate Counseling Area

_____ Patient Rx Counseling

_____ Certified Pharmaceutical Care

_____ Blood Pressure Screening

_____ Diabetes Counseling (certified)

_____ Asthma Counseling

_____ Handicap Access

_____ Cholesterol Screening

_____ Colostomy/Ostomy

_____ Compounding

_____ Infusion Therapy

_____ Clozaril Program

_____ Oxygen

_____ Uni-Dose Packaging

_____ Nursing Home Counseling

_____ Durable Med Equipment

_____ Medicare Billing Service

_____ Private Pay Billing Service
In-Store Policy and Procedures

Consultation with members on new and changed prescriptions?  YES  NO
To provide drug specific printed patient education?  YES  NO
Regarding availability of regular/frequent blood pressure screening?  YES  NO
Regarding durable medical equipment services?  YES  NO
Regarding IV admixture/home health services?  YES  NO
Regarding diabetic teaching services?  YES  NO
For “return to stock” prescriptions?  YES  NO
For prescriptions more than 14 days?  YES  NO
To ensure members receive the balance of partial prescriptions?  YES  NO
For documenting medication errors?  YES  NO
For resolving patient complaints?  YES  NO
Regarding personal medication records?  YES  NO
For compounding prescription service?  YES  NO
For emergency prescription service?  YES  NO
For prescription delivery?  YES  NO

SPECIAL NOTE

Regardless of how you complete this form never mention to a PBM that you offer mail order services, even if that service is just to a handful of patients. The PBM will not allow you to join and compete against their mail order service.
CHAPTER XIII
Associations

Many colleges promote membership with the National Community Pharmacists Assn. (NCPA) but every pharmacist should also understand that NCPA's history assisting independent pharmacists is an oxymoron. Ask any existing independent pharmacist to recall for you how NCPA established a PBM partnership called CCRx for the Medicare Part D business (which cost independent stores millions of dollars) only to sell that organization to private investors (one of the purchasers was the individual who created Medicare Part D for the government and was issued a presidential conflict-of-interest waiver so he could invest in CCRx). Sadly, state organizations around the country can also be accused of similar tactics. Today, many state pharmacy associations claim less than 10% of their state's independent pharmacists as members. There is a reason.

Among those "reasons" include a general lack of direction, meaning does the association work only for independent pharmacists? Does it include chain stores and independents? Does it work with drug manufacturers and/or PBMs who offer mail order? Does the association lead lobbying and litigation in your State or simply serve as a rallying point for legislative days and student fairs? Does it have by-laws that prevent donations from manufactures or PBMs?

At one time state associations could (and some still are) strong advocates for pharmacist -- both chain and independents. But some associations allow PBMs and chain stores (CVS is an example) into the organization, and the PBMs started fulfilling mail order prescriptions. This, in turn, took money from brick-and-mortar pharmacies (that’s what you are called) and created the current dilemma within associations. Who do we work for?

Pharmacists want advocate groups to lobby state representatives and head litigation
efforts. However, both of these efforts take time and lots of money and the one thing learned during the past 24 years of working with independent business owners is they throw nickels around like manhole covers. In short, they do not understand that an investment today could prevent business erosion in the future.

Litigation is expensive and time-consuming. Do not expect results in less than a decade. While you litigate, PBMs have been known to drop any store involved in the legal battles from its network. Illegal? Yes, but in 10 years will you remain in business?

Let’s quickly review a California effort in 2008. Facing a 10-percent Medi-Cal (medicaid) reduction, only 400 of the more than 2,200 independent pharmacists donated to the legal challenge of preventing those cuts. That’s about 15% of the eligible pharmacists who invested even a single penny in the effort. Chain stores remained conspicuous by their absence. In fact, the state’s attorney general cited chain stores as “accepting” the rate reduction and explaining in Court there will be no significant impact on any independent store because the chains were accepting the lower reimbursements.

You might notice from the above that as a business owner you have a vested interest in YOUR business. Yes there are on-line organizations that “major” in bitching and moaning so don’t waste your time with these groups. Just about any pharmacy owner knows the problems.

Associates are neat but sometimes they have other interests and receiving funding from multiple sources. That won’t help you as an independent so investigate, investigate, investigate. But do become active!
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CHAPTER IVX

Expectations and Auditing

Expectations.

Sadly the crystal ball is cloudy with a chance of rain (or sun). Income producing contracts are the initial source of immediate income. Do you know what the reimbursement formulary means?

AWP minus (-) percentage + plus professional fee

AWP –17% + $2 means you will receive the Average Wholesale Price of the drug, less 17-percent, plus a $2 professional fee. So if the drug cost you $100, your final reimbursement will be?

That would be eighty-five dollars (less adjudication and switching fees). The intelligent pharmacist educates his staff on immediately knowing if the prescription is “profitable” or not. Because you cannot deny a patient his medications (due to PBM contractual law) some pharmacists actually fill money-losing prescriptions without realizing the ramifications. If you’re filling money-losing prescriptions then sell the store and work for a chain and play lots of golf. The smarter pharmacists tell the patient they do not have that drug in stock and go down the road to a chain store (where the pharmacist is motivated only by a weekly payroll check and will fill almost every prescription that comes across the counter).

The other usual form of reimbursements is MAC plus a professional fee, or MAC minus a percentage plus a professional fee. It would read

MAC + $2 or MAC – 25% + $2. MAC means Maximum Allowable Cost and generally
pertains to generic prescriptions. Because generic prescriptions are more profitable to a store the PBM wants their “cut” of the action. In most cases, there is no written MAC so that is “made up” by the health plan and the PBM. Some MACs, or allowables, are so low you lose money. And how do you protest to the pricing of some MACs? Don’t litigate, okay? It’s the same as name brand reimbursements except generic drugs are so much less expensive than name brands that do not need to tie up valuable cash in inventory. Although several states now have laws demanding that MAC pricing be updated as soon as a drug price increase is announced there has been no legal challenge to these State laws. Expect one or more from the PBMs this year.

At last check the government is promoting WAC or “wholesaler acquisition cost” except the wholesalers aren’t telling anyone their true purchasing price of drugs and, of course, there’s the new AMP or Average Manufacturer’s Price except, you guessed it, the manufacturers aren’t revealing their true “selling” price to wholesalers due to rebates, charge backs and the like. Confused? So is the government, pharmacists and some buying groups.

In any event carefully scrutinize AWP, MAC, WAC, AMP and compare any reimbursement to your wholesale invoice. When you order product from your computer screen the actual paper invoice may vary (if caught, the wholesaler will blame it on a computer error) and what busy pharmacist has time to remember every computer priced item? Before pushing that ordering button be sure and use “print screen” to ensure some record keeping. Then attempt to match ordered products with paper invoices. CAREFULLY REVIEW EACH AND EVERY INVOICE. Wholesalers have been known to load pricing by “mistake” (always in the favor of the wholesaler, of course) and then provide “paper” credits to make up for any mistake you catch. And if you don’t catch the error your store loses.
Today’s biggest injustice is “auditing” conducted by your friendly PBM. Plan on having your store audited annually by each PBM you do business with. Because only a few states have even the most rudimentary laws protecting pharmacists (both independent and chain) stores are fighting daily over auditing. Some organizations are battling for state laws that protect them against unjust auditing results and the PBMs spend millions of dollars lobbying in state governments to ensure that auditing laws are not passed. Below are suggested auditing laws and should give you an indication what to look for. Auditing and auditors have no mandatory guidelines, rules or regulations when conducting a field audit in a state-licensed pharmacy.

THE PROBLEM

PBMs, by contract, have the right to audit prescriptions at independent and chain pharmacies. Some PBMs hire what is known as “recovery auditors” who are paid up to 50-percent commission for finding errors. Other PBMs use in-house staffers but may require that audit challenges be conducted at the PBMs headquarters located in Missouri or New Jersey. Coincidentally, those findings are generally in the $3,000 to $4,000 range that roughly translates to an independent pharmacist wages, airfare and accommodations for two to three days.

Auditors can discover completely different “problems” which has led to this document. An auditor from PBM #1 will challenge a claim that an auditor from PBM #2 has approved, however, they might find a problem that PBM #1 approved. There are no rules, regulations or even regulators overseeing the multi-million dollar auditing process industry. So take the initiative and tell them:

1. To ensure HIPAA compliance, customer confidentiality and State pharmacy compliance guidelines governing the “business” of pharmacy, the auditor agrees to
conduct an audit away from the pharmacy counters so s/he cannot hear counseling, telephone conversations, pharmacist-tech conversation or see any prescription being filled or distributed.

2. Just as a pharmacy must be licensed by the State, an auditor shall be licensed, and fees paid to the State, for a license to conduct audits.

3. An auditor must possess a business license from the city in which an audit is being conducted.

4. An auditor may not find a “problem” if the pharmacist has filled a prescription in accordance with State Board of Pharmacy rules and regulations, and the adjudication system, maintained by the PBM conducting the audit, did not disallow for an “improper fulfillment”.

5. When an auditor notifies a store of any audit the State Board should require an “intent to audit” form stating the reasons for the audit.

6. If all State rules and regulations are adhered to, an auditor may not request professional fees AND ingredient fees be refunded if all parties have agreed that the prescription was dispensed properly.

7. A clerical or record keeping error, such as a typographical error, scrivener’s error or computer error regarding a required document or record does not constitute fraud and claims relating thereto shall be subject to neither recoupment nor criminal penalties without proof of intent to commit fraud.

8. The pharmacy may use the records of a hospital, physician or other authorized practitioner of the healing arts for drugs or medicinal supplies written or transmitted by any means of communication for purposes of validating the pharmacy record with respect to orders of refills of a legend or narcotic drug.

9. Each pharmacy shall be audited under the same standards and parameters as other similarly situated pharmacies audited by the entity. There must be an equal number of independent pharmacies audited and chain stores audited.

10. An auditing company or auditor may NOT receive payment based on a written percentage of the amount recovered.

11. The preliminary audit report must be delivered to the pharmacy or its corporate parent within 90 days after the conclusion of the audit.

12. The pharmacy shall be allowed at least 60 days following receipt of the preliminary audit report in which to produce documentation to address any discrepancy found during the audit.

13. A final audit report shall be delivered to the pharmacy within 120 days after receipt of the preliminary audit report or final appeal.

14. The audit report must be signed and include the signature of the pharmacist participating in the audit.

15. Interest shall not accrue during the audit period.

16. Auditors may not use the accounting practice of extrapolation in calculating recoupment or penalties for audits.
17. An equal number of name brand and generic prescriptions must be audited (i.e. not just expensive name brand drugs) because an audit by definition attempts to determine if there are discrepancies or malpractice at a pharmacy.

18. An audit may not last longer than eight (8) hours or one single workday. Any prescription not reviewed in that timeframe will be excluded from auditing results.

Because few laws exist an auditor is not breaking any law requesting thousands of dollars in refunds. You cannot refuse to pay your auditing bill as the PBM will simply deduct the amount from future reimbursements, litigate or simply drop you from their network. If you litigate a PBM, you will be “temporarily” disqualified from filling scripts for those customers. And litigation may take 10 years, so be mindful.

What has been entered above is a “model” audit contract developed for the pharmacist. Several states use portions of this document as State laws. But it’s important that you know and understand the ramifications of a store audit. While strides have been made to unify audits there is still more work to be done.
CONCLUSION

Charles Dickens was right. It is the best of times and the worst of times. Talk to a veteran pharmacist and s/he’ll tell you “it’s the worst of times and we’re all going out of business.” Ask that pharmacist what they are doing to halt business erosion AND create new business opportunities and you will get a blank stare in return.

While pharmacists are going out of business, and chain stores are not purchasing as many stores as the industry once did, there are also new stores opening – new and exciting stores.

Jerry Seinfeld defined a pharmacist as “someone who takes big bottles of pills and puts them into little bottles.” We call it count and pour (as pills into bottles).

While oldtimers are selling off and/or closing their doors other pharmacists are discovering new avenues for business. Compounders are doing well; so are specialty pharmacies. Strong retailing operations can actually surpass Rx sales.

You are responsible for YOU. No one else. Wholesalers spend hours and hours developing programs that make THEM more money. For example, one wholesaler secretly owns a PSAO and insists on a 5-year contact with a pharmacy and a $500 per month retainer to hire a “business coach.” No one has placed a gun at the head of the pharmacist to sign such for this program, but hundreds do. So who’s the fool?

Some wholesalers dominate schools of pharmacy by funding instruction, placing a mock pharmacy in the school and other stipend related events for the College. Yes, the wholesaler wants your business. As a student, you can ask questions of your department and use your eyes and ears to determine the source of information you’re receiving.
GLOSSARY OF TERMS

**ACTUAL ACQUISITION COST (AAC).** The net cost of a drug product to the pharmacy. AAC may be unique to each pharmacy because of special discounts, quantity purchased, timeliness of payment, etc.

**ADDITIONAL COPAY.** Additional copay is charged once a member uses his/her maximum allowable benefit. The member is responsible for any fees that exceed the amount allowed by his/her health plan. Additional copay is referred to as "out-of-pocket" expenses.

**ADJUDICATION OF A DRUG TRANSACTION/CLAIM.** While the term "Adjudicate" is derived from a common legal meaning, it has been adopted in the drug industry vernacular to symbolize the role of the sponsor's authority in determining the suitability (acceptance or rejection) of the claim tendered by the pharmacist. The plan sponsor or insurer has contracted with the pharmacist and defined the basis or the terms and conditions of reimbursement for dispensing a drug. Prior to adjudication, each claim is edited by the central computer for compliance to NCPDP standards for data form and completeness. This is followed by a confirmation of member eligibility using the computers membership files. The adjudication process is then invoked and is driven by the member's benefit plan parameters. These parameters are also found in the plan file residing in computer memory. The plan parameters define:

- What drugs or supplies are allowable
- The quantity and dosage allowed
- The member's co-insurance or "co-pay"
- The member's contribution due to deductible or capitation considerations, if any
- The member's allowance for refills
- The dispensing or filling fee for the pharmacy
- Calculation and accounting for an administrative fee, if any
- Determination of the drug or supply price allowed as the reimbursement of ingredient cost
- Determine other constraints such as mail order dispensing only
- Determine constraints placed upon the prescriber by limiting the drugs allowed within the physician’s specialty.

These are the major issues of adjudication. When adjudication is completed an ON-LINE, REAL-TIME system response to the pharmacy computer enables the pharmacist to agree to the terms of adjudication or to erase the claim by a reversal transaction transmitted back to the central computer.

Another potential response of the adjudication process is to indicate to the pharmacist that the Rx submitted requires Prior Authorization before dispensing. In these cases, contact with the sponsor is required to "over-ride" the conditional approval of dispensing and reimbursement. There is one other situation which is called a claim reject. This occurs when the claim is incomplete, contains erroneous data fields, ineligibility detected, violates plan rules or has been previously processed.
Codes are forwarded to explain the reason(s) for rejection.

ANALOG VERSUS DIGITAL TRANSMISSION. Older technology used telephone audio signals to transmit data, these are called analogue signals. New technology uses digital data which eliminates the need for Modems which convert analogue to digital for processing data by computers.

AVERAGE WHOLESALE PRICE (AWP). The published average cost of a drug product paid by the pharmacist to the wholesaler. This price is specific to drug strength or concentration, dosage form, package, size, and manufacturer or labeler.

AWP - AVERAGE WHOLESALE PRICE. This is a term used for drug prices published weekly and monthly by two or three polling companies (Medispan, Redbook, First Data Bank). The polling is described as being conducted with strict statistical integrity. Average prices change for about 3% of the 120,000 products each month. The purpose is to establish a common and accepted basis for fluctuating drug prices between sponsors and providers. There is volatility in prices due to wide variations in the manufacturers pricing for large bulk purchases and small volume purchases in addition to promotional incentives. Almost all manufacturers use distribution firms as their primary delivery method for their products to the average independent pharmacy providers. They also provide discounts based on volume purchases and other incentives. The polling is primarily taken at the dispensing provider level and thus is described as a wholesale price, although there could be discounting well below the published AWP. It is not unusual for sponsor contracts to discount the AWP price (5%, 10% and 15%) with both parties understanding that provider purchasing occur at lower prices in order to make a profit.

BENEFIT SPONSOR. The final payer for a drug benefit program. Usually an Insurance company, HMO, PPO, etc.

BRAND NAME. The trademark name of the drug that appears on the package label.

CLAIM REVERSAL. The contract between the pharmacist and the benefit sponsor or insurer guarantees to reimburse the pharmacist if the claim specifications comply with the rules of the adjudication in advance of dispensing the drug. If the pharmacist finds that the reimbursement indicated is unacceptable, he may reverse the claim on the central computer by re-transmitting to the central computer a transaction that triggers a credit or erasure of the transaction.

COPAY. A technique used by medical and pharmacy providers that helps defer the cost of prescription drugs. If a copayment applies to a member, he/she will pay a percentage of the drug cost to the pharmacist. The copay amount is determined by the member’s health plan and is administered at the benefit level.

DATA COMMUNICATIONS. Real-time, on-line claims system communicate directly with pharmacies by telephone carrier lines. Their speed of operation may be less than 10 seconds to send a prescription description and confirmation of approval. Ordinarily the pharmacist pays for the dial-up service that is transmitted anywhere in the country by the third party carrier. NDC, Envoy and MedAmerica are currently the carriers providing most of this service.

DAW - DISPENSE AS WRITTEN. The prescriber is accorded veto rights to drug control and managed care limitations by the plan sponsor in most instances. Physician discretion and responsibility is the primary justification to allow such veto power. This manifests itself by the prescriber writing "DAW" on the prescription. This is notice to the provider that the drug prescribed is to be dispensed without substitution.

DAW codes are:
DAW 0 - No product selection indicated
DAW 1 - Physician specifies no substitution
DAW 2 – Member request no substitution
DAW 3 – Pharmacist chooses not to substitute
DAW 4 – No generic in stock
DAW 5 - Brand dispensed as generic
DAW 6 - Override
DAW 7 - Brand drug mandated by law
DAW 8 - Generic not available
DAW 9 - Other

DEA NUMBER. A number issued by the Federal Drug Enforcement Agency to each licensed, eligible prescriber who applies for the right to prescribe controlled substances (e.g. narcotics). The number is unique to each prescriber. Prescribers who do not have a DEA number may not lawfully write prescriptions for controlled substances.

DEDUCTIBLE. A clause in a prescription benefit for which a member is responsible. This means that the member must pay the deductible amount set up by the health plan prior to when his/her true copay benefit starts.

DIRECT MEMBER REIMBURSEMENT (DMR). This is a process when a member pays "out-of-pocket" for a prescription and submits the receipt and claims for the reimbursement. Upon adjudication, a paid claim will generate a check for the Member.

DIRECT PRICE. The cost of a drug product paid by the pharmacist to the manufacturer when the product is purchased directly from the manufacturer.

DISEASE STATE MANAGEMENT. A discipline that concentrates on evaluating therapies globally for each patient. It may substitute new drugs and reduce the number of drugs prescribed with more effective combination therapies. DSM also focuses on improved and monitored patient compliance with prescribed therapy.

DISPENSING FEE. This is a flat amount or a percentage of the drug cost that is paid to the pharmacist by the PBM for the labor and administrative effort provided.

DRUG FORMULARY (NEGATIVE). A list of drugs that are not included in the benefit of coverage. This term has also been used to refer to a list of drugs that are not substitutable by the pharmacist.

DRUG FORMULARY (POSITIVE). A list of drugs that are included in the benefit or coverage.

DRUG FORMULARY COMMITTEE or PHARMACY and THERAPEUTIC COMMITTEE. A group of practitioners, usually physicians and pharmacists, who review and recommend drug product for Drug Formulary inclusion or exclusion.

DRUG FORMULARY, OPEN. A positive or negative drug formulary that allows changes in the formulary to occur without a formal, objective review and approval, process.

DRUG FORMULARY, CLOSED (RESTRICTIVE). A positive or negative drug formulary with a formal, objective review and approval, process that is required before changes in the formulary can occur.

DUR or DUE - DRUG UTILIZATION REVIEW/EVALUATION. Drug Utilization Review or Evaluation is a function to have the computer intervene with oversight to several issues that are not totally assumable by prescriber and provider. Some of the major issues are:

- Refill Too Soon or Over-utilization
• Therapeutic Duplication to complement Refill Too Soon
• Maximum and minimum Dosages
• Drug Interactions.

Each of these brings information to bear that is not ordinarily available to the prescriber or the physician. These optional functions usually follow adjudication while processing the tendered claim at the central computer. When any aspect of DUR indicates a potential problem or marginal deviation of the prescription, a message accompanies the response to the provider transmitted by the central computer. DUR problem/marginal signals ordinarily do not reject a claim, although it may be programmed to do so if required by the administrator.

ELIGIBILITY. Relates to the specific requirements which members of a health plan must satisfy in order to be insured. The system keeps track of start and ending eligibility dates for each member.

FILL FEE. See “Dispensing Fee.”

FOOD and DRUG ADMINISTRATION (FDA). The U.S. Food and Drug Administration is the public health agency responsible for protecting American consumers by enforcing federal food, drug and cosmetic act as well as several other health laws.

FORMULARIES. In a managed care program, benefit administrators may wish to limit or influence usage of the type of drugs in their benefit plan as a cost containment measure. The goal, of course, is to reduce cost by using lower cost drugs or ones that generate rebates directly from the manufacturers of the drugs selected. They usually construct a list of drugs or groups of drugs designated by therapeutic class. This list is called a "formulary" and it is distributed to prescribers and members.

This formulary may take on different meanings and uses. A "positive" formulary is one that represents the drugs that are preferred or required to be included and available for prescribing/dispensing; whereas, the "negative" formulary is a list of drugs that are excluded from drugs available for dispensing. "Hard" formularies are ones that are absolute and mandatory that exclude or include the designated drugs. "Soft" formularies are ones that designate the inclusion or exclusion of the formulary items as preferred but non-mandatory. In the former case, of a Hard Formulary, there is an exception that contradicts the absoluteness. Prior Authorization ("PAR") that over-rides the absolute prohibition and allows the drug use because of official sponsor intervention.

GENERIC EQUIVALENTS. Another name for PHARMACEUTICAL EQUIVALENTS.

GENERIC DRUG. A drug which is manufactured by a company that is not the innovator. Generic drugs are chemically equivalent, and have been approved by the FDA. Most generic drug names reflect the chemical name of the drug. These drugs are less expensive, yet have the same therapeutic value.

GENERIC NAME. The drug ingredient(s) name(s) recognized by the United States Pharmacopoeia (USP), the National Formulary (NF), or adopted by United States Adopted Names (USAN).

GENERIC SUBSTITUTION. The lawful act of a pharmacist, when exercised, of substituting one pharmaceutical equivalent for another in order to decrease the drug product cost. Also called DRUG PRODUCT SELECTION.

HEALTH MAINTENANCE ORGANIZATION (HMO). Is a corporation that provides comprehensive maintenance and acute medical care to patients. HMO's usually prescribe their own eligibility limits
to their members which coincide with the level of insurance held by the patient. HMO’s provide preventive medicine, while employing primary care physicians as referrals for more substantial treatments.

**INGREDIENT COST.** The cost of the drug product as stated on the drug claim or as calculated by multiplying the quantity of drug dispensed times its unit cost.

**INNOVATOR.** The manufacturer whose name is listed on the application to FDA for approval of a new drug. In the case where the original manufacturer does not market the new drug, but licenses another company to exclusively market the product, the marketer is known as the innovator.

**IN STORE PHARMACY MANAGEMENT SYSTEMS.** The primary function is to process a prescription. After entering and editing the prescription data, the system determines the price from a stored price table. At this point, the system invokes a data transmission protocol and transmits the Rx specifications in NCPDP format to the designated insurer or plan sponsor. After adjudicating the prescription of the tendered claim, the central computer transmits its findings and price approved back to the sending pharmacy. If the claim is approved, the pharmacy system prints the labels for the prescription and adds the SIG for patient counseling. The prescription is stored in the pharmacy computer for summary reporting and for patient history. Most in-store systems will perform drug interaction analysis if requested. Systems that do not transmit to a central computer (not real-time and on-line), perform what is described as retrospective adjudication. While they determine a common base line price, this price is subject to change when submitted for retrospective batch adjudication processing by the insurer or a TPA.

**MAC PRICES - MAXIMUM ALLOWABLE COST.** A number of benefit sponsors, like government institutions, negotiate provider contracts with over-riding fixed prices in lieu of the AWP basis. These MAC prices are, of course, invariably fixed lower than the AWP price for the specific drug. Ordinarily, benefit administrators review the drugs of highest utilization and set MAC prices for these to further lower their costs. Except for a few programs, the MAC pricing is limited to a manageable number of drugs. The top 100 drugs utilized would enable a measurable group of drugs that may represent over 60% of all dollar cost utilization. The Medicaid program is an example of a large "MACed" drug database.

**MAIL ORDER PHARMACY.** Mail order pharmacies are used by many plans as a cost saving and convenient alternative to retail pharmacies. Members typically order their drugs via fax, email or the internet. Prescriptions can be paid with a personal check or credit card. Once a prescription order is transmitted to the mail order pharmacy, members usually receive their prescription within 2-4 days.

**MANUFACTURER REBATES.** Virtually all pharmaceutical manufacturers provide discounts to distributors based on the volume of sales for each product. The distributors, in turn, provide discounts to their provider customers based on volume. Another channel of product promotion is the rebate program. End user prescribers are directly offered such rebates based on their utilization. The rebate recipient merely provides reports or tapes of utilization on a quarterly basis. Rebates are paid directly to those submitting this data. Rebates normally provide at least 5% of aggregate ingredient cost by manufacturer. This percentage may be elevated to levels above 10% in so-called "preferred" programs. In these cases certain drugs are given increasing quotas of utilization and the rebate is increased commensurate with increased utilization.

Managed care organizations negotiate these programs with manufacturers which results in more restrictive formularies for their members.

**MASTER DRUG PRICE DATABASES.** Companies like Medispan, Redbook and First Data Bank produce the survey data of prices for more than 150,000 drugs as mentioned earlier. A monthly update program has a subscription price of more than $22,000 per year. The database is distributed
on CD-ROM or downloaded via the internet on a monthly basis. Users update their drug files as a routine function. These drug files, used in the adjudication process, contain the NDC number, drug name, AWP price, MAC prices by state, size, packing units, therapeutic class, etc.

Another important data record provided with each drug in this file is a coded number (i.e. - GPI, GCN, etc.). This number provides a method of linking to generic equivalents and substitutes. This enables the adjudication process to price at the generic price or to require the utilization of the lower priced generics, if any.

Many higher priced brand name drugs may not have such generic equivalents or substitutes.

MTM required under the Affordable Care Act, this program is designed to counsel patients into better use of their prescriptions in order to reduce other health care costs. To encourage the use of MTM, a star rating system has been developed in which pharmacy reimbursements will be raised or lowered depending on the guidelines being met.

MAXIMUM ALLOWABLE BENEFIT (MAB). The maximum allowable (dollar) benefit is an amount set by the health plan limiting the prescription benefits available to a member or family. Once the maximum is met, members are usually required to pay cash for future prescriptions.

MAXIMUM ALLOWABLE COST (MAC). The highest unit price at which a drug will be paid. It is specific, to a group of pharmaceutical equivalents.

For example:

Various Methodologists exist for the determination of the MAC, but when set, all pharmaceuticals equivalents have the same price. If the submitted price is higher then the MAC, payment will be reduced to the MAC. If, however, the submitted price is lower than the MAC, payment will be at the submitted price. MAC prices may be revised as market prices change. Sadly PBMs are setting their own MAC pricing these days.

MCO. Manage Care Organization

MSO. Management Services Organization

MULTI-SOURCE DRUGS. A drug marketed or sold by two or more manufacturers or labelers.

NCPCP NUMBER. This refers to the National Council for Prescription Drug Program (NCPDP). Association of Board of Pharmacies (NABP). A pharmacy will be assigned a Number by the (NCPDP). This number is a seven digit number, with the first two numbers identifying that state, and the last five designating the pharmacy.

NATIONAL DRUG CODE. The unique numerical code for a drug assigned by the pharmaceutical manufacturer within guidelines set by the Federal Government. The code is used on the pharmacy claim to identify the specific drug, strength, dosage form, manufacturer, and package size.

Four formats are accepted for the NDC: 5-4-2, 4-4-2, 5-4-1, or 5-3-2. In each case, the first group of digits identifies the drug manufacturer, the middle group identifies the specific drug, drug strength and dosage form and the last group identifies the package size.

NCPDP. National Council for Prescription Drug Programs, Inc. (NCPDP) is an organization that promotes data interchange and processing standards to the pharmacy service sector of the healthcare industry.

NDC. National Data Corporation. A Telecommunication switch that routes the Pharmacy Claim from
the initiating Pharmacy to Claims Processor (such as DP/Rx Corporation).

**NON-PREFERRED.** A non-preferred drug is an alternative that may be prescribed instead of a rebate-producing drug. Usually, non-preferred drugs are associated with higher copay amounts. These drugs are often restricted, requiring a prior authorization (PA), or excluded from the formulary completely.

**ON-LINE, REAL-TIME DRUG PROCESSING.** Pharmacies electronically interact with central computer acting on behalf of and for a drug benefit sponsor. The pharmacist transmits the Rx data including the recipient's identification. The central computer first determines if the recipient is eligible to receive the benefit: what "plan" constraints must be complied with in regard to the drug ordered; and if compliance with the plan is confirmed, transmits a data record back to the pharmacist indicating acceptance. The sponsor's price is also included and thereby is confirmed for payment to the pharmacist (Other collateral functions are performed that are not mentioned here). The pharmacist now has the opportunity to accept the sponsor's price and dispense the drug to the member recipient. If the price is unacceptable to the pharmacist, it may be reversed by re-sending the recorded transaction by a reversal command function. If the pharmacist does not reverse, the business transaction is completed. The sponsor is now obligated to pay and the pharmacist is obliged to dispense the drug. It should be noted that the so-called central processor performing adjudication is most often operated by the insuring plan sponsor or a Third Party Administrator (TPA). However, this is not universal in the industry. Many plan sponsors or TPA opt to contract with a Third Party Processor or service bureau that operate and maintain the central processor as a professional service to many such users.

**OTC** Over the Counter and refers to non-prescription products.

**PAID PRICE.** The dollar amount that is reimbursed to the pharmacist for the prescription claim. It is the lower of the submitted amount or the maximum amount allowed by the benefit plan.

**PAR or TAR - PRIOR AUTHORIZATION.** Prior Authorization or "PAR" is essentially a device for by-passing a rejection or prohibition of a specific drug from being dispensed to a plan member. The PAR function becomes more in demand and necessary as formularies and benefit design become more restrictive. The prohibition could have been caused by the benefit plan coverage or by a requested drug outside the formulary. Other types of prohibition could emanate from Drug Utilization Review (DUR) interception for a variety of reasons (i.e. - refill too soon, therapeutic duplication, etc.). In the DP/Rx system, PARs may be incorporated automatically or may be inserted or invoked by request of the pharmacist. In any case, the PAR is provided by the sponsor's staff of administrators or pharmacists.

For instance, the pharmacist calls the help desk and gives the reasoning that justifies the override of the rejection that the central computer has signaled after entry of the Rx. The sponsor's official generates a PAR and informs the pharmacist to re-submit the claim to the central computer. The coded number (PAR number) includes the date issued, type of over-ride for 10 situations, PAR identification number and an issuer identification. This PAR code number is retained in the central computer and may be used or referred to by subsequent operations and inquiries.

Special reports are available to the administrators that provide a log of PAR activity as an oversight to this discretionary intervention by officials.

**PBM.** Acronym for Pharmacy Benefit Management. Organization that provides a turnkey drug benefit program. Payor supplies and updates the eligible members and participates in the goals set for various plans offered. PBM charges payor for entire program: reimbursement of pharmacies; conduct of Help Desk for members, pharmacies and physicians; Staff Pharmacists; Computer administration and all collateral support functions. Rebates are negotiated between PBM and
payer/sponsor company.

**PERCENT OF WHOLESALE (POW).** The relationship, expressed as a percentage, between ingredient cost paid and the FILE PRICE for any drug. For example, a POW of .92 means that the ingredient cost paid for the drug averages 92% of the amount that would have been paid if the claims were paid at the FILE PRICE.

**PHARMACEUTICAL EQUIVALENTS.** Drug products that contain the same active ingredient(s) and are identical in strength or concentration, dosage form and route of administration. Also called GENERIC EQUIVALENT.

**PHARMACY ADMINISTRATOR.** Most managed care organizations providing drug benefit programs designate a pharmacological professional to manage their drug program. Ordinarily, this would be an experienced pharmacist. This responsibility is for an area of expense that has grown to a cost exceeding 10% of the total medical budget. Alternatively, the responsibility is sometimes assigned to an outside Third Party Administrator. In either case, the head of this program, called The Pharmacy Administrator, is charged with the goal of improving or sustaining outcome performance while reducing or maintaining existing cost. Minimizing client or patient complaints is also a high visibility performance gauge and vital to the administrators success.

**PMPM.** Per Member Per Month

**POS.** Point Of Sale

**PPO.** A Plan Physician Only designation limits members to a specific panel of physicians.

**PRESCRIBED DRUG.** Any drug that is ordered by a physician, dentist, or other licensed prescriber for the specific use by a patient. The prescription includes the drug name, strength, dosage form, quantity, and directions for use as well as required patient and prescriber information.

**PRESCRIBER IDENTIFICATION NUMBER.** A unique number assigned to each prescriber. It can be included on each drug claim to track drug claims from that prescriber. The DEA number is an example of a prescriber identification number.

**PRESCRIBERS.** Those who are authorized to write prescriptions (Rx's ) are designated as prescribers. While these are mostly physicians, it also includes dentists and other professionals licensed to prescribe within any medical specialty area. Most are independent practitioners but others may be employed by HMOs. PPOs and other institutions such as the government and independent hospitals. Prescribers ordinarily have the latitude to write Rxs of their own choosing which is the result of experience, promotion and education. More recently, with independent physicians contracting with managed care organizations at greater levels, has seen the emergence of individual formularies provided for the covered members of each such organization.

The physician is influenced by the plan sponsor's administrator to adhere to a recommended drug for each corresponding therapy. Ordinarily, a booklet is issued to the prescriber for each plan sponsor contracted with. This results in prescribers needing to refer constantly to each booklet since there may be many variations of drugs by each sponsor for the same therapy. Most plan sponsors do allow flexibility to their prescribers to prescribe as they choose; however, incentives may be provided to encourage compliance.

**PROVIDERS.** Independent Pharmacists, Mail Order Service, Staff Model Pharmacies or any other pharmacist based supplier of drugs for prescription orders. Provider pharmacists are licensed professionals that take responsibility to fill prescriptions with exacting compliance to the prescriber's specifications or to make professional judgments regarding allowable drug substitution which...
produce a comparable therapeutic effect.

Pharmacists also have the responsibility of counseling the patient in the proper and appropriate drug administration and usage.

**PSAO** Another term for pharmacy administration organization known as Pharmacy Support and Administration Organization

**REBATE.** Money refunded to the purchaser from the seller of a drug as specified in a contract. Payment is based on the difference between the paid price and the contracted price for the seller’s product times the number of units sold.

**SINGLE SOURCE DRUG.** A drug marketed or sold by only one manufacturer or labeler.

**SUBMITTED PRICE.** The dollar amount requested by the pharmacist for the dispensed drug. It is the result of the ingredient cost plus the dispensing fee minus the copay.

**THERAPEUTIC EQUIVALENTS.** Pharmaceutical equivalents that, when administered to patients under the conditions specified in the product labeling, can be expected to have the same therapeutic effect.

**THIRD PARTY ADMINISTRATORS (TPA).** Third party administrators oftentimes are utilized by self-insured companies and insurance companies that do not maintain their own managed care staff. The specialist "TPA" is engaged by multiple customers to practice managed care for their drug benefit program. The TPA is usually reimbursed for these services with incentive provided for a high level of service (low complaint record) and maintaining low cost per member.

The TPA determines the formulary to be used and contracts directly with providers or provider organizations such as drug chains and pharmacy associations. The TPA also participates in the manufacturer rebate programs to receive additional income that may further reduce their fees to the plan sponsor.

**USUAL AND CUSTOMARY PRICE.** The total price paid to a pharmacist for a drug product, prescription or otherwise, by a customer who pays by cash, check, or charge account. Prices charged to customers whose drug product is paid in full, or in part, by a third party are not included in this price. This price is commonly called UCR, UC, U & C, or retail.

**UTILIZATION REVIEW.** The authorized, structured, and on-going process for formal assessment of services used by consumers. The objective of the process is to measure the quantity and quality of the services and to improve the services.

**WHOLESALE ACQUISITION COST (WAC) or NET WHOLESALE COST.** The net cost of a drug product, not including special deals to the wholesaler.
EMPLOYEE MANUAL

Date____

IT IS THE POLICY OF ______ PHARMACY TO IMPLEMENT AFFIRMATIVE EQUAL OPPORTUNITY TO ALL QUALIFIED EMPLOYEES AND APPLICANTS FOR EMPLOYMENT WITHOUT REGARD TO RACE, CREED, SEX, AGE OR NATIONAL ORIGIN.

1. SALARIES

Salaries are commensurate with duties being performed and experience, and are set by ___ Pharmacy (heretofore called PHARMACY). Salary increases are given as recognition for work regularly performed well and efficiently. Salary increases are not associated with performance reviews except that each new employee will have his/her performance and salary reviewed at the end of three month’s employment. Performance, attitude and the assumption of additional responsibilities are key factors in determining salary increases. There will be no advances made against salaries.

2. OFFICE HOURS

Pharmacy is open Monday through Friday, from 8:30 a.m. to 5:30 p.m.

3. PAY PERIOD

Employee pay periods end on the 15th and the 30th of each month. Checks are issued on the 15th and the 30th of each month unless that date falls on a Saturday, Sunday or holiday in which instance checks will be issued the following day.

4. PAYCHECKS

Your paycheck is confidential and should be kept out of sight of other employees.

5. STAFF MEETINGS

Staff meetings are held on an as-needed basis. Staff meetings are a vital communications tool. It is an opportunity for the entire staff to gather and discuss past or upcoming programs, activities, issues, recommend improvements, exchange ideas and discuss problem areas. Should you feel a staff meeting would improve the work situation please ask the administrator to schedule a Staff Meeting.

6. LUNCH
Employees are granted one hour for lunch each day. This may be reduced to one-half hour should you request it. Lunch is to be taken between the hours of 11:30 a.m. and 2 p.m. unless prior authorization is received from Pharmacy. In lieu of a lunch period additional compensation may be available.

7. DRESS & CONDUCT

It is to the mutual advantage of Pharmacy and its employees to observe good taste in dress and appearance. Orderly conduct in relations with our customers and the public (see Pharmacy Conduct of Business) should also be observed at all times. Since the Pharmacy is judged, to a great degree, by its personnel, it is most important that professional employee conduct be observed at all times. Good grooming and professional dress including shoes is mandatory.

8. OFFICE MAINTENANCE

Our offices are cleaned by building personnel. When dusting, they do not move materials from the tops of desks, files, etc. It is the responsibility of the employee to leave his/her work area as uncluttered as possible at the end of each working day. It is the responsibility of each employee to maintain a clean work area and office.

9. HOLIDAYS

The office will be closed on the following days: New Year’s Day, President’s Day, Memorial Day, Independence Day, Labor Day, Thanksgiving and Christmas. Other holidays may be granted at the discretion of Pharmacy. (See sick leave for further holiday information)

10. TARDINESS

Occasional tardiness may not be avoidable but continued tardiness is inexcusable. There will be deductions from salary for habitual tardiness. If continued, it may lead to dismissal.

11. ABSENCES DURING WORK HOURS

When members of the staff leave the office during working hours inform the supervisor as when you expect to return and where you may be reached should it be necessary to contact you.

12. SICK LEAVE and FORCED ABSENCE

No pay may be claimed for time off due to sick leave or forced absence until you have been employed for three full months. Always call, or have a family member call, Pharmacy when you will be absent.

FORCED ABSENCE is a privilege granted employees in recognition of the fact that circumstances sometimes require your presence elsewhere during working hours. It covers such contingencies as a death in your immediate family or response to a legal summons. Your forced absence request must be approved by Pharmacy. Non-approved forced
absences will result in pay deductions.

You will be credited with one-half day sick leave for each month worked per year. No payment will be made at the end of each calendar year for unused sick leave. No payment will be made for unused sick days at the time of termination. If you are ill and cannot report to work, notify Pharmacy as soon as possible.

13. MEDICAL APPOINTMENTS

A minimum of one week’s advance notice must be given to Pharmacy. Try to schedule your appointments in the early morning or during your lunch hour. Time off for medical appointments will be deducted from your pay in increments of four hours per appointment.

14. ACCIDENTS

Should you be injured during the performance of your duties, the incident must be reported immediately. Prompt reporting of accidents is for your protection.

15. MEDICAL INSURANCE

Pharmacy pays full premium for group insurance for full-time employees. Dependent coverage, if desired, must be paid by the employee. For information regarding the group insurance program (deductions, etc.) please discuss with Pharmacist/owner.

16. CHANGE OF STATUS/ADDRESS

When a change of address or marital status occurs, please advise the Pharmacy as soon as possible.

17. DISMISSAL

Employees may be terminated for reasons where work has not proven satisfactory. Among variables considered unsatisfactory are: insubordination, unacceptable attitude, inefficiency or inability to perform the task hired for, chronic absenteeism, excessive tardiness, poor personal hygiene, disregard of dress code, unprofessionalism, judicial incarceration (guilty of violating the law) or fraud.

18. RESIGNATION

Should the occasion arise, an employee must give two weeks notice, in writing, to the Pharmacy.

19. VACATION

Employees with one complete year of full-time employment are entitled to five days of paid vacation. Two years of full-time employment also receives five days of paid vacation. Full-time employees with three to five years of employment will receive 10 days of paid vacation. Employees with more than five years of full-time employment will receive 15 days of paid vacation. An additional day will be added when a holiday occurs during your vacation period.
You are eligible for your vacation period on your yearly anniversary date with Pharmacy. Vacation not taken during a 12-month period will be forfeited.

**20. ALCOHOL/DRUGS/SMOKING**

Consuming alcohol and/or illegal drugs on the job, or working under the influence of alcohol/illegal drugs, are cause for immediate dismissal. Smoking may cause serious illness to our customers. Therefore, the pharmacy is considered a Smoke Free Environment. Ensure your clothing does not smell of smoke.

**21. CONFIDENTIAL INFORMATION**

Information about a patient or a member of the staff shall not be discussed except in the line of professionalism. A breach of confidence may be cause for immediate termination. Patient information is protected by law from disclosure unless written authorization is granted by the patient.

**22. PROFESSIONALISM**

As practicing health care specialists, a maximum amount of Professionalism is expected by our customers and by the Pharmacist. Derogatory remarks about this Pharmacy, Pharmacist, co-workers, prescriptions, customers, location and products is considered Unprofessional and will not be tolerated.

**23. MATERNITY LEAVE**

Staff members will be granted a leave of absence of up to six weeks for child birth. The first two weeks of this leave will be compensated with the remaining weeks being uncompensated unless earned vacation time is utilized.

**24. PERSONAL TELEPHONE CALLS, VISITS and CELLPHONES/TEXTING**

Staff members must realize the importance of keeping office telephone lines open for professional needs. Telephone lines should be restricted to emergency use only! Cellphone calls must be limited to emergency situations, as well. No texting.

**25. SEVERE WEATHER**

Absence caused by severe weather will be approved by Pharmacy, in advance. First, call the pharmacy (then the pharmacist at home) should severe weather restrict you ability to reach the worksite. Non-authorized weather related absences will be charged to earned vacation time.

**26. PERFORMANCE COUNSELING**

_____ believes in empowering our employees to gain top performance. To assist in staying on course and to provide the finest quality of service, we offer “Performance Counseling.” The cycle is designed to ensure that employees receive information and assistance necessary to improve in specific areas. Employees are given ample opportunity to
improve performance through verbal and written counseling.

Performance Counseling is not a mandatory procedure. Should your inability to perform your job to the defined requirements impact the operations of your job or another employee’s job, the Cycle may be accelerated, resulting in termination with or without prior warning.

A. Verbal Warning -- discussion in an attempt to determine the cause(s) of the performance problem and to agree upon action steps to improve performance.

B. Written Warning -- discussion to attempt to determine the cause(s) of the performance problem and to agree upon action steps to improve performance.

C. Probation. You will be placed on 30-day probation, suspended and/or up to possible termination. This will be served as a final warning given to you. Improvement must be noted immediately to avoid further action.

D. Termination with or without notice.

It is the commitment of _____ that all decisions regarding employment, promotion, demotion or assignment of positions will be based on qualification. Employment-related decisions will not unlawfully discriminate nor be influenced by race, color, religion, gender (including child birth or related medical conditions), national origin, ancestry, age, veteran status, physical/mental disability, disability of sexual preference, medical condition, marital/family care status, as defined by either federal or applicable state, county and/or city laws or ordinances.

_____ is also committed to providing opportunities for growth and advancement within a workplace of the highest quality possible. To fulfill this commitment we all must share simple basic values such as mutual respect and a believe that we are all part of a team that supports all of its members.

_____ “Equal Employment Opportunity Policy Concerning Harassment” embodies this pharmacies’ commitment to a workplace that is free from any form of harassment. (more definitively in the Safety Manual).
Date____________________

I have read the employee manual, understand all of it and have no further questions. Changes, deletions or other variations in the manual have been noted for me -- in writing.

Employee Signature______________ (your signature)________________________
Appendix B

SAFETY MANUAL

Presented on __________

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CHAPTER 1  INJURY AND ILLNESS PREVENTION PROGRAM

A.  Written Plan
This is our written Injury and Illness Prevention plan. Please read it carefully. While no plan can guarantee an accident free work place, following the safety procedures set forth in this manual will significantly reduce the risk of danger to you and your co-workers.

B.  Introduction to Our Program
State and federal law, as well as company policy, makes the safety and health of our employees the first consideration in operating our business. Safety and health in our business must be a part of every operation, and every employee's responsibility at all levels. It is the intent of ___ to comply with all laws concerning the operation of the business and the health and safety of our employees and the public. To do this, we must constantly be aware of conditions in all work areas that can produce or lead to injuries. Your cooperation in detecting hazards, reporting dangerous conditions and workplace hazards is a condition of employment. Inform your supervisor immediately of any situation beyond your ability or authority to correct. Employees will not be disciplined or suffer any retaliation for reporting a safety violation in good faith.

C.  Safety Program Goals
The objective of ____ is a safety and health program that will keep the number of injuries and illnesses to an absolute minimum. Our goal is zero accidents and injuries.

D.  Safety Policy Statement
It is the policy of ___ that accident prevention shall be considered of primary importance in all phases of operation and administration. It is the intention of ____ Pharmacy to provide safe and healthy working conditions and to establish and insist upon safe practices at all times by all employees. It is equally the duty of each employee to accept and follow established safety regulations and procedures. Every effort will be made to provide adequate training to employees. Employees are expected to assist in accident prevention activities. Unsafe conditions must be reported immediately. Fellow employees that need help should be assisted. Every injury that occurs on the job, even a slight cut or strain, must be reported to management as soon as possible. Under no circumstances, except emergency trips to the hospital, should an employee leave the work site without reporting an injury.

E.  Safety Rules for All Employees
It is the policy of ____ that everything possible will be done to protect you from accidents, injuries and/or occupational
disease while on the job. Safety is a cooperative undertaking requiring an ever-present safety consciousness on the part of every employee. If an employee is injured, positive action must be taken promptly to see that the employee receives adequate treatment. To carry out this policy, the following rules will apply: 1. All employees shall follow the safe practices and rules contained in this manual and such other rules and practices communicated on the job. All employees shall report all unsafe conditions or practices to the proper authority, and, if corrective action is not taken immediately, a governmental authority with proper jurisdiction over such practices. 2. The Office Manager shall be responsible for implementing these policies by insisting that employees observe and obey all rules and regulations necessary to maintain a safe work place and safe work habits and practices. 3. Suitable clothing and footwear must be worn at all times. 4. All employees will participate in a safety meeting conducted by their supervisor once every three months. 5. Anyone under the influence of intoxicating liquor or drugs, including prescription drugs, which might impair skills and judgment, shall not be allowed on the job. 6. No one shall be permitted to work while the employee's ability or alertness is so impaired by fatigue, illness, or other causes that it might expose the employee or others to injury. 7. All injuries should be reported to the Manager so that arrangements can be made for medical or first aid treatment. 9. When lifting heavy objects, use the large muscles of the leg instead of the smaller muscles of the back.

F. Responsible Safety Person
The identity of the person who is responsible for the ___ Pharmacy safety program is ___.

G. Duties
Overall responsibility and authority for implementing the injury and illness prevention program is vested in ___. As part of the job, ___ will supplement this written injury and illness prevention program by: establishing workplace objectives and safety recognition programs; working with all government officials in both accident investigation and safety inspection procedures; maintaining safety and individual training records; encouraging reporting of unsafe conditions and promoting a safe workplace.

A. Agreement to Participate
Every employer is required to provide a safe and healthful workplace. ___ Pharmacy is committed to fulfilling this requirement. A safe and healthful workplace is one of the highest priorities of ___ Pharmacy. The information in this manual constitutes a written injury and illness prevention program. While ___ Pharmacy cannot anticipate every workplace hazard, the following general principals should guide your conduct. To be safe, you must never stop being safety conscious. Study the guidelines contained in this manual. Attend all company safety meetings. Read all posters and warnings. Listen to and discuss instructions carefully. Follow the Code of Safe Work Place Practices contained herein. Participate in accident investigations as requested. Accept responsibility for the safety of others. Maintain all required documentation. By signing the acknowledgement at the end of this handbook, each employee promises to read and implement this injury and illness prevention program. If you don’t understand any policy, please ask your supervisor.

A. Safety and Health Training
Training is one of the most important elements of any injury and illness prevention program. Such training is designed to enable employees to learn their jobs properly, bring new ideas to the workplace, reinforce existing safety policies and put the injury and illness prevention program into action. The content of each training session will vary, but each session will attempt to teach the following: a) the success of ___ Pharmacy’s injury and illness prevention program depends on the actions of individual employees as well as a commitment by the Company. B) each employee will learn what to do in case of emergencies occurring in the workplace.

A. Communication
Employers should communicate to employees their commitment to safety and to make sure that employees are familiar with the elements of the safety program. ___ Pharmacy communicates with its employees orally, in the form of directions and statements from your supervisor, written, in the form of directives and this manual, and by example.

A. Accident Prevention Policy Posting
Each employee has a personal responsibility to prevent accidents. You will be expected to observe safe practice rules and instructions relating to the efficient handling of your work. Your responsibilities include the following: * Incorporate safety into every job procedure. No job is done efficiently unless it has been done safely. * Know and obey safe practice rules. * Know that disciplinary action may result from a violation of the safety rules. * Report all injuries immediately, no matter how slight the injury may be. * Caution fellow workers when they perform unsafe acts. * Don’t take chances.
* Ask questions when there is any doubt concerning safety. * Report all unsafe conditions to your supervisor immediately.

**A. Safety Meetings**

___ Pharmacy has safety meetings every 3 months. The purpose of the meeting is to convey safety information and answer employee questions. The format of most meetings will be to review to every employee, the content of the injury prevention program and special work site hazards. The Manager will review a portion of the company’s safe work practices contained in this booklet, or other safety related information essential to accomplish the goals of the program. ___ Pharmacy requires all its employees to accept responsibility for their own safety, as well as that of others in the workplace. It is your responsibility to read this manual and to become familiar with the Code of Safe Work Practices and Specific Safety Rules contained in this manual, as well as any posted government Safety Orders.

**A. Accident Investigation**

A primary tool used by ___ Pharmacy to identify the areas responsible for accidents is a thorough and properly completed accident investigation. The results of each investigation will be reduced to writing and submitted for review by management and ___ Pharmacy’s insurance risk management advisors, and, if the accident resulted in serious injury, to Company attorneys. All statements should include the time and date given, and the town or county where the statement was made. It the statement is intended to be used in court proceedings, a simple statement with the description and is sworn to be true under penalty of perjury with the date, place and time included. Also, make sure that the names and addresses and day and evening phone numbers of all eyewitnesses are noted. If a formal police report or other official investigation is conducted by any government agency, get the name and badge number of the official, or a business card, and find out when a copy of the official report will be available to the public. If you are requested to make a statement, you have the right to have a lawyer attend your statement. A satisfactory accident report will answer the following questions: 1. What happened? The investigation report should begin by describing the accident, the injury sustained, the eyewitnesses, the date, time and location of the incident and the date and time of the report. Remember: who, what, when, where and how are the questions that the report must answer. 2. Why did the accident occur? The ultimate cause of the accident may not be known for several days after all the data are analyzed. However, if an obvious cause suggests itself, include your conclusions at the time you give your information to the person in charge of the investigation. 3. What should be done? Once a report determines the cause of the accident, it should suggest a method for avoiding future accidents of a similar character. This is a decision by the Responsible Safety Officer and the supervisor on the project. Once a solution has been adopted, it is everyone’s responsibility to implement it. 4. What has been done? A follow up report will be issued after a reasonable amount of time to determine if the suggested solution was implemented, and if so, whether the likelihood of accident has been reduced.

**A. Records**

___ Pharmacy maintains records of employee training, hazard identification and abatement, and accident investigation.

**A. OSHA Records Required**

Copies of required accident investigations and certification of employee safety training will be maintained. A written report will be maintained on each accident, injury or on-the-job illness requiring medical treatment. A record of each such injury or illness is recorded on OSHA Log and Summary of Occupational Injuries Form 200 according to its instructions. Supplemental records of each injury are maintained on OSHA Form 101, or Employers Report of Injury or Illness Form 5020. Every year, a summary of all reported injuries or illnesses is posted no later than February 1, for one month, until March 1, on OSHA Form 200. These records are maintained for five years from the date of preparation.

**Smoking & Fire Safety**

Fire is one of the worst enemies of any facility. Learn the location of the fire extinguishers. Learn how to use them. You can help prevent fires by observing the smoking rules: * Smoking is not allowed nor permitted in rest rooms. * If you are not sure about where you may smoke, ask the supervisor.

**A. Reporting**

All serious accidents must be reported to OSHA. In cases of hospitalization or death, a full investigation with copies to governmental authorities will be required. In less serious cases, the investigation report must be presented to the company for disclosure to its insurance carrier and for remedial action at the work site.
CHAPTER 2

GENERAL CODE OF SAFE WORK PRACTICES

A. General Fire Safety

Our local fire department is well acquainted with our facility, its location and specific hazards. All doors must be maintained in good operating condition. Doors should be unobstructed and protected against obstructions, including their counterweights. All automatic sprinkler water control valves if any, air and water pressures should be checked routinely. The maintenance of automatic sprinkler systems is assigned to the Building Manager. Portable fire extinguishers are provided. Fire extinguishers are mounted in readily accessible locations. Fire extinguishers are recharged regularly and the date of last inspection noted on their tags. All employees are periodically instructed in the use of extinguishers and fire protection procedures. Notify the Supervisor of any damage to fire protection equipment.

A. Ergonomics

With the introduction of computers into the workplace, new areas of physical debilitation have been recognized. These new potential hazards have required a redesigning of both the workplace and how employees work. A set of standards will be developed and practiced with this new technology. Furniture will be adjustable, positioned and arranged to minimize strain on all parts of the body. The glare of a computer screen will be minimized by a glare screen to prevent eyestrain if needed. Repetitive motions can harm, back, shoulders, neck, wrists and other parts of the body, so employees will not proceed with a task when they are physically feeling an impairment. Each employee will be entitled to a rest break.

A. Walkways

All aisles and passageways must be kept clear.

A. First Aid Kits

First-aid kits and required contents are maintained in a serviceable condition. Unit-type kits have all items in the first-aid kit individually wrapped, sealed, and packaged in comparable sized packages. The commercial or cabinet-type kits do not require all items to be individually wrapped and sealed, but only those which must be kept sterile. Items such as scissors, tweezers, tubes of ointments with caps, or rolls of adhesive tape, need not be individually wrapped, sealed, or disposed of after a single use or application. Individual packaging and sealing shall be required only for those items which must be kept sterile in a first-aid kit. A poster shall be fastened and maintained either on or in the cover of each first-aid kit and at or near all phones plainly stating, the phone numbers of available doctors, hospitals, and ambulance services within the city of the office.

CHAPTER 3

EMERGENCIES

A. Organization

Pharmacy requires that during every emergency an organized effort be made to protect personnel from further injury and to minimize property damage. All of Pharmacy’s resources can be made available to respond to an emergency.

A. Supervisors Responsibilities

During an emergency, the supervisor must: Ensure that those under his or her supervision are familiar with the plan for the building, particularly the recommended exit routes and how to report an emergency. Maintain familiarity with the shutdown procedures for all equipment used by those under his or her supervision. Know the location and use of all safety equipment on his or her floor. Keep employees from reentering an evacuated area until reentry is safe.

A. No Loitering Policy

Employees not involved in the emergency must stay away from the scene and follow the instructions issued over the public address system or directly from the person in charge. The sounding of a fire bell means immediate evacuation by the nearest exit. Employees must not reenter an area that they have evacuated until notified that it is safe to return.
A. Employee Responsibilities

Employees, other than emergency-response groups, involved in any emergency greater than a minor incident are expected to act as follows: If there is threat of further injury, remove all injured persons, if possible, and leave the immediate vicinity. If there is no threat of further injury, leave seriously injured personnel where they are. Report the emergency immediately by phone. State what happened, the specific location, whether anyone was injured, and your name and phone number. Proceed with first aid or attempt to control the incident only if you can do so safely and have been trained in first aid or the emergency response necessary to control the incident. Show the ranking emergency-response officer where the incident occurred, inform him or her of the hazards associated with the area, provide any other information that will help avoid injuries, and do as he or she requests.

CHAPTER 4

FIRE SAFETY

A. Introduction

Policy and planning for fire safety at ___ Pharmacy takes into account the special fire hazards for specific operating areas, the protection of high-value property, and the safety of employees. These ends are met by: * Alarm systems and automatic extinguishing systems. * Availability of suitable hand extinguishers * Access to professional fire department (The Fire Department makes the initial response to all requests for emergency aid received on the emergency telephone number, 911.) This chapter covers the fire safety responsibilities of employees and supervisors and sets forth the fire safety rules and procedures.

A. Fire Department

The Community Fire Department is responsible for protecting people and property from fires, explosions, and other hazards through prevention and expeditious control of such events. In addition, the Fire Department provides first-response rescue and transportation services in medical emergencies. The Fire Department’s inspection staff is responsible for ensuring company-wide compliance with fire safety and protection requirements and for reviewing all plans and procedures for compliance with these requirements; for inspecting and testing automatic fire protection and alarm systems and ensuring their maintenance and repair; for conducting fire safety and protection inspections; and for providing fire prevention recommendations. Other responsibilities include training employees in fire safety equipment, practices, and procedures. All these fire protection and response functions are performed in conformance with OSHA regulations, State law, ___ Pharmacy's policies, and nationally recognized standards and guidelines for fire and life safety. The Fire Chief and the Fire Marshall have the authority to enforce applicable requirements of the Uniform Building Code; the Uniform Fire Code; National Fire Protection Association Codes (including the Life Safety Code), Standards, and Recommended Practices; and the fire protection provisions of OSHA Orders. All employees must immediately report fires, smoke, or potential fire hazards to the Fire Department (dial 911). All employees must conduct their operations in such a way as to minimize the possibility of fire.

A. Portable Heaters

The use of portable heaters is allowed only where there is no chance of causing injury to personnel or of creating a fire hazard. This provision obviously requires common sense in safely locating such devices and ensuring that they do not operate when they are unattended. The kitchen area has been designated as unsafe for such devices. Ensure that the appliance is approved by either Underwriters Laboratories, Inc., or Factory Mutual Research Corporation. Connect the appliance directly to a proper electrical outlet using only the cord with which it was originally equipped. Do not use extension cords in lieu of permanent wiring.

Fire Detectors

Several types of automatic fire detectors are used throughout ___ Pharmacy, according to particular needs and purposes. All of them will detect fire (by one of several means) and transmit an alarm to the fire station. In the many buildings equipped with evacuation alarm bells, the automatic detectors activate those alarms, as do the manual pull boxes.

A. Fire Exits

Exit corridors must not be used for storage. The Life Safety Code, NFPA 101, requires that buildings designed for human occupancy must have continuous and unobstructed exits to permit prompt evacuation of the occupants and allow necessary access for responding emergency personnel.
A. Life Safety Code
The Life Safety Code of the National Fire Protection Association, NFPA 101, requires that emergency lighting be provided for means of egress in certain areas. The Code states emergency lighting is required in exit corridors in any office-type building where the building is two or more stories in height above the level of exit discharge. The building Manager is responsible for assuring that this Code is followed accordingly.

CHAPTER 5

SEISMIC SAFETY

A. Intent
It is Pharmacy’s policy to prevent (in all ways possible) the loss of life and to minimize the risk of personal injury, program interruption, and property damage due to earthquakes.

A. Miscellaneous Hazards
Earthquake safety measures have been developed at Pharmacy to protect personnel in the event of a seismic disturbance. Sufficient protection is required to allow time for personnel to exit an endangered area without injury. All objects inside and outside of buildings must be adequately restrained so that they do not block escape routes during seismic ground motion.

CHAPTER 6

SEXUAL HARASSMENT

A. Introduction
Pharmacy is committed to providing a workplace free of sexual harassment (which includes harassment based on gender, pregnancy, childbirth, or related medical conditions), as well as harassment based on such factors as race, color, religion, national origin, ancestry, age, physical disability, mental disability, medical condition, marital status, sexual orientation, family care leave status, or veteran status. The Company strongly disapproves of and will not tolerate harassment of employees by managers, supervisors, or co-workers. Similarly, the Company will not tolerate harassment by its employees or non-employees with whom the Company employees have a business, service, or professional relationship.

A. Examples of Harassment
Harassment includes verbal, physical, and visual conduct that creates an intimidating, offensive, or hostile working environment or that interferes with work performance. Such conduct constitutes harassment when (1) submission to the conduct is made either an explicit or implicit condition of employment; (2) submission to or rejection of the conduct is used as the basis for an employment decision; or (3) the harassment interferes with as employee’s work performance or creates an intimidating, hostile, or offensive work environment.

Harassing conduct can take many forms and includes, but is not limited to, slurs, jokes, statements, gestures, pictures, or cartoons regarding an employee’s sex, race, color, national origin, religion, age, physical disability, mental disability, medical condition, ancestry, marital status, sexual orientation, family care leave status, or veteran status.

Sexually harassing conduct in particular includes all of these prohibited actions as well as other unwelcome conduct such as requests for sexual favors, conversations containing sexual comments, and unwelcome sexual advances.

A. Reporting Procedures
Any incident of harassment, including work-related harassment by any Company personnel or any other person, should be reported to the employee’s supervisor/manager the COO or the Company President who will be responsible for investigating the matter. Managers who receive complaints or who observe harassing conduct should inform the appropriate person.

A. Investigation of Complaints
Every reported complaint of harassment will be investigated thoroughly, promptly, and in a confidential manner.
addition, the Company will not tolerate retaliation against any employee for cooperating in an investigation or for making a complaint.

A. Disciplinary Actions
In the case of Company employees, if harassment is established, the Company will discipline the offender. Disciplinary action for a violation of this policy can range from verbal or written warnings up to and including immediate termination, depending upon the circumstances.

A. Notification of Proper Authorities
Sexual harassment and retaliation for opposing sexual harassment or participating in investigations of sexual harassment are illegal. In addition to notifying the Company about harassment or retaliation complaints, affected employees may also direct their complaints to the California Department of Fair Employment and Housing (“DFEH”), which has the authority to conduct investigation of the facts. The deadline for filing complaints with the DFEH is one year from the date of the alleged unlawful conduct. If the DFEH believes that a complaint is valid and settlement efforts fail, the DFEH may seek an administrative hearing before the California Fair Employment Housing Commission (“FEHC”) or file a lawsuit in court. Both the FEHC and the courts have the authority to award monetary and nonmonetary relief in meritorious cases. You can contact the nearest DFEH offices or the FEHC at the locations listed in the Company’s DFEH poster located in the break room or by checking the state government listings in the local telephone directory.

The California Labor Commissioner, rather than the DFEH, processes administrative claims of sexual orientation discrimination. The deadline for filing complaints with the Labor Commissioner is thirty (30) days from the date of the alleged unlawful conduct.

CHAPTER 7

VIOLENCE IN THE WORKPLACE

A. Statement of Policy
___ Pharmacy is committed to providing a safe, violence-free workplace and strictly prohibits employees, consultants, customers, visitors, or anyone else on the Company premises or engaging in a Company related activity from behaving in a violent or threatening manner. As part of the policy, the Company seeks to prevent workplace violence before it begins and reserves the right to deal with behavior that suggests a propensity towards violence even prior to any violent behavior occurring.

A. Workplace Violence Defined
Workplace violence includes:
1. Threats of any kind;
2. Threatening, physically aggressive, or violent behavior, such as intimidation of or attempts to instill fear in others;
3. Other behavior that suggests a propensity toward violence, which can included belligerent speech, excessive swearing, sabotage, or threats of sabotage of Company property, or a demonstrated pattern of refusal to follow Company policies and procedures;
4. Defacing Company property or causing physical damage to the facilities;
5. Bringing weapons or firearms of any kind on Company premises, in Company parking lots, or while conducting Company business.

A. Reporting
If any employee observes or becomes aware of any of the above-listed actions or behavior by an employee, customer, consultant, visitor, or anyone else, he or she should notify the appropriate supervisor immediately.

A. Investigation
All reports of workplace violence will be taken seriously and will be investigated promptly and thoroughly. In appropriated circumstances, the Company will inform the reporting individual of the results of the investigation. To the extent possible, the Company will maintain the confidentiality of the reporting employee and of the investigation but may need to disclose results in appropriate circumstances, for example, in order to protect individual safety.
A. Corrective Action and Discipline
If the Company determines that workplace violence has occurred, the Company will take appropriate corrective action and will impose discipline on offending employees. The appropriate discipline will depend on the particular facts but may include written or oral warnings, probation, suspension and or up to termination.

CHAPTER 8

BLOODBORNE PATHOGENS

A. Introduction
Pharmacy’s employees do not in any way handle, store, use, process, or dispose of blood or any other medical contamination’s. Therefore it is not practical to establish an exposure control plan to minimize workplace risks which is required in OSHA’s Bloodborne Pathogen Standard (29 CFR 1910.1030 effective March 6, 1992 that requires employers to protect its workers from death and disease caused by occupational exposure to bloodborne pathogens). Pharmacy will minimize the workplace risks of hepatitis B and HIV as much as practical by advising employees of ways to prevent coming in direct contact with blood or someone who is bleeding.

EMPLOYEE ACKNOWLEDGMENT

I, __________________________, acknowledge that I have received a copy of ________ Safety Manual. I understand that I am responsible for knowing and adhering to the policies set forth during my employment with ______ (the “Company”).

The policies contained in the Safety Manual are not intended to create any contractual rights or obligations, and the Company reserves the right to amend, interpret, modify, or withdraw any portion of these policies at any time.

I understand and agree that the terms of this Acknowledgment may not be modified or superseded except by a written agreement signed by the Company and me. I further understand and agree that if the terms of this Acknowledgment are inconsistent with any policy or practice of the Company now or in the future, the terms of this Acknowledgment shall control.

I also agree that this Acknowledgment contains a full and complete statement of the agreements and understandings that it recites, and I agree that this Acknowledgment supersedes all previous agreements, whether written or oral, express or implied, relating to the subjects covered in this Acknowledgment. And also agree that I have had the opportunity to ask questions relating to this manual.

__________________________________________  __________________________
Employee Signature                          Date

__________________________________________  __________________________
Supervisor Signature                         Date
EMPLOYER/EMPLOYEE ARBITRATION AGREEMENT (good in California, and other states)

In consideration for the mutual benefits arising from the employment relationship entered contemporaneously with this agreement, the Employee and the Employer (sometimes collectively referred to as (Parties) agree as follows:

Any claim, dispute, or controversy, including but not limited to any claim, dispute, or controversy which would first have to be filed with the Department of Fair Employment and Housing (ADFEH) and/or the Equal Employment Opportunity Commission (EEOC), and would otherwise require or allow resort to any court or other governmental dispute resolution forum between Employer and Employee arising from, related to, or having any relationship or connection whatsoever with Employee’s employment by Employer, whether based on tort, contract, statutory, or equitable law, or otherwise, including Federal Title VII claims (with the sole exception of claims arising under the National Labor Relations Act which are brought before the National Labor Relations Board, claims for medical and disability benefits under the California Workers Compensation Act, and Employment Development Department claims), shall be submitted to and determined exclusively by binding arbitration in accordance with the Arbitration Rules of JAMS and in conformity with the procedures of the California Arbitration Act, and not by way of a trial by jury. Pursuant to Section 1283.05 of the California Code of Civil Procedure, each party will be entitled to all methods of discovery incorporated therein, and all additional methods of discovery otherwise necessary to vindicate the issues raised, as required by law. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction. Though Employee has no contractual right to attorney’s fees by this agreement, Employee is entitled to all relief otherwise available in court, including the recovery of costs and attorney’s fees where expressly provided by law.

The arbitration hearing and all proceedings in connection therewith shall take place in (county and state). There shall be one arbitrator, chosen by mutual agreement of the Employee and the Employer. If the arbitrator shall not have been selected within thirty (30) days after dispute has been submitted to JAMS, the appointment shall be made by JAMS. The arbitrator shall be a lawyer or judge who appears on the lists of JAMS, shall be a neutral parties, and shall be familiar with employment agreements. Each party shall pay the fees of his or her own attorneys, unless attorneys fees are awarded to the prevailing party pursuant to law, and the expenses of his or her witnesses. Each party will be responsible for all reasonable filing and administrative costs and fees that each party would otherwise be required to pay if the action was brought before a court of law, except Employer agrees to pay the fees of the arbitrator and any other expenses unique to arbitration. At the conclusion of the arbitration, the arbitrator will provide a written decision disclosing the essential findings and conclusions upon which the award is based. The arbitrator’s decision will be final and no further remedies may be sought by either party.

This agreement contains the entire agreement between the parties regarding arbitration of claims arising out of the employment relationship and supercedes all such prior oral and written agreements, understandings, commitments, and practices between them, including all prior arbitration agreements and/or employment agreements to the extent such agreements contain an agreement to arbitrate, whether or not fully performed by Employee before the date of this agreement. No oral modifications, express or implied, may alter or vary the terms of this agreement. No amendments to this agreement may be made except by a writing signed by both parties. No employee or supervisor of the employer is authorized to alter or vary the terms of this agreement except by written agreement by the President. Any representations contrary to this agreement, express or implied, written or oral, are hereby disclaimed.

BOTH EMPLOYEE AND EMPLOYER UNDERSTAND BY VOLUNTARILY AGREING TO THIS BINDING ARBITRATION PROVISION, BOTH EMPLOYEE AND EMPLOYER GIVE UP THEIR RIGHTS TO TRIAL BY JURY.

Sign: ___________________________  Sign: ___________________________

Employee  [Employer]

Print: ___________________________  Print: ___________________________
Appendix D

BUSINESS PLAN ___(date)

for

______________________ (your pharmacy)

EXECUTIVE SUMMARY

___ Pharmacy will begin operations in 2015 to service the needs of (city, state) consumers and patients utilizing those pharmacy skills as learned (or practiced at) (college or job site) as well as offering exciting products (select secondary marketing opportunities) while focusing on the future.

Mission/Goals
The mission of ___ Pharmacy is to meet the daily challenges and necessities of patients, their dependents and their family and friends.

Benefits
The benefits of ___ Pharmacy to the patient population and community are numerous and varied. By developing a viable retail pharmacy and (secondary marketing) consumers will receive product at reasonable cost, have an excellent resource for health care and find ___ products. Coordinating these opportunities will improve business opportunities for the community.

Analysis
An analysis of pharmacy providers was conducted on ___ and it was learned that in a one-mile radius there are no pharmacies to meet the demand of ____ residents; in a three-mile radius there is only one pharmacy to meet the needs of ____ residents and in a five-mile radius there is _ pharmacies to service the needs of ____ residents.

Marketplace Financing/Investment Return
After reviews of similar organizations throughout the U.S., it was determined that developing this new business will lead to a profitable picture in ___ months by combining pharmacy earnings with the secondary marketing program that will be implementation. (The financial model is found below)

Management
___ Pharmacy will operate as a “for profit C corporation” (or S corp or LLC) in the State of ____.

Financial Analysis
Initially, financial support will come from a line-of-credit being established with___ and my
wholesaler _____. The financial model is: (taken from below questionnaire)

MISSION STATEMENT

In today’s competitive managed care environment, the ability to obtain serve all customer’s health care needs remains critical. Health plan contracts are important in assisting the survival of independent pharmacies. And so are alternative services such as homeopathic advice, disease state management and even vitamins.

The mission statement of _____ Pharmacy is to **examine and emphasize the opportunities that will result in economies of scale and/or leverage into a highly competitive pharmacy to assist in securing all the requirements of today’s customers.**

1. **In-Store Operations**
   
   _____ Pharmacy will select a drug wholesaler that offers the optimum amount of product and programs to service all of my business requirements.

2. **Secondary Sources of Business**
   
   _____ Pharmacy will explore and isolate secondary business options such as a homeopathic section, a lecture area to increase customer flow or sharing space with other health care providers. The opportunities discussed above must constantly be upgraded to perform a business function. Examples include innovative disease state management techniques and cognitive service reimbursements.

3. **Obtain Health Plans**
   
   ______ Pharmacy understands the importance of the managed care environment and will obtain as many health and insurance plans as possible to serve ALL customer needs. This includes obtaining the proper federal and state licenses to fill
MediCare and Medicaid prescriptions, as well.

**BENEFITS**

1) Ability to remain Flexible to Customers
   - reduce or eliminate time negotiating contracts
   - centralized plan information
   - eliminate multiple stops for customers

2) Increased Business Opportunities
   - quality Health Plan access
   - ability to have negotiating leverage with Managed Care Organizations
   - multiple facet pharmacy operation
   - increased customer flow
   - fight off competition from national chains

3) Heightened Business Technology

**OBJECTIVES**

**2015**
- Select location
- Negotiate lease
- Obtain loans
- Select PSAO network
- Identify secondary business opportunities
- Develop store
- Launch marketing program
- Develop 200 health plan contracts
- On-line for all state and federal programs.
- Fill 200 prescriptions per day
- Train additional staff for secondary business opportunities
- Test secondary business opportunities
- Refine marketing

**2016**
- Fill 250 prescriptions per day
- Secondary marketing to account for 30-percent of business income
- Become a county or state officer in the pharmacy association

**MANAGEMENT**

________ Pharmacy will be managed by (pharmacist name, school, experience). (If incorporated, list the other partners and their health care experience).

The management team will be responsible for filling prescriptions, identifying and signing health and insurance contracts, overseeing the secondary business aspects and exploring expansion opportunities.
The Management Committee will have the responsibility of setting general policy and overall direction for the corporation. The Management Committee will meet at least four times per year. The Management Committee shall set policy and direction of the corporation.

INCORPORATION STATUS
(list your type of incorporation, area of incorporation, incorporation documents, board of directors and time and date of incorporation.)

PROFIT GENERATION
(blank) Pharmacy recognizes the changing nature of the pharmacy business and will adapt to meet each challenge. Prescriptions will account for ___ percentage of business with the secondary marketing opportunity of my business accounting for 10-percent profit the first year up to a high of 75-percent by the fifth year.

By divesting into secondary operations, (blank) Pharmacy will enjoy the ability to compete against chains and other local independent pharmacists.

MARKET ANALYSIS

The health care world remains in a state of flux with pharmacy heading the list. However, careful planning, intelligent work ethic and the ability to “change direction” in a timely manner gives (blank) Pharmacy a competitive edge. There is a need to expand into secondary business is vital to my marketing options and I will be testing (homeopathic, vitamins, home health care, etc.) to maximize profits.

Marketing will focus on meeting patient needs as identified by health and insurance plans, my demographics and wholesaler input.
FINANCE

(blank) Pharmacy’s scheduled start-up costs are:

(add your monthly costs)
- lease
- inventory
- staff salary
- your salary
- promotional costs
- secondary business
- insurance p/c, professional liability, e/o
- employee benefits

(add projected income)
- number of prescriptions multiplied by reimbursements
- OTC sales
- Secondary marketing sales

It is critical to __________ Pharmacy’s future to aggressively explore alternative financial opportunities. Revenue must be developed from more than one source for success. Paths to be explored include:
- Seminars
- Consulting
- Secondary business income/expense

CONCLUSIONS

(blank) Pharmacy should enjoy a break-even status the first year and add to a successful operation barring unforeseen competitive problems and ____. By carefully writing the Business Plan, and through investigating opportunities outside of the Rx Case, (blank) Pharmacy will enjoy continued success.

The Market Plan, attached separately, will define how this pharmacy will enjoy a successful start-up, and continued successes.
BUDGET (example)

FIRST YEAR OPERATIONS

Salaries $ 
Annual Lease $ 
Legal $13,500 
Telephone $ 4,800 
Stationary, postage $ 2,500 
Insurance $ 9,000 
Marketing $12,000 
Equipment leases 
(or purchases pro rated) $ 

TOTALS $ 

MONTHLY BUSINESS PROJECTIONS

Minimum, 2015

NET SALES
A. Less cost of Product
B. Less cost of Labor

Gross Profit
C. Less set Costs
   Rent (subtract)
   Insurance (pro-rated monthly)

NET PROFIT

OPENING CASH BALANCE
Plus Receivables
Less Disbursements
loan debt servicing
fixed asset additions
promotional expenses
withdrawals
taxes
   payroll
   state/federal
   withholding

CASH BALANCE

ASSETS
Cash
Receivables
Fixtures, etc.
Inventory

OTHER LIABILITIES
Accounts payable
Notes payable
Educational loans

CAPITAL INVESTMENT
Initial start-up investment
Wholesaler start-up investment
TOTAL

Be Able to Justify Each Line to Your Banker, Upon Request

Take this bottom line and bring it up to the Executive Summary By adding and subtracting the appropriate items you have developed an inexpensive financial statement.
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