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The *voice* of the  
community  
pharmacist.

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# The Road to Pharmacy Ownership

Jonathan G. Marquess, PharmD, CDCES, FAPhA  
CEO, The Marquess Group  
VP – Academy of Independent Pharmacy



# Program Faculty

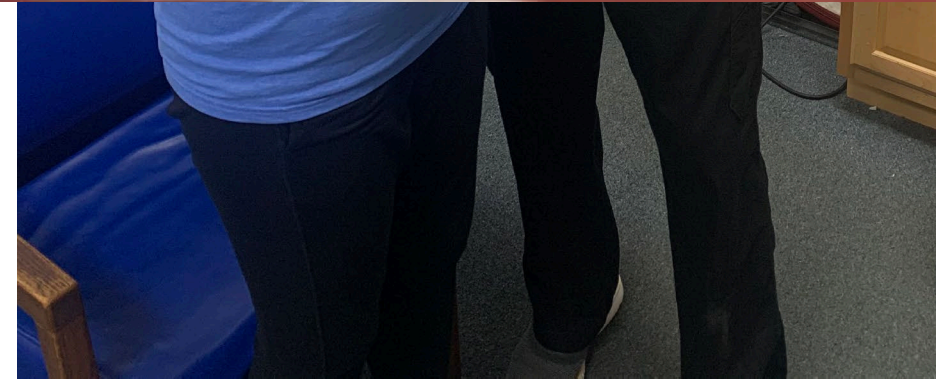
- Dr. Jonathan Marquess is Vice President of the Academy of Independent Pharmacy for the Georgia Pharmacy Association. In this role, he promotes economic viability and security for Independent Pharmacies. In addition, Marquess and his Pharmacist wife, Pam are the owners of Community and Long-Term Care Pharmacies in Georgia. Before assuming his current position, Dr. Marquess was Vice President of Clinical and Professional Affairs for APCI and a Clinical Professor of Pharmacy Practice at Mercer University School of Pharmacy in Atlanta.





# Great to Be Here

- Welcome
- Thank NCPA
- Stellar Faculty
- Who is tired of ZOOM meetings!!
- Track slide
- Anyone successful has stood on someone's shoulders





# Ground Rules

- 1. Ask Questions
- 2. Be Interactive
- 3. Think of your pharmacy (now or future)
- 4. Have some fun!!



- ADCES Accredited Diabetes Education
- Chronic Care Management
- Compounding
- CPESN pharmacy
- State Luminary
- Immunizations (and travel)
- Long Term Care Pharmacy
- Med Sync
- Adherence packaging
- MTM
- Point of care testing







# Learning Objectives

- Describe one pharmacist's challenges to pharmacy ownership and steps to overcome them.
- Outline 3 key strategies to assist with moving from pharmacy management into pharmacy ownership.
- Discuss how expansion into niche services can increase financial success of a new pharmacy.





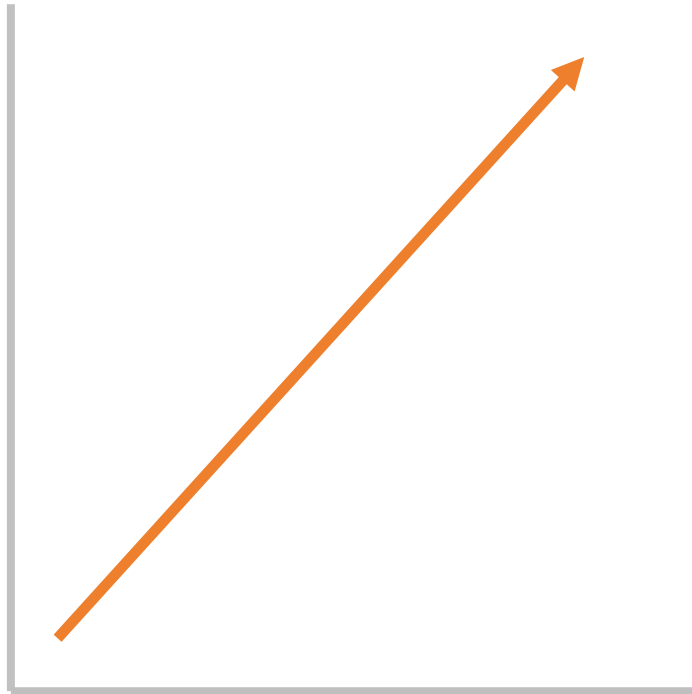
# NCPA Ownership Academy

- It's wise to learn from experience, but its **EVEN BETTER** to learn from people (**EXPERTS**)
- One reason Bri and Gabe invited me was, I have made a bunch of mistakes (but I learned from them).

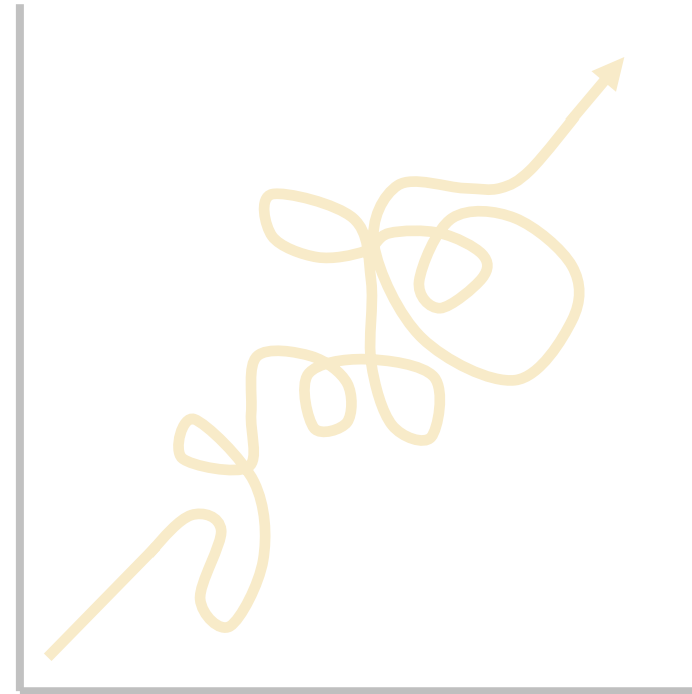
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# What Does **Success** Look Like to You?

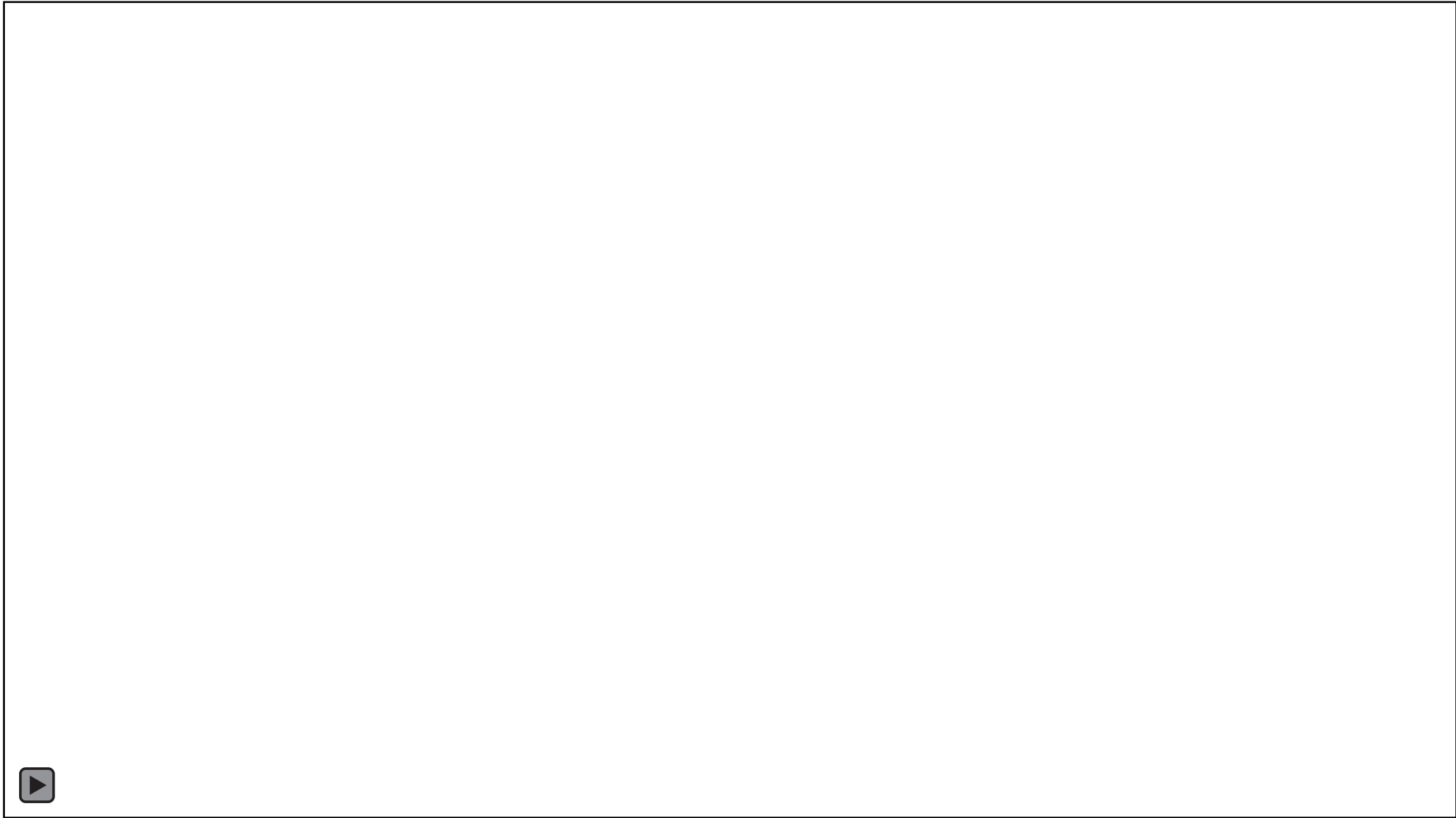
# SUCCESS



What it looks like....



What it really looks like....



National Certification Board  
for Diabetes Educators



hereby certifies that

Jonathan G. Marques's

has met the requirements for board certification in diabetes education and merits the designation of

Certified Diabetes Educator®

Certification valid through December 31, 2023



Certificate No. 20310272

Certification Renewal Date: December 15, 2018

*Leonard P. Sanders*  
Chair

# Certificate of Accreditation

DEAP  
DIABETES EDUCATION  
ACCREDITATION PROGRAM

 American Association  
of Diabetes Educators

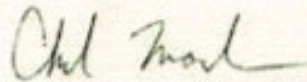
CERTIFIES THAT

EAST MARIETTA DRUGS AND WOODSTOCK PHARMACY

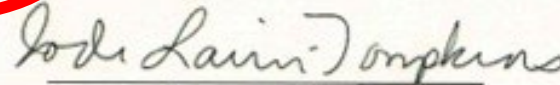
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HAVING MET ALL APPLICABLE STANDARDS  
AND THE REQUIREMENTS OF THE ASSOCIATION  
IS GRANTED ACCREDITATION

5/22/2018 - 5/21/2022



CHIEF EXECUTIVE OFFICER



DIRECTOR

Accreditation does not automatically transfer when a change in sponsorship occurs



# Barriers to change





# Life Before Pharmacy

- Born in Louisville, KY
- Worked at Hume Pharmacy and Walgreens
- Undergrad @ WKU
- Lots of BB and Golf!
- Moved to Atlanta for Pharmacy School
- Not much BB and Golf!







# The Beginning: Pharmacy Background



## Education

1993 – Graduated from the Mercer University – Atlanta, GA



## Career

1985 - 1993 – Worked at Hume Pharmacy, Walgreens and Medicine Shoppe



## The Marquess Group Pharmacy

1993 – Opened first Pharmacy – East Marietta Drugs



## Minimal formal business training

1989 – Started MBA program



## Training

1993 – School of Hard Knocks

1996 – Attended Apple Management Program

2009 – Attended NCPA's Ownership and Management Workshop



# East Marietta Drugs - First Location 1993

- Large city (500k)
- Metro Atlanta
- 1 mile from Big Chicken
- Owner financed 2% and bank loan
- Filled 7 rx first day
- Now average 175/d
- DSME
- 30-50 compounds/d
- 20 deliveries/d
- 8 staff





# Pharmacy Funding

- Owner financing
- Local bank
- Regional bank
- Wholesaler
- Initial \$75,000 inventory financed through wholesaler line of credit at 0% for 12 months





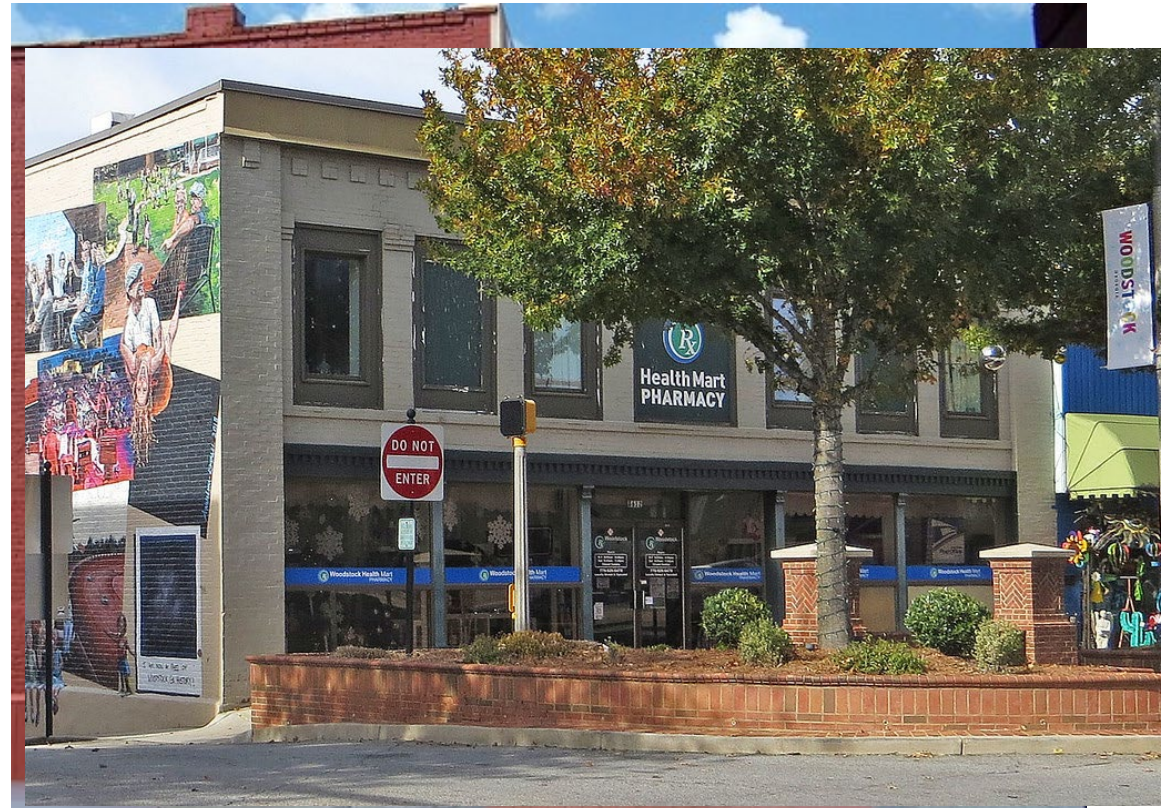
# Pharmacy - Start-up v. Buy - Expenses

- \$100k working capital (estimate) +
- \$5,000 marketing, signage
- \$20,000 fixtures
- \$20,000 software & hardware
- \$8,000 rent deposit & 1st month
- \$2,000 supplies (vials, bags, labels, etc.)
- \$2,400 FT technician during opening month
- \$2,000 licenses, fees, etc.



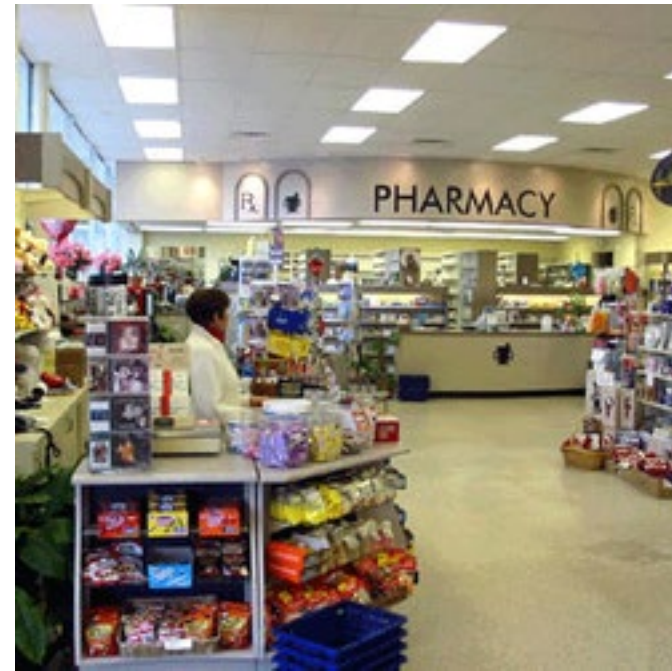
# Ownership Journey

- 2000 - Second location opened
- Five years after opening, opportunity to purchase building
- 5000 sf
- Marquess Group HQ
- \$50,000 remodeling cost



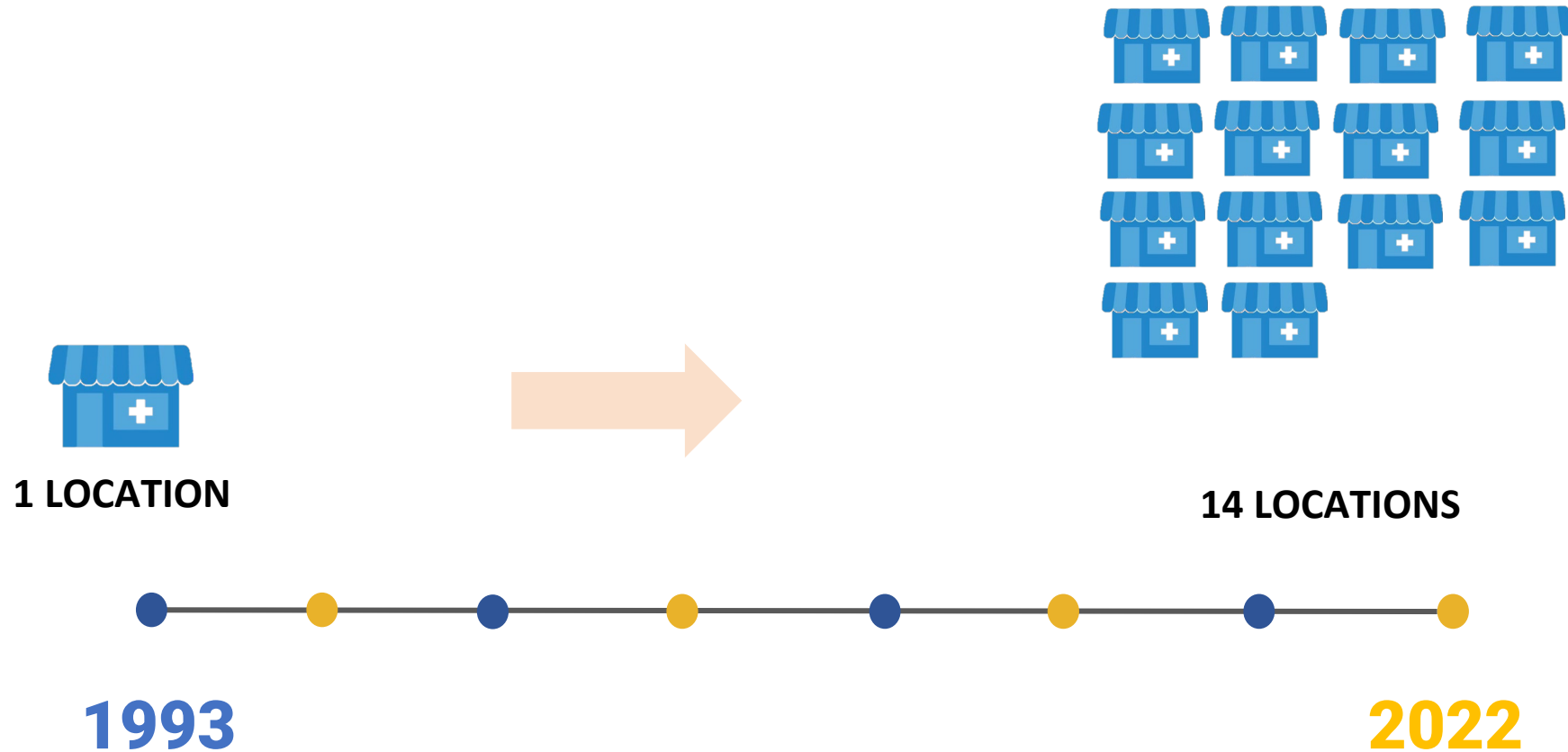


# Pharmacies





# Progression in 29 Years





# Niche Services



## Medication Therapy Management

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Get buy-in from  
technicians

Hire a motivated  
clinical pharmacist

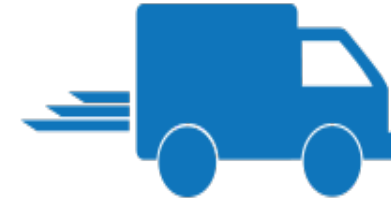


## Simplify *My* Meds® Simplify My Meds

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Medication  
synchronization

Increases customer  
satisfaction and  
loyalty



## Free Prescription Delivery

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5-mile radius  
(18 miles for Hospice)

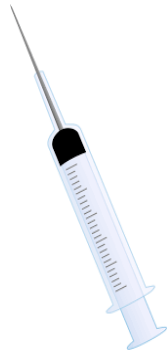
8 Drivers

Mobile apps





# Niche Services



## Immunization

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Off-site clinics

Offer travel vaccines



## Compounding

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## Medication Disposal

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Dispose My Meds Program

Work with local law enforcement

All locations

Uniform Shop, Hallmark Cards, College Campus, MOBs, Across the Street from 2<sup>nd</sup> busiest big box, LTC, DME

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# **Review the 5 “I’s” for starting/sustaining a successful Independent Pharmacy**



# I \_\_\_\_\_ the Past

- Learn from the past



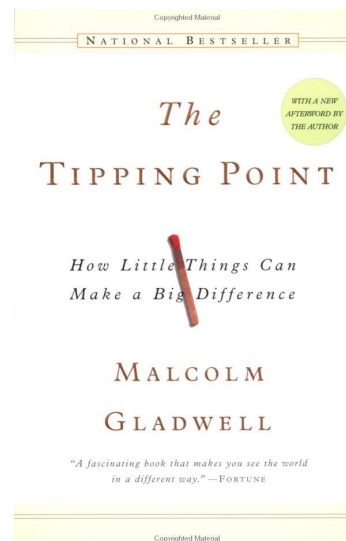
# Invalidate the Past

- Learn from the past
- “That’s never been done here before”
- “That can’t be done in this town”



# Pivot

- A **pivot** means fundamentally changing the direction of a **business** when you realize the current products or services aren't meeting the needs of the market.
- The main goal of a **pivot** is to help a **company** improve revenue or survive in the market, but the way you **pivot** your **business** can make all the difference.





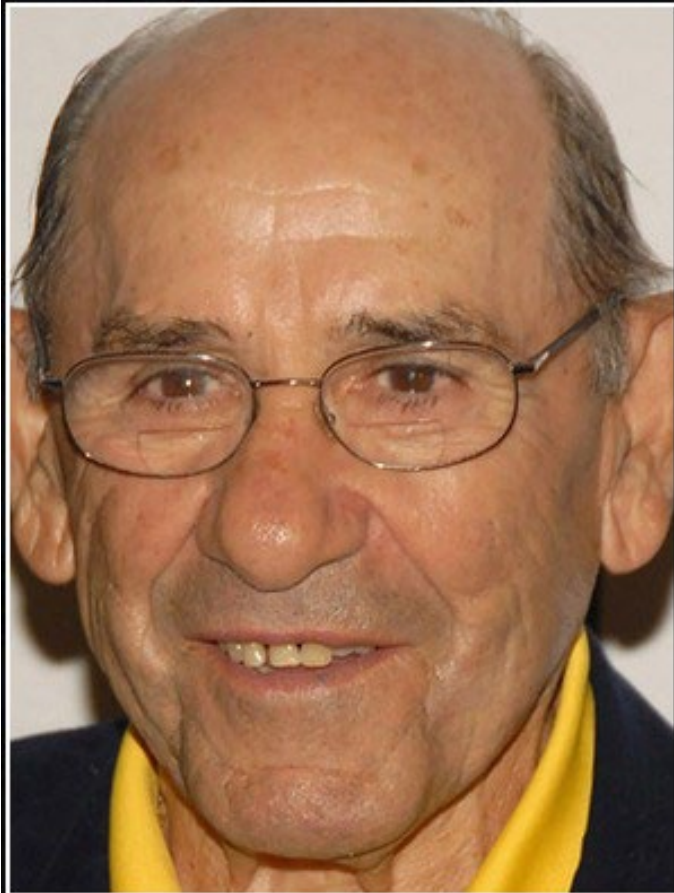
# \_\_\_\_\_ your goals

- Yogi Berra
- Wayne Gretsky
- Business Plan is a must



# Identify your goals

- Yogi Berra
- Wayne Gretzky
- Business Plan is a must!

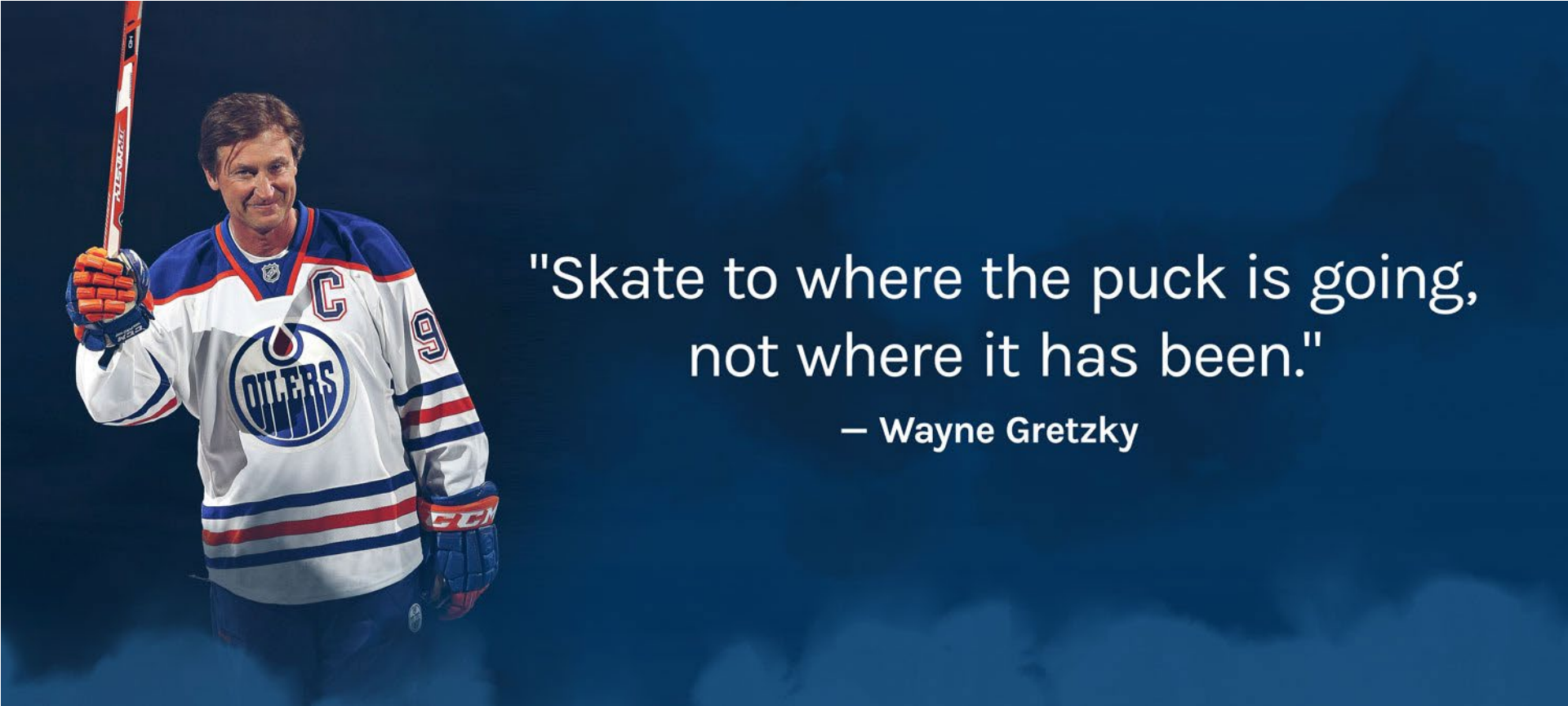


If you don't know where you are  
going, you might wind up someplace  
else.

— *Yogi Berra* —

AZ QUOTES





"Skate to where the puck is going,  
not where it has been."

— Wayne Gretzky

---

**“I know some owners who plan their trip to Destin more than they spend time on their business !!”**



# Have a CLEAR Vision

- State the vision clearly
- Cast the vision creatively
- Repeat the vision constantly
- Celebrate the vision regularly
- Embrace the vision personally



# I \_\_\_\_\_ your Obstacles

- Anything worthwhile – there will be obstacles
- Anywhere there is opportunities – there will be opposition
- Many sell their pharmacy? WHY?
  - They have problems (I have problems, we have problems)
  - Get involved
  - Do you do this, do that, no, no, no



# Isolate your Obstacles

- Anything worthwhile – there will be obstacles
- Anywhere there is opportunities – there will be opposition
- Many sell their pharmacy? WHY?
  - They have problems (I have problems, we all have problems)
  - Get involved (local, state and national)
  - Do you do this, do that, no, no, no



# \_\_\_\_\_ your benefits

- Benefits must outweigh the obstacles



# Investigate Your Benefits

- Benefits must outweigh the obstacles



# I \_\_\_\_\_ Encouraging People

- If you want to accomplish something, get some people around you that are going to encourage you, lift you up!





# Include Encouraging People

- If you want to accomplish something, get some people around you that are going to encourage you, lift you up!



# T.E.A.M.

- Together EVERYONE achieves more
- Not understanding the importance and impact of the TEAM
- Be slow and prayerful before selecting a team member
- Don't hire for where you are, but where you want to be
- Hire people different from you



# You need CQI

- When the leader quits growing personally, you have problems
- Attend conferences and networking events



# Challenges to Ownership

## Hiring

- Who, how many, what role?
- Benefits?
- Wages?
- Employees are the biggest assets
- Motivation
- Bonus?



# Challenges to Ownership

## Mentality

- Switching from employee mentality to business owner mentality
- Negative comments from people
- Realize you will encounter naysayers



# Keep Priorities In Order

- You are unique – Don't give up what is unique to you just because someone else thinks its wrong or hasn't been done before
- Your greatest contribution may not be something you do, but it could be the TEAM you developed



# Discussion

Comments ?



Questions ?

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# Thank You

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# Demographics: Identifying your Potential Patients, Competitors and Prescribers

McKesson

Ryan Riviello

Vice President RxOwnership, South Region

# Location, location, location

**Where** you do business can make **all** the difference.

Convenience

Traffic / Accessibility / Drive-Thru / Curbside Pickup

Visibility / Room for Signage

Size / Layout and Sq. Ft – Fit your bus. model

Identify opportunities:

Do your research

- Online census data – population / age / income etc.
- Local Small Businesses / Chamber of Commerce
- Commercial Real Estate Broker

Customer analysis – Where and why?

Prescriber analysis – How pharmacies helping / Niches?

What opportunities are there? – 340B? Assisted Living?

Closed pharmacy? Backfill



# Location, location, location

- Drug wholesaler representative and/or Retail franchise
  - Field Sales team / market intelligence
- Find a location nearest your retail customers **AND** prescribers
  - Is the community growing? / Up and coming?
- Partner with trusted advisor skilled in opening pharmacies and ownership transfers
  - Detailed information on location analysis
  - Reporting
- Open a new pharmacy vs. buy a pharmacy – check for stores for sale in area





# Demographic Information - Competition

- Utilize census data and various software
- # of chain pharmacies – Beneficial?
  - Distance from location
- # of Independent pharmacies - Competition
  - Distance from location
- Projected annual sales
- Identify competitor's strengths **and** weaknesses





# Demographic Information: Competition

- Total # of scripts in trading area
  - Break down by competitors share
- Who is most vulnerable competitor?
  - Info gathered from speaking with community members and prescribers
- How will I get my share of scripts?
  - What are my differentiators?
  - What niche – vaccinations / OTC / MTM / POC Testing
    - Base nice on your research from community and prescribers
- Conduct site visits





# Demographic Info:

## Prescriber

- # of physicians/script volume in area
- Who are they key prescribers?
- Who are the new prescribers?
- What are the prescribers specialties?
- Identify high opportunity prescribers and schedule in-person visits
  - Position your visits on how you are going to Impact their patients lives and in turn outcomes
  - Critical to your Pharmacy success!







# Demographic Info:

## Prescriber

- Mail flyers including your niche business services to local prescribers (compounding, diabetic supplies, immunization)
- Adherence/compliance technology
- Incorporate ideas into business plan
  - Startup or Acquisition lending requires plan
  - Location info crucial
- Change patient behaviors
  - Change is tough
  - Why you?
- Don't do it **ALONE!**



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# Ryan Riviello

Vice President RxOwnership, South Region

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# Accounting and Corporate Structure



**Ollin B. Sykes**  
CPA.CITP, CMA



**Bonnie Bond**  
CPA , MBA



# Pharmacy Entity Structures

- Sole Proprietorship
- Partnership
- Limited Liability Company (LLC)
- S Corporation
- C Corporation



# Sole Proprietorship

- Single owner, no formal legal structure
- NOT ideal structure for a pharmacy
- Requires owner to file Schedule C on personal 1040 tax return
- Not attractive for investors
- Owner cannot receive W2 income



# Sole Proprietorship

- Advantages include:
  - Simple
  - Control
  - Authority
  - Minimal costs to form





# Sole Proprietorship

- Disadvantages include:
  - Personal liability for debts & obligations
  - Risks from all forms of liability i.e., Employees
  - Single owner fully responsible
  - High IRS scrutiny



# Partnership

- More than one owner
- Complex tax structure
- Requires owners to file Form 1065
- Flow through entity structure
- Self Employment Tax



# Partnership

- Advantages include:
  - No required legal forms to setup
  - Don't have to register with state
  - No double taxation, flow through



# Partnership

- Disadvantages include:
  - Unlimited personal liability for general partners
  - Each general partner is “jointly & severally” liable for the partnership debts



# Partnership

- Disadvantages continued:
  - Partners are agents of the partnership and are liable for the actions by other partners
  - Pharmacy valuations can be expensive for this structure if partners leave or are added



# Limited Liability Company (LLC)

- Hybrid structure: combines pass-through taxation with limited liability of a corporation
- Easy to form and maintain
- Entity of choice for a pharmacy (in most cases)



# Limited Liability Company (LLC)

- Advantages include:
  - Personal liability protection for “members”
  - Pass-through profits/losses
  - Profits can be unequally distributed
  - Can be taxed in multiple ways



# Limited Liability Company (LLC)

- Advantages include:
  - No double taxation
  - Easy to setup and maintain
  - No statutory requirements for annual meetings





# Limited Liability Company (LLC)

- Disadvantages include:
  - Tax flexibility can backfire
  - Laws vary by state
  - Longevity of entity form is based upon life of its members



# S Corporation

- Personal liability
- Pass through taxation
- Advantages include:
  - Avoids double taxation
  - Ease of transfer of ownership



# S Corporation

- Advantages include:
  - Professionals are generally familiar with entity structure
  - Generally protects the personal assets of the shareholders



# S Corporation

- Disadvantages include:
  - Cannot distribute profits unequally (Payroll can be unequal)
  - Formation, maintenance & ongoing costs of administration
  - Stock ownership restrictions



# C Corporation

- Advantages include:
  - No stockholder limits
  - Significant liability protection
  - Fringe benefit options
  - Continuance of existence
  - Must be a C Corp to use Rainmaker Plan



# C Corporation

- Disadvantages include:
  - Shareholders cannot deduct losses of the corporation
  - Double taxation
  - Bureaucracy and admin costs



# Pharmacy Loan Package Components

- Executive summary
- Personal financial information
- Business financial information



# Executive Summary

- Proposal that explains what type of loan and why
- Contains enough information for the lender to understand your request and why





# Executive Summary

- Management résumés for key personnel
- Prescription count summary reports
- NOT your business plan



# Personal Financial Information

- Most will be required to personally guarantee their loans
- Personal financial statement for each owner/guarantor
- Personal tax returns for most recent 3 years for each owner/guarantor



# Business Financial Information

- Business tax returns – 3 years
- Profit & Loss – 3 years
- Profit & Loss – YTD interim
- Balance Sheet – 3 years
- Balance Sheet – YTD interim



# Business Financial Information

- Business Debt Schedule – Loan balances, payments (principal & interest <P&I>), rates, terms, security interests, etc.
- Pharmacy projections, location information and startup information

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# A Guide to Accounting in Independent Pharmacies – Financial Analysis



**Ollin B. Sykes**  
CPA.CITP, CMA



**Scotty Sykes**  
CPA, CFP





# Accounting is Fundamental

- Inherent nature of pharmacy industry requires fundamental accounting
- Enhances management functions
- Establishes integrity, structure & control



# Accounting is Fundamental

- Allows pharmacy owner and advisors to be proactive
- Identifies trends
- Opportunity to focus on pharmacy growth and patient care – this should be the #1 goal



# Typical Accounting Systems of Yesterday

- CPA & Advisor industry knowledge limitations
- Accounting is not important
- In-house inefficiencies and manual processes



# Typical Accounting Systems of Yesterday

- After-the-fact data processing
- In-house bookkeeper
- Afraid of change!



# The Innovative Accounting System

- Accounting is an asset
- Cloud-based computing & video
- Proactive approach
- Tax planning opportunities



# The Innovative Accounting System

- Outsourced Accounting
- Daily real-time reporting
- Payroll outsourced
- Automated accounts payable processing



# Cost Benefit Analysis

## Internal Bookkeeper

- Gross Salary
- Payroll Taxes
  - Benefits
- Outside CPA

**High Total Accounting Cost**

## Limitations

- Expensive
- Low Value
- Outdated Systems
- Employee limitations
  - CPA limitations



# Cost Benefit Analysis

## Outsourced Accounting

Flat Fee Annualized Cost for the entire package

## Benefits

- High Value Advisory
- Timely
- Automated
- Pharmacy Specialist
- No Time Off
- Transparent
- 24/7
- Real-time





# The Innovative Accounting System: Daily Reports

- Daily point of sale reports updated in accounting file
- Bank reconciliations daily
- Deposit cash daily
- Provides added internal controls
- Real-time accounting
- Pharmacy advisor and consultant



# The Innovative Accounting System: Accounts Payable

- Automated and electronic payments
- Convenient
- Timely
- Transparent
- Enhanced controls
- Syncs into accounting file for real-time reporting



# The Innovative Accounting System: Payroll Processing

- Payroll is complex
- Generally, more cost effective to outsource payroll processing
- Improved time and record keeping
- Generally, no IRS complications
- Payroll controls enhanced
- Syncs into accounting file for real-time reporting



# Balance Sheet

- A snap shot in time
- Extremely important component of financial system
- Integrity in numbers is paramount
- Accrual basis for financial statements is crucial



# Balance Sheet: Assets

- Bank Accounts
- AR Customer
- AR Third Party
- Inventory
- Fixed Assets
- Other Assets



# Balance Sheet: Liabilities

- Accounts Payable
- Accrued Liabilities
- Intercompany Transactions
- Notes Payable
- Current Portion of LT Debt



# Balance Sheet: Equity

- Retained Earnings
- Distributions
- Tax Return ties into Equity



# Profit & Loss Statement

- Summarizes Revenues & Expenses
- Can be shown monthly or quarterly
- Income or loss for the period





# Profit & Loss: Revenues & COGS

- Revenues
- Compounding Revenues
- Cost of Goods
- Gross Margin
- Inventory Critical Component
- Rebates



# Profit & Loss: Expenses & Rebates

- Expenses
- Depreciation & Amortization
- Wages
- Rebates
- Net Income



# Cash Flow Statement

- Summarizes how changes in balance sheet and income accounts affects cash
- Breaks the analysis down to operating, investing & financing activities



# Key Performance Indicators (KPI)

- Current Ratio
- Equity to Assets
- Payroll as a percent of revenue
- Total expenses as a percent of revenue
- Margin, margin, margin



# Positive Tax Implications

- Proactive planning not reactive
- Timely tax compliance
- Opens door to tax opportunities
  - Retirement plan enhancements
  - IRS Code Section 199A
  - Section 179 / Special Depreciation

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# Asset vs. Common Stock Purchase



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CPA.CITP, CMA



**Jeffrey S. Baird**  
Esq.



**Scotty Sykes**  
CPA , CFP



# Asset Purchase

- The buyer purchases certain assets of the seller's pharmacy
- Applicable to all tax entity structures
- Not necessary to purchase *all* assets



# Assets Typically Purchased

- Inventory
- Furniture Fixtures & Equipment
- Goodwill/Script Value
- Real Estate



# Asset Purchase Advantages

- Only purchase what you want
- Exposure to known and unknown liabilities is eliminated
- Can continue to operate under a POA to ensure no interruption in service



# Asset Purchase Advantages

- “Step-up” in basis
- Goodwill amortized over 15 years under current law
- Depreciation of assets acquired – buyer and seller agree on this value – can be very beneficial



# Asset Purchase Disadvantages

- Potentially lengthy process to set up new licenses, permits and 3<sup>rd</sup> party contracts
- Retitle assets, reassign or renegotiate key contracts
- Operating under a POA, the buyer will have to have weekly reconciliations with the seller to avoid a cash flow crunch



# Asset Purchase Disadvantages

- Tax cost may be higher for seller, purchase price may be higher
- Renegotiate key employment agreements if applicable – this is a must!
- NEVER allow the seller to close the business bank accounts = NIGHTMARE



# Common Stock Purchase

- Purchase common stock of the selling entity
- Buyer purchases corporation as it stands
- Typically, not necessary to renegotiate contracts and/or supplier agreements
- No new entity is needed to be established





# Common Stock Purchase Advantages

- Buyers assume licenses, permits, federal ID numbers, third-party contracts, etc.
- *Potentially* a much less complicated transaction



# Common Stock Purchase Disadvantages

- Buyers assume known and unknown liabilities
- Cannot mark to market assets being purchased for depreciation or amortization including Goodwill (unlike an asset sale)



# Due Diligence

- Review tax returns – three previous years minimum
- Comprehensive review of accounting file needed – must have or walk away
- Inventory assessment
- Location & demographic considerations



# Due Diligence

- Overview script volume, top third-party payers, top drugs dispensed
- Review third-party contracts
- Review all lease and contract agreements
- Review 340b contracts



# Due Diligence

- Use of an experienced pharmacy valuation professional to determine free cash flow
- Consulting or non-compete agreements needed
- Develop business plan, capital and financing needs



# Section 336(e) Election

- Careful consideration needed prior to making election
- Experienced professionals required – not a lot of knowledge in this area
- Purchase of common stock treated for tax purposes as an asset purchase



# Section 336(e) Election

- Target pharmacy must be a corporate seller of stock, notably an S Corporation
- Purchasing entity or party can be an individual, LLC, S Corp, etc.
- Must be “qualified stock disposition” of more than 80% of the stock

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**Email: [jbaird@bf-law.com](mailto:jbaird@bf-law.com)**





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—  
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community  
pharmacist.

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# Buying and Selling, Marketing and Other Legal Instruments

Jeffrey S. Baird, Esq.  
Chairman, Health Care Group

Brown & Fortunato



# **BUILDING A WINNING TEAM**



# CONSULTANTS AND OTHER PROFESSIONALS

- Certified Public Accountant
- Attorney
- Banker
- Insurance Agent
- Buying Group
- Professional and Trade Organizations
- Other

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# **MARKETING PROGRAMS, CONTRACTUAL ARRANGEMENTS AND JOINT VENTURES**

# LEGAL GUIDELINES - STATUTES

- Federal Anti-Kickback Statute (42 U.S.C. § 1320a-7b) (“anti-kickback statute”)Attorney
- Beneficiary Inducement Statute (42 U.S.C. § 1320a-7a (a)) (“inducement statute”)
- Anti-Solicitation Statute (42 U.S.C. § 1395m(a)(17))Buying Group
- False Claims Act (31 U.S.C. § 3729)
- False, Fictitious or Fraudulent Claims (18 U.S.C. § 287)
- Stark Statute (42 U.S.C. § 1395nn)

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# SAFE HARBORS

- Safe Harbors
  - Small Investment Interests
  - Space Rental
  - Equipment Rental
  - Personal Services and Management Contracts
  - Employees





# STATE ANTI-KICKBACK STATUTES



# “60 DAY RULE”



# OIG GUIDANCE



# OIG SPECIAL FRAUD ALERTS AND SPECIAL ADVISORY BULLETINS

- Special Fraud Alert: Joint Venture Arrangements
- Special Fraud Alert: Routine Waiver of Copayments or Deductibles Under Medicare Part B
- OIG's April 2003 Special Advisory Bulletin: Contractual Joint Ventures
- Special Fraud Alert: Rental of Space in Physician Offices by Persons or Entities to Which Physicians Refer
- Offering Gifts and Other Inducements to Beneficiaries
- Telemarketing by Suppliers



# MARKETING

- Employee vs. Independent Contractor
- Marketing Company
- Media Advertising
- Mail-Outs
- Promotional Items to Customers and Potential Customers
- Health Fairs, Luncheons, Kiosks, and Open Houses
- Provisions of Discounts to Cash Customers
- Gifts to, and Payment of, Expenses for Physicians
- Data Mining



# JOINT VENTURE

- Physician Ownership in Pharmacy
- Joint Ownership of a new Pharmacy Operation by a Hospital or DME Supplier and an Existing Pharmacy



# CONTRACTUAL ARRANGEMENTS

- Pharmacy Staffing Services Agreement
- Operational Services
- Cooperative Marketing Program
- Administrative Services Agreement
- Preferred Provider Agreement
- Employee Liaison
- Medical Director Agreement
- Collaborative Practice Agreement
- Ownership/Management of Medical Clinic
- Provision of RPM Support Services



# CONTRACTUAL ARRANGEMENTS

- Loan/Consignment Closets
- Collaboration With Hospital to Prevent Readmission
- Purchase of Internet Leads
- Clinical Study
- Waiver of Copayments
- Telehealth Arrangement
- Paying for a Facility's EHR



# FRAUD AND ABUSE ISSUES

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# FRAUD AND ABUSE ISSUES

- Inappropriate billing practices
- Prescription drug shorting
- Bait and switch pricing
- Prescription forging or altering
- Dispensing expired or adulterated prescription drugs
- Prescription refill errors
- Illegal remuneration schemes
- TrOOP manipulation
- Failure to offer negotiated prices



# PHARMACEUTICAL DIVERSION



# PHARMACEUTICAL DIVERSION

- Pharmaceutical Diversion
- “Own Use” Contracts

# BUYING AND SELLING A PHARMACY

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# BUYING AND SELLING A PHARMACY

- What a Purchaser Looks for in Acquiring a Pharmacy
  - Product Mix
  - Provider and Supplier Number Issues
  - Payor Mix, Including PBM and Other Third Party Payor Contracts
  - Medicaid Issues
  - Employment and Independent Contractor Issues
  - Referral Source Issues

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# BUYING AND SELLING A PHARMACY

- What a Purchaser Looks for in Acquiring a Pharmacy
  - Documentation Issues
  - Licensure and Sanction Issues
  - Litigation, Audits and Reviews
  - Legal
  - Financial
  - Understanding Day-to-Day Operations

---

# BUYING AND SELLING A PHARMACY

- How a Pharmacy Can Make Itself Attractive to a Purchaser
  - Financial Statements
  - Income Tax Returns
  - Billing Audit
  - Medicare Supplier Numbers
  - Medicaid Provider Numbers
  - Employees and Independent Contractors
  - Referral Sources



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# BUYING AND SELLING A PHARMACY

- How a Pharmacy Can Make Itself Attractive to a Purchaser
  - Documentation
  - Licenses and Permits
  - Audits, Reviews and Investigations
  - Litigation
  - Customer Satisfaction

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# BUYING AND SELLING A PHARMACY

- Stock Versus Asset Acquisition
- Steps to Bring an Acquisition to Fruition



# COVID ISSUES



# COVID ISSUES

- Vaccinations
  - CMS Interim Final Rule
  - OSHA Emergency Temporary Standard
  - Court Decisions
  - State-Specific Mandatory Vaccine Requirements
  - Disability, Medical, and Religious Accommodations to Vaccine Mandates
  - Employer Decisions: Mandatory vs. Suggested Vaccination



# COVID ISSUES

- COVID Protocols
- Provider Relief Fund Deadlines and Reporting Requirements
- Telehealth

# HANDLING AN FDA INSPECTION

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# HANDING AN FDA INSPECTION

- Introduction
- Overview
- Inspection authority
- Proprietary information
- Information to which the FDA is not entitled
- Copying of documents
- Samples
- Photographs

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# HANDING AN FDA INSPECTION

- Signing official documents
- Establish an inspections file
- Gifts
- Meals
- FDA-483(List of Observations)
- Response letter to FDA Form 483
- FDA warning letter
- Response to FDA warning letter





# RESPONDING TO STATE BOARD OF PHARMACY COMPLAINT



# RESPONDING TO STATE BOARD OF PHARMACY COMPLAINT

- Receipt of initial complaint letter/visit by Board investigator
- Letter of investigation
- Notice of proposed disciplinary action
- State Board of Pharmacy investigators
- Pharmacy misconduct
- Prescription errors
- What happens to a complaint that is filed with the Board of Pharmacy?



# RESPONDING TO STATE BOARD OF PHARMACY COMPLAINT

- Informal complaint
- Notice of informal conference
- Informal conference
- Informal settlement
- Consent order
- Notice of proposed disciplinary action
- Reportable disciplinary action

# WORKING WITH PBMS

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# WORKING WITH PBMS

- Introduction
- PBM recredentialing
- Questions pertaining to mail order
- Questions pertaining to compounding
- Questions pertaining to marketing
- Questions pertaining to affiliated pharmacies
- Questions pertaining to disciplinary actions
- Questions pertaining to legal compliance

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# WORKING WITH PBMS

- Certification
- Goal of PBM audit
- Incorporation of outside documents
- Notice of audit
- Preparing for an audit
- Audit response protocol
- Responding to audit
- Responding to questionnaire
- Reasons for termination by PBM
- Response to PBM termination letter

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# Deal or No Deal!

Gabe Trahan

NCPA's Director of Store Operations & Marketing

[Gabe.Trahan@NCPA.org](mailto:Gabe.Trahan@NCPA.org)

# Disclosure

Gabe Trahan is the Senior Director of Store Operations and Marketing with NCPA. The conflict of interest was resolved by peer review of the slide content.

# Learning Objectives

1. Construct a list of attributes that cause concern in a lease or buy proposal.
2. Discuss potential resolutions for lease problems and appropriate action.

This presentation contains photos where the product name may be visible. This presentation is not meant to be an endorsement or advertisement of any particular product or product categories. Photos are utilized throughout the presentation to further explain a particular concept, or demonstrate merchandising techniques, etc.

# Deal or No Deal



# Advisory Team

- ✓ **CPA who understands pharmacy**
- ✓ **Attorney with healthcare experience & acquisitions**
- ✓ **Consultant with up-to-date knowledge (not in sales)**



**Place a value on  
what will break  
the deal.**



# Personnel

- Friends
- Relatives



Neighbor

Nephew

Sister-in-law

Good  
Friend

Spouse



# Personnel

- Payroll in line
- Number of employees
- Health Benefits
- Raise expectations
- Bonus history
- Schedule expected
- Promises



# Personnel



Now I can  
open my  
own store!

I may have  
to stop  
embezzling

I guess  
I'll quit

Raise  
time!

I don't work  
days that  
end with a Y

# Personnel



# Personnel

## Uncle, Partner and Bookkeeper



- Does daily deposit
- Runs and gets change
- Keeps the coffee going
- Looks after the books
- Unjams the copier
- Tells people when there is a light out.
- Starts all conversations with “I remember when...”
- And ends them with “this place would fall apart without me ..”  
**\$78,500.00 a year.**

**Who gets to  
tell him he is  
no longer  
needed?**



$$\begin{array}{r} \$78,500.00 \\ \times 5 \\ \hline \$392,500.00 \end{array}$$

$$\begin{array}{r} \$78,500.00 \\ \times 10 \\ \hline \end{array}$$

**\$785,000.00**

**Reduction in  
purchase price?**

**Bye**



**Good  
Riddance!**

**Nooo!**

**Yahoo!**

**Yes!**

**Next**



# What to pay for and consider not to pay for!

- Seasonal Product
- \* POS system (old)
- \* RX Robot
- Additional fixtures

**\*Maintenance Fees**



# **Delivery Vehicles**



# Dated Gifts?

- Backroom inventory
- Two-year-old non-OTC



Look at each card as if they were dollar bills.



Check storage

Envelopes or cards?

Return policy?

*Chains generally do not pay for Gifts or Cards*




Road Street Pharmacy is closing its doors Monday, Nov. 30. The more than 13-year-old independently owned and operated pharmacy will transfer prescriptions to the **CVS** location ...

Stop by 45 Road Street for **over-the-counter items, cards, and gifts** available **at 70% off** and to wish

**70% OFF**

# Unbiased Inventory Assessment





**We are the  
only ones  
that have  
them!**

**OMG!**

**I sold one  
yesterday!**

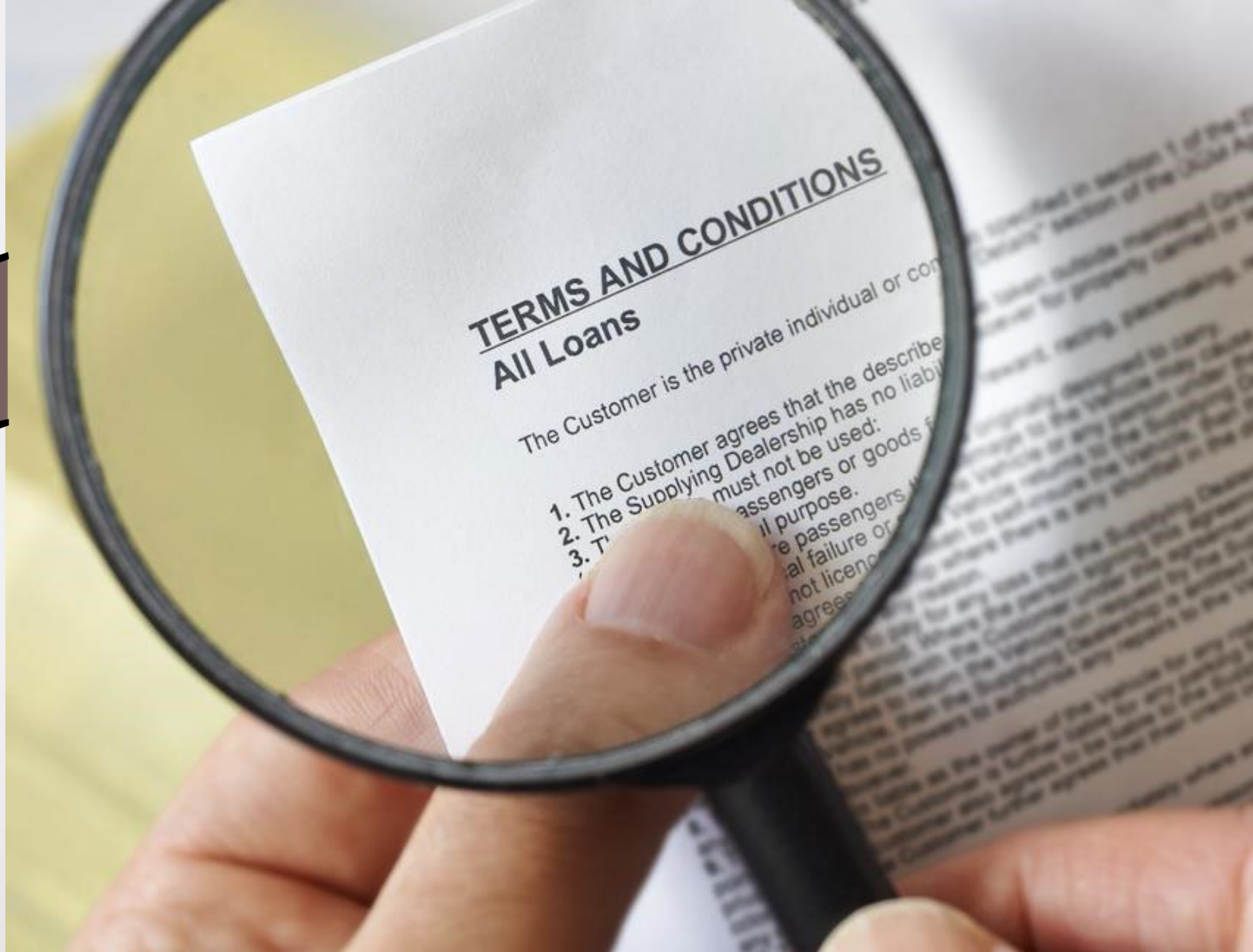
**Customers  
will stop  
coming here!**

**People  
LOVE  
them!**

# Pre-existing Contracts / Agreements



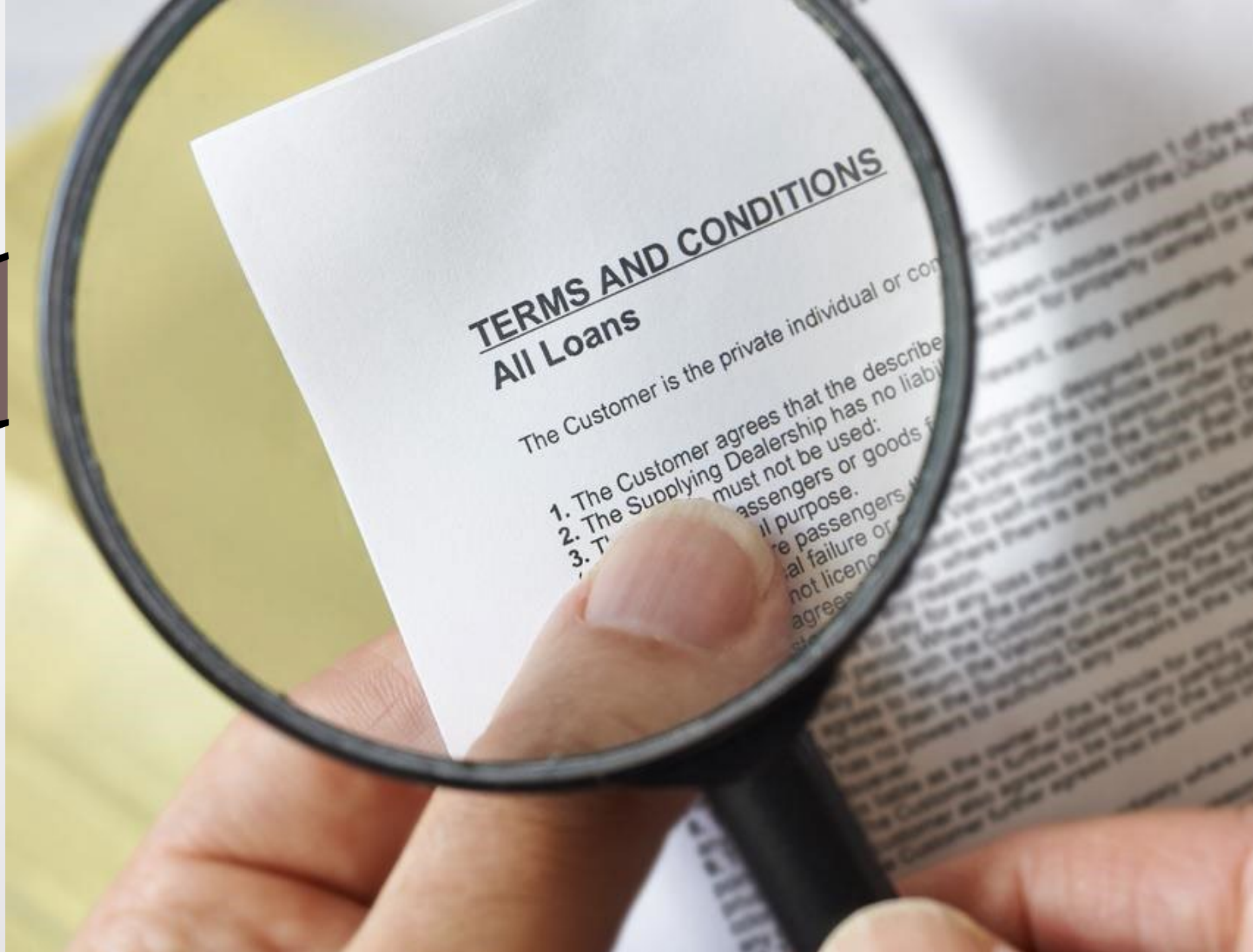
- **Greeting Card**



# Pre-existing Contracts / Agreements



- **Greeting Card**
- **Instore Music**
- **Advertising**
- **Vitamins**
- **Local Groups**
- **Churches**
- **Schools**
- **Doctors**
- **Relatives**



# Out of Balanced Inventory

Before you take ownership!

- **Return to manufacturer**
- **Return to wholesaler**
- **Remodeling sale**

**\* Nobody buys a brace because it's on sale!**





Length  
Of  
Lease

**Jump Out  
Clauses**



# Pitfalls to Avoid

- **Unrealistic** expectation that physicians will send business your way.
- Trust *your* vision of what your store should look like.

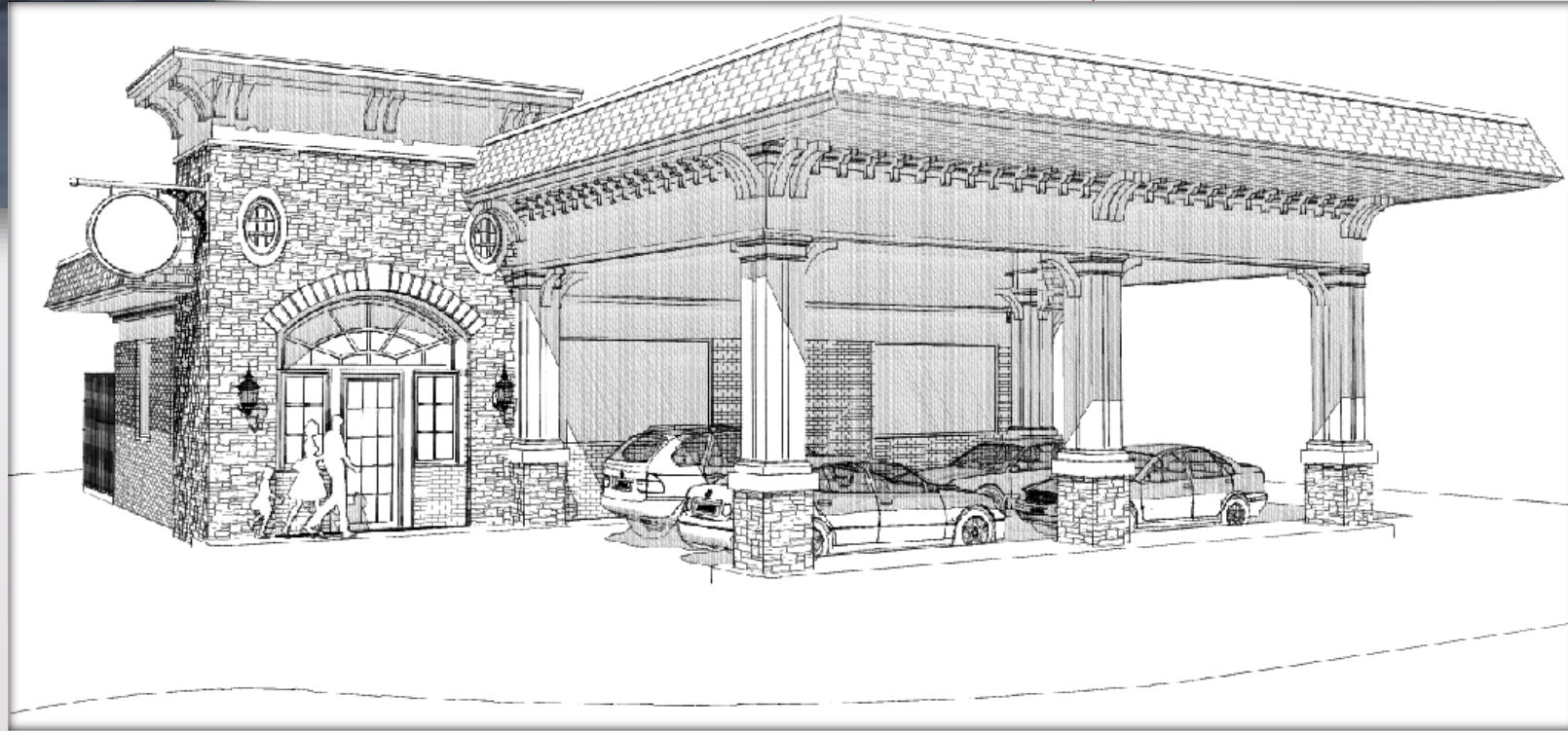


**Pre-Pandemic**



← **Reality**

**Their  
Vision**





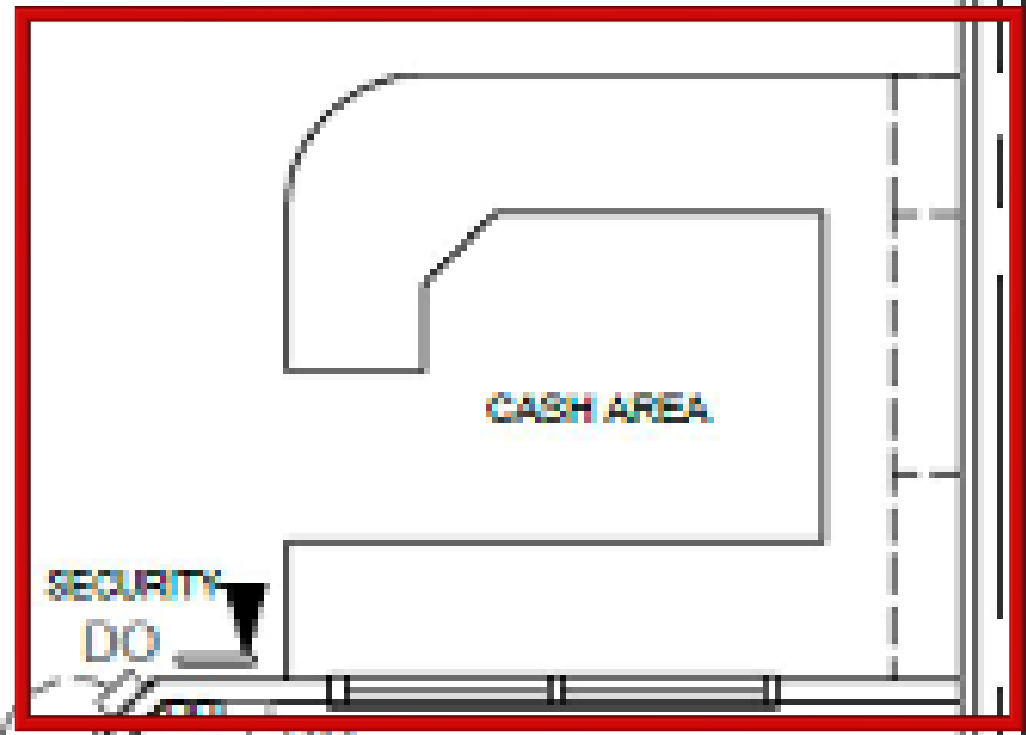
All equipment  
to be  
removed

2H Counter & Cash

2H Cash

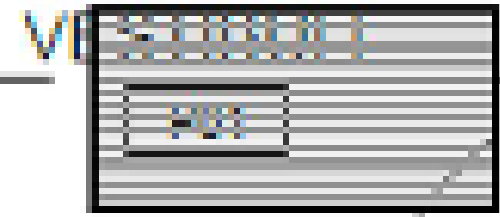
2H Counter & Cash

2H Cash



SECURITY  
DO

DO



VENDING MACHINE

988

DO

2H Cash

2H Cash



# LEASING, BUILDING, or REMODELING YOUR PHARMACY

- Can you use your own contractor?
- Responsibility bring property up to code?
- Who pays for the roof leaking or the heating/cooling system breaking down?



# What are Tenant Improvement Costs?

- ▶ Perimeter drywall taped and finished
- ▶ Floor covering (e.g., wood, tile, carpet)
- ▶ Special wall finishes such as premium paint, wallcoverings or wood paneling
- ▶ Additional plumbing and/or electrical capacity and distribution



# What are Tenant Improvement Costs?

- ▶ Finished Ceiling
- ▶ Interior doors and hardware
- ▶ Lighting fixtures
- ▶ Bathroom(s) with commercial grade fixtures
- ▶ Partition walls (e.g., consulting rooms, storage area, office area)
- ▶ Additional entry doors or automatic electric doors
- ▶ **Upgraded storefront treatments and signage**





# Storefront Treatment

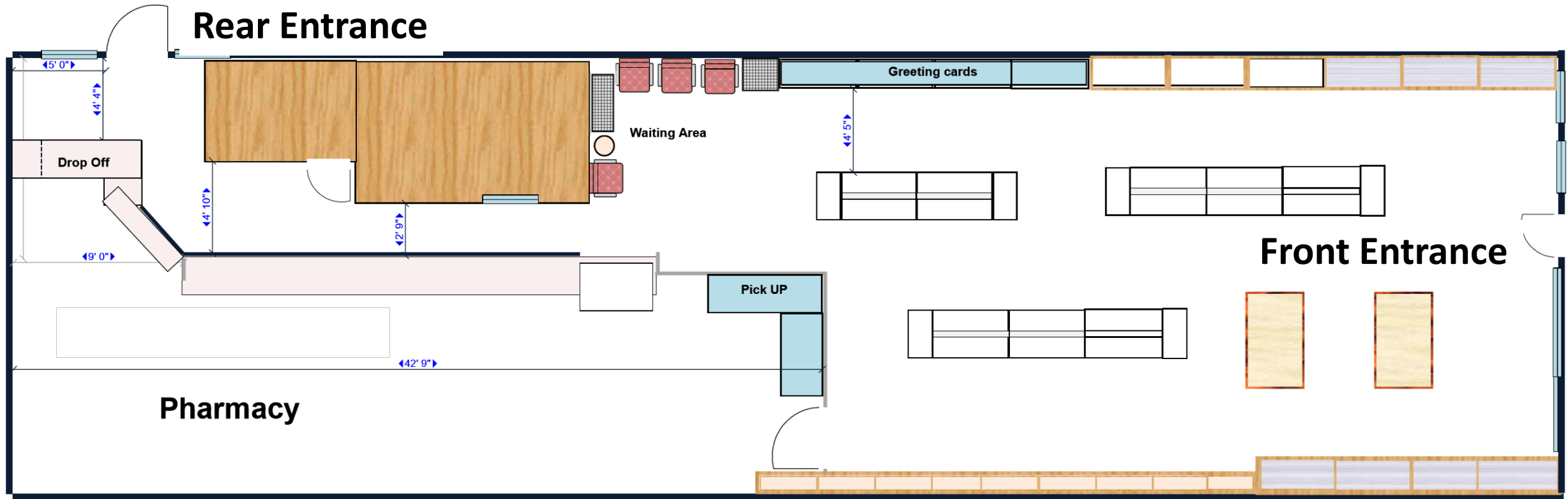


\$1,500  
lease

250 RX a day

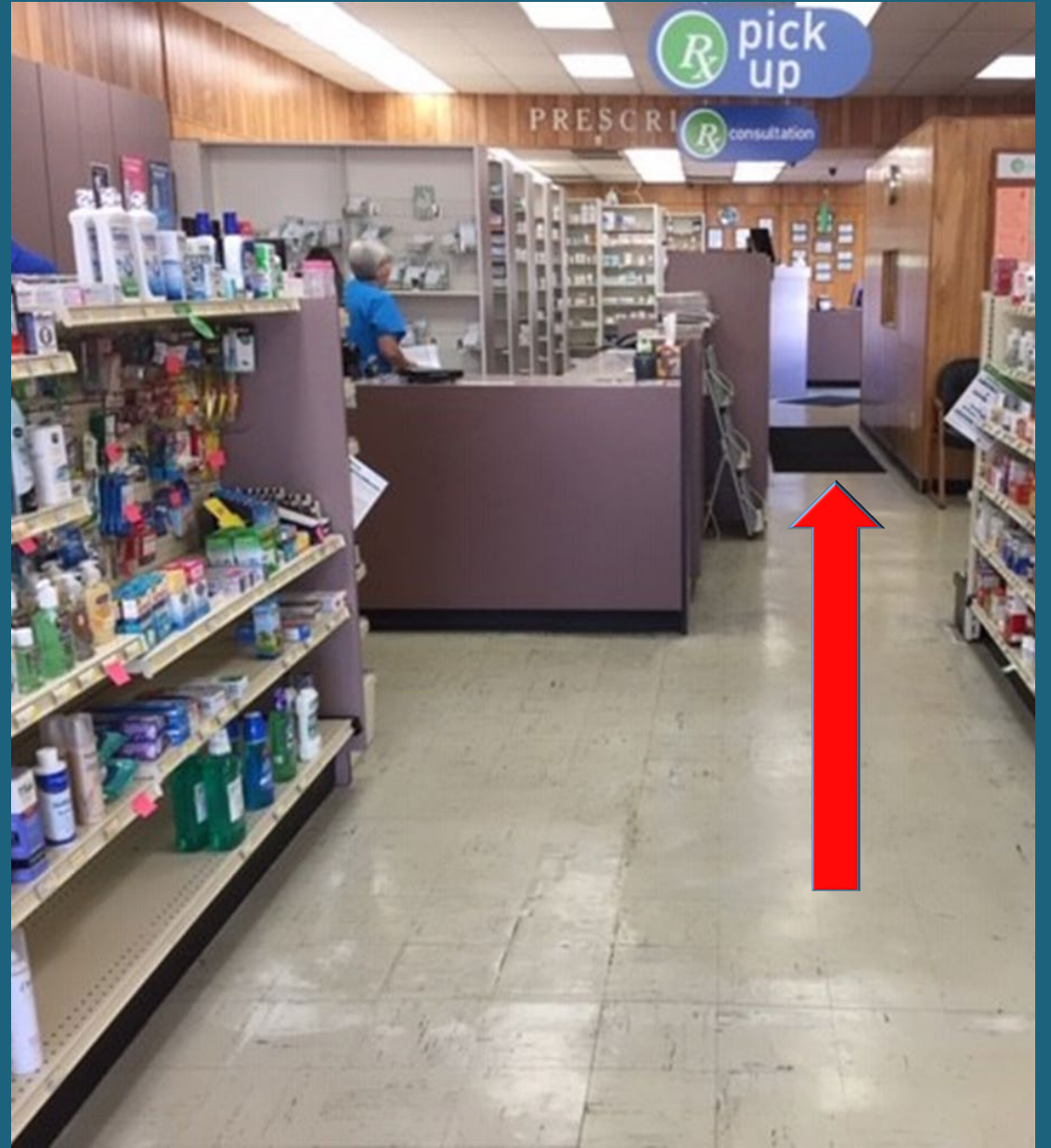
Main Street

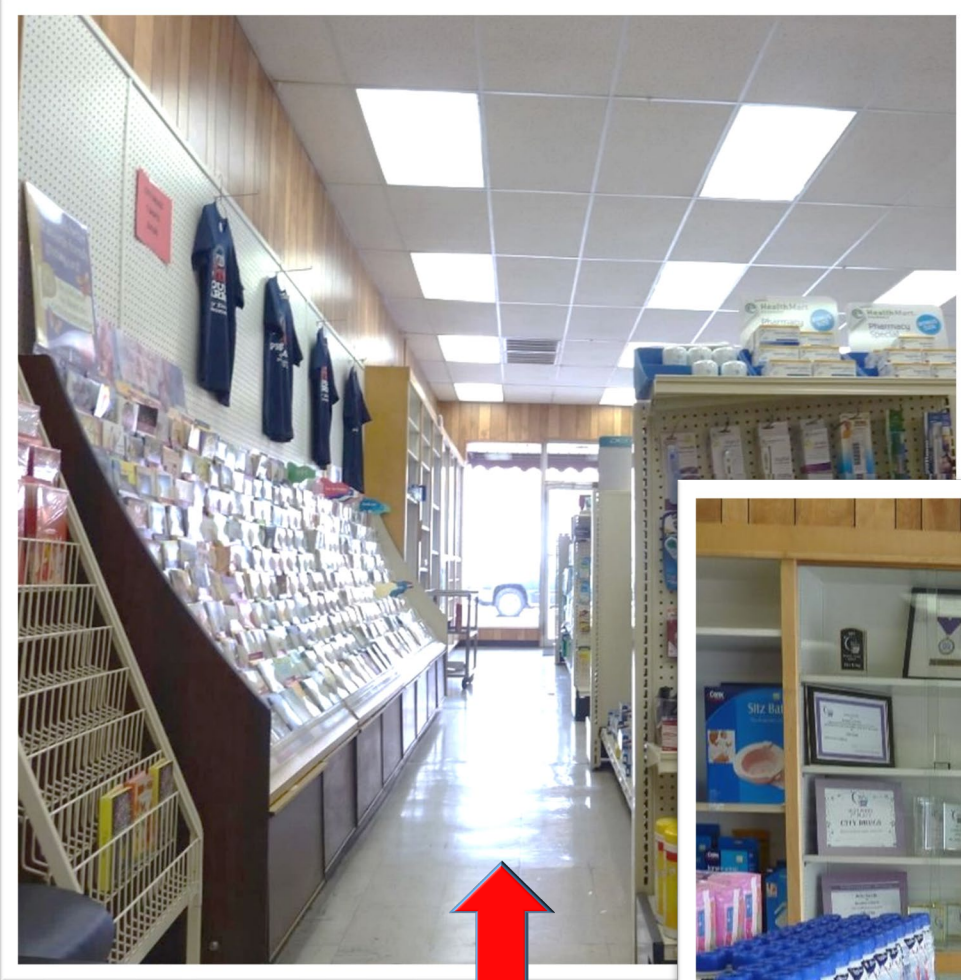
A



No Drive-Thru

1886 sq. ft. 23 ft. by 82 ft..

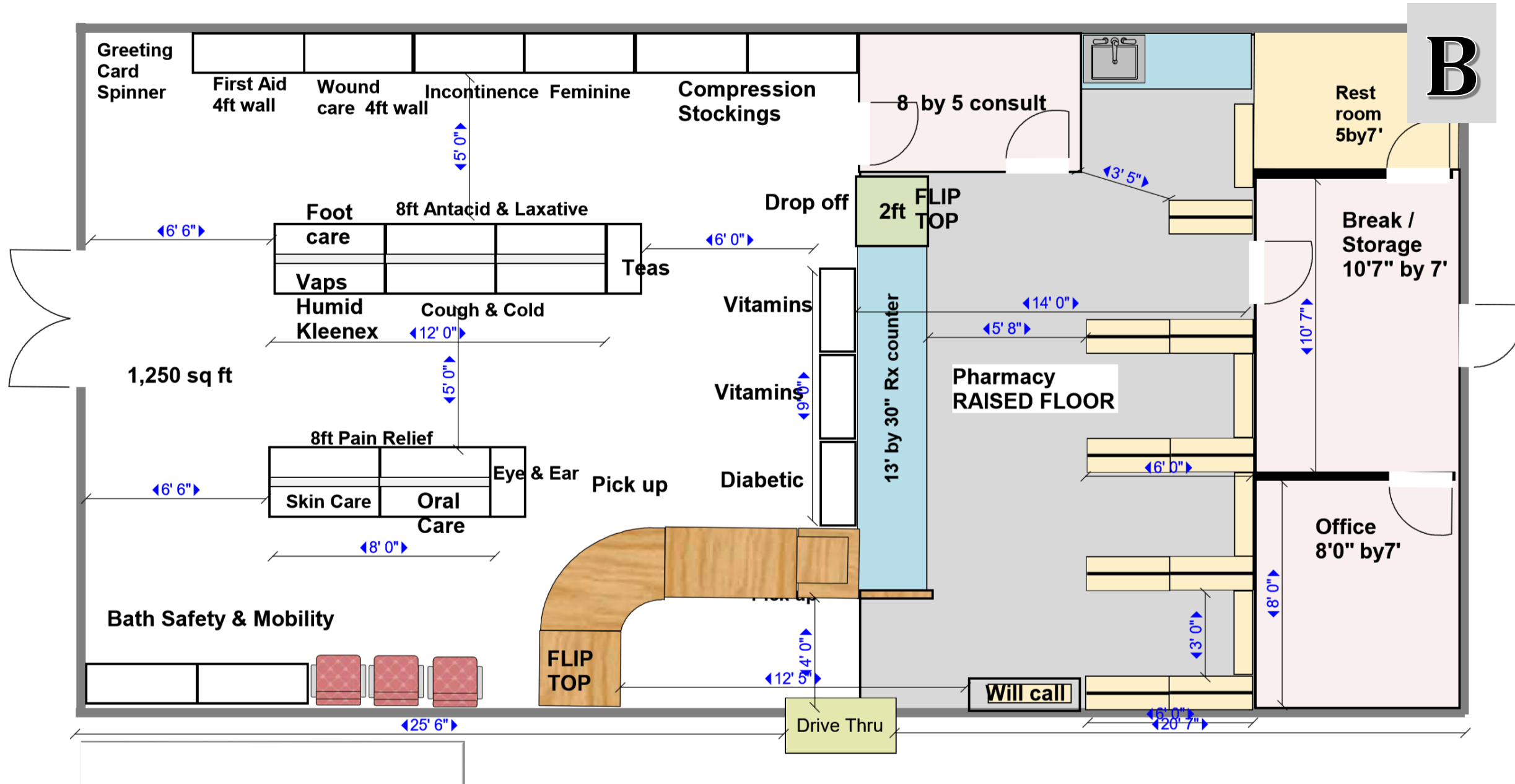








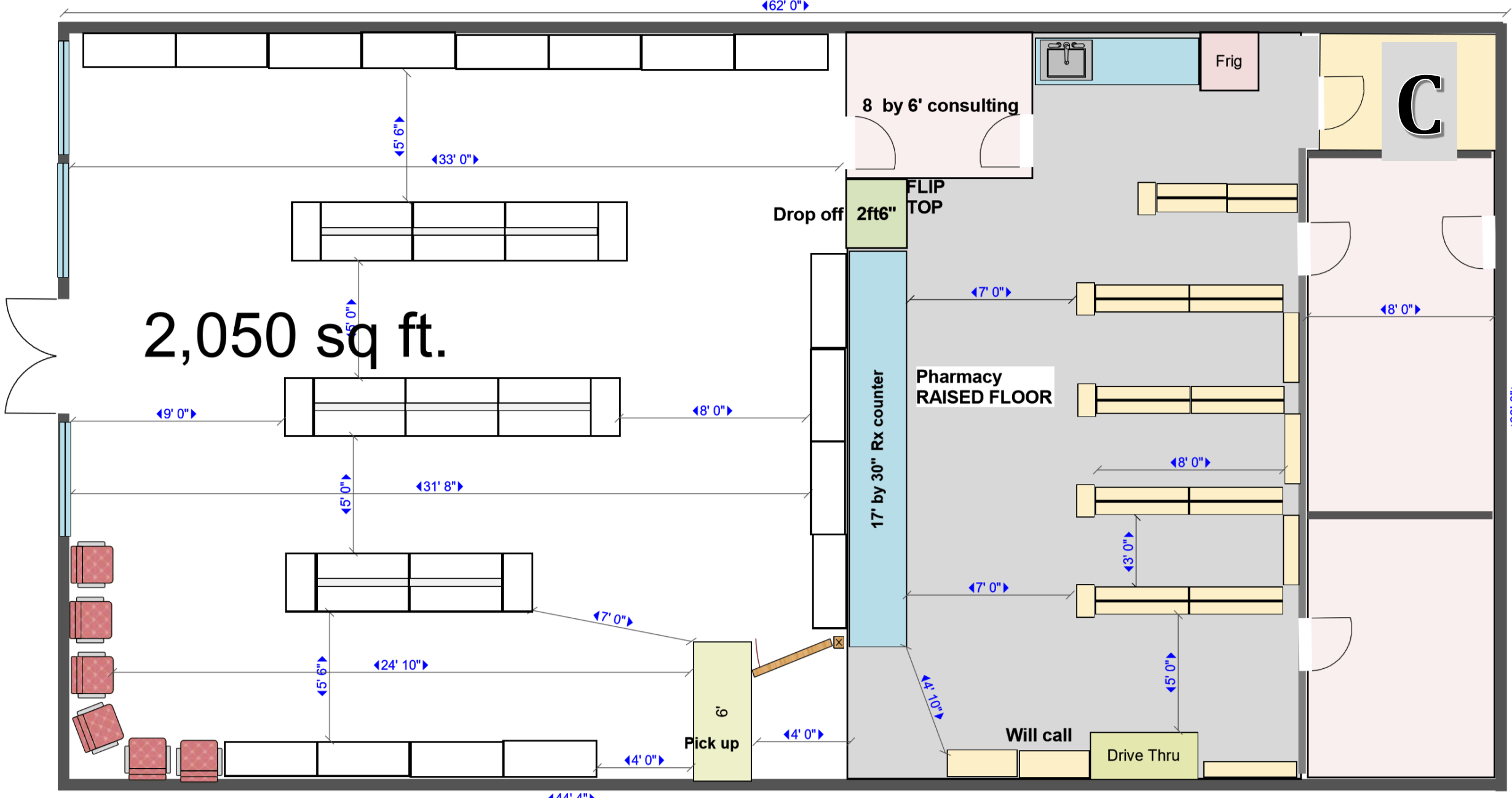






2,050 sq ft.

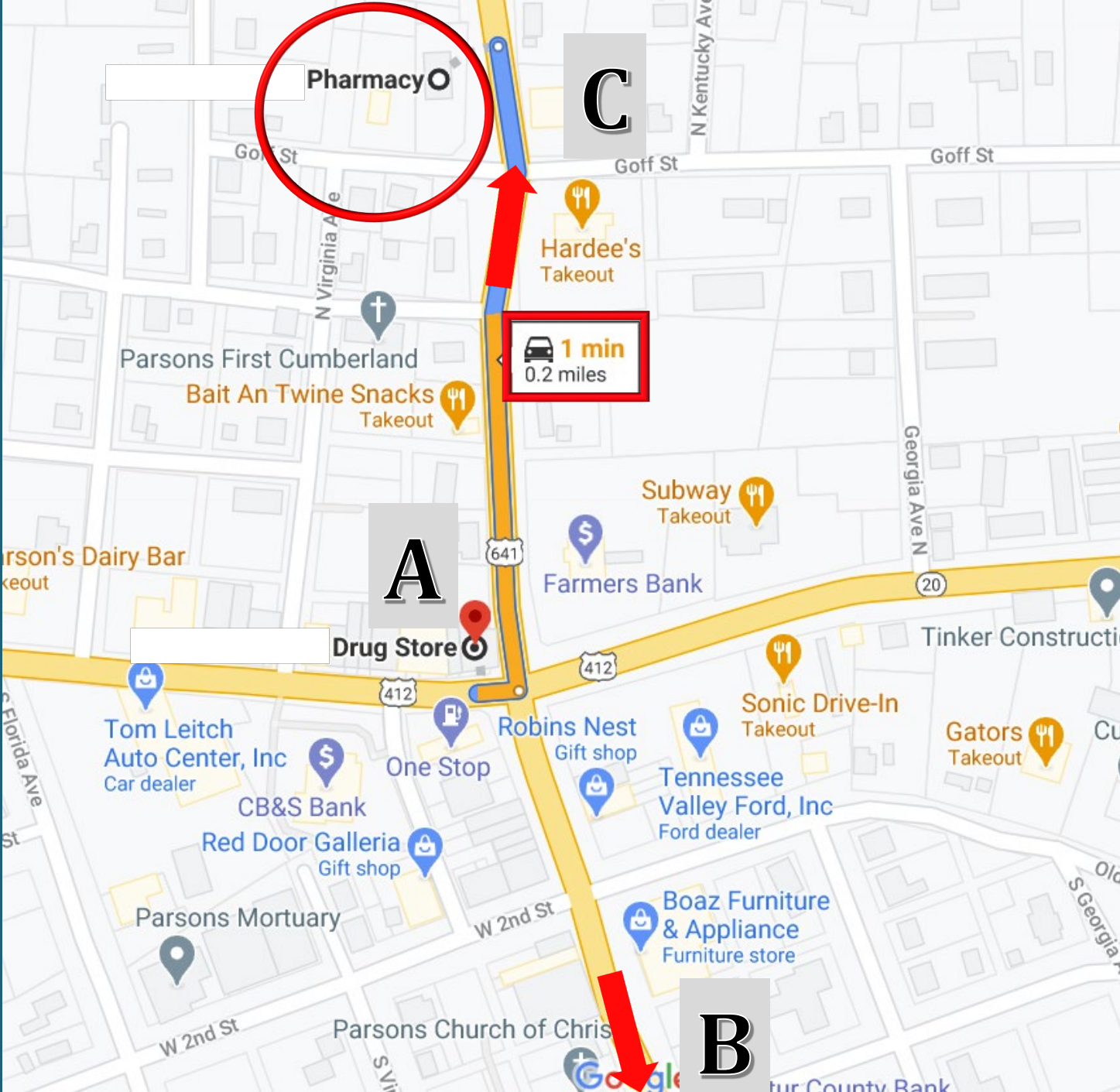
62' 0"



2,050 sq. ft

61.5ft by 32ft

Building cost



Pharmacy

C

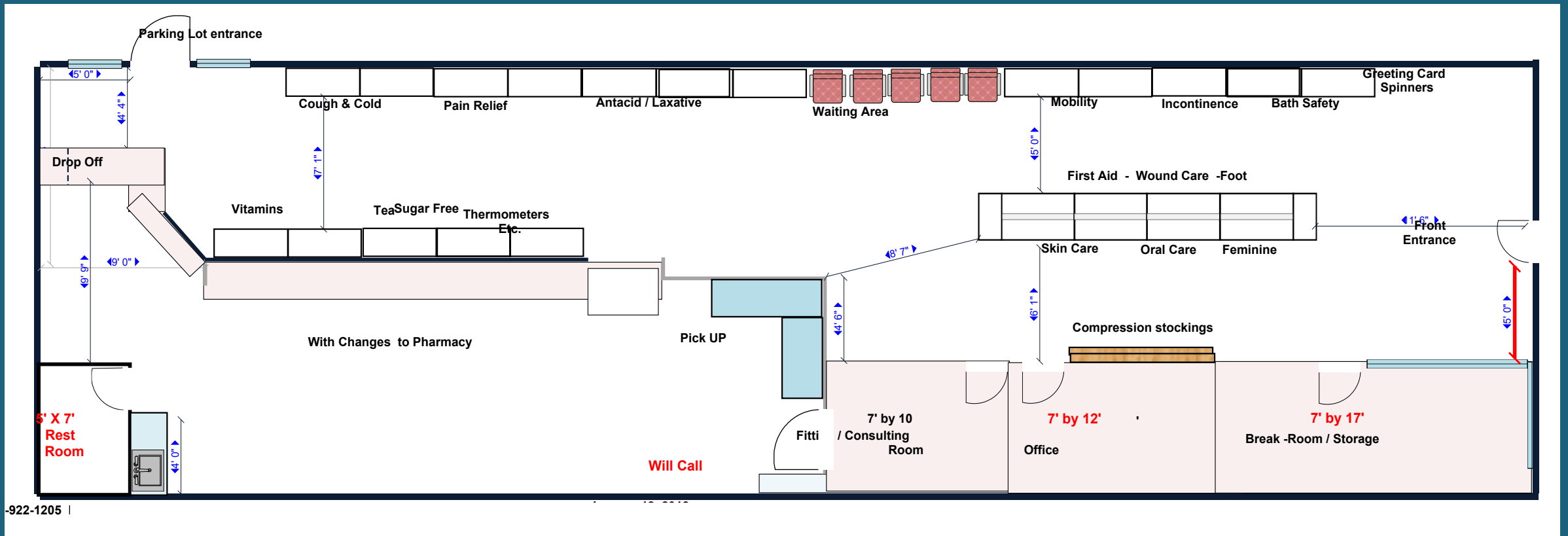
1 min  
0.2 miles

A

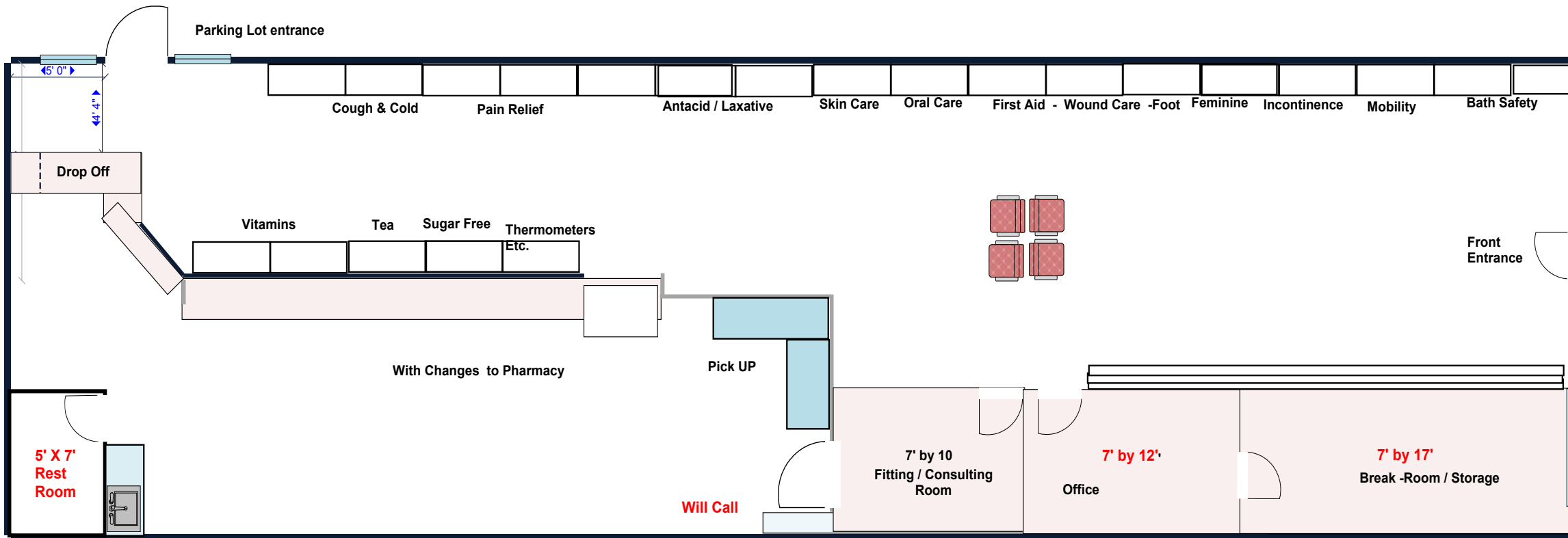
Drug Store

B






1886 sq. ft. 23 ft. by 82 ft..





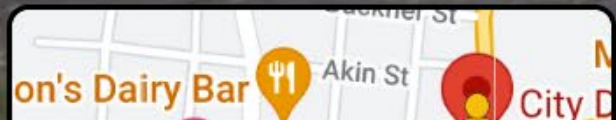
 Google Street View

Aug 2023

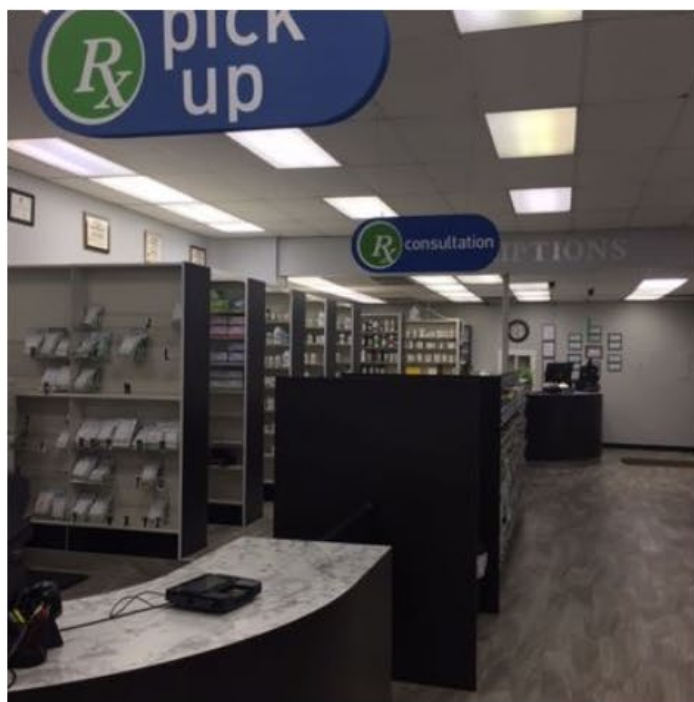
[See more dates](#)



Jul 20



## We're A Modern Pharmacy With Old School Values





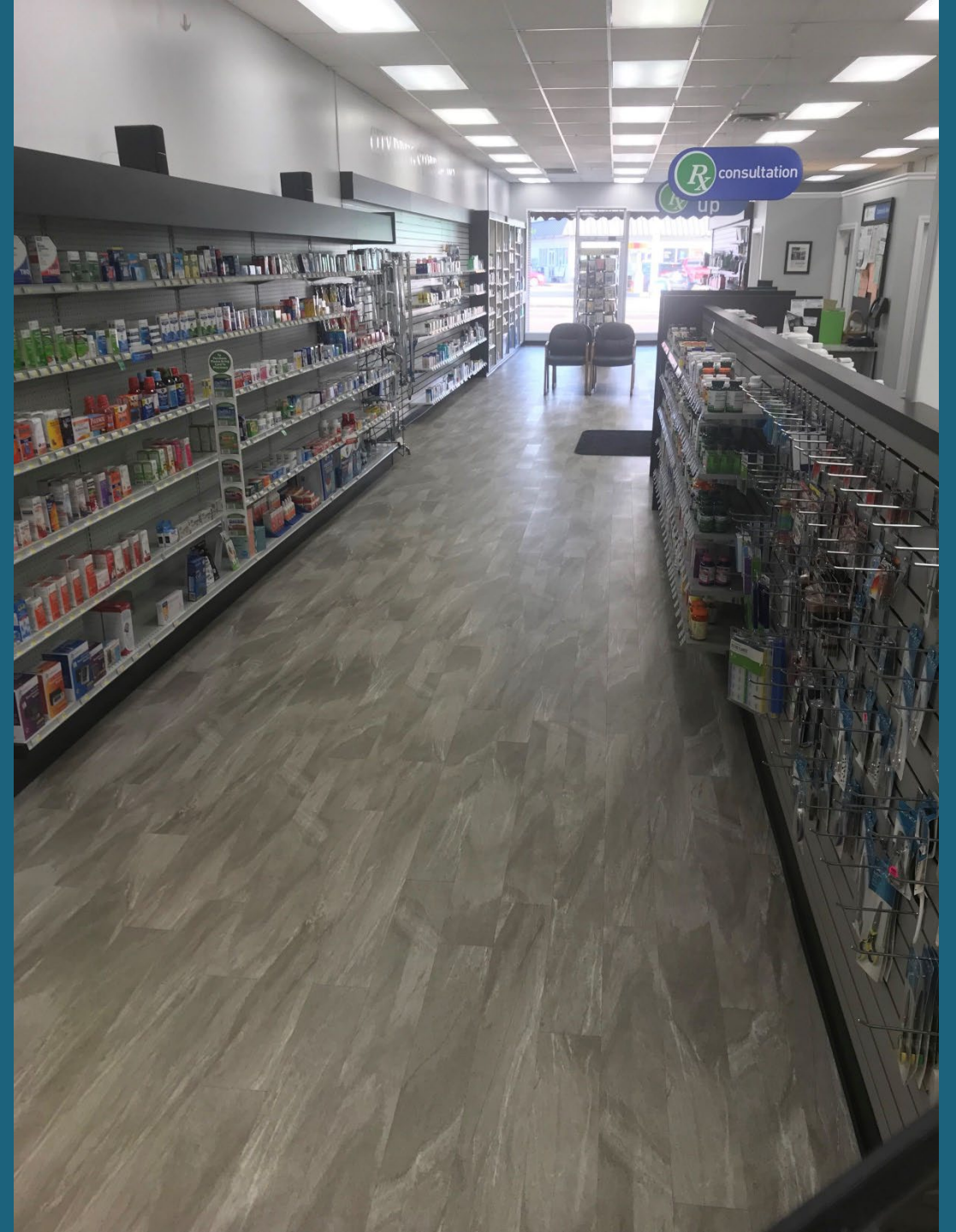


Visit your competition often!

**CVS**

**Walgreens**

**Rite Aid**







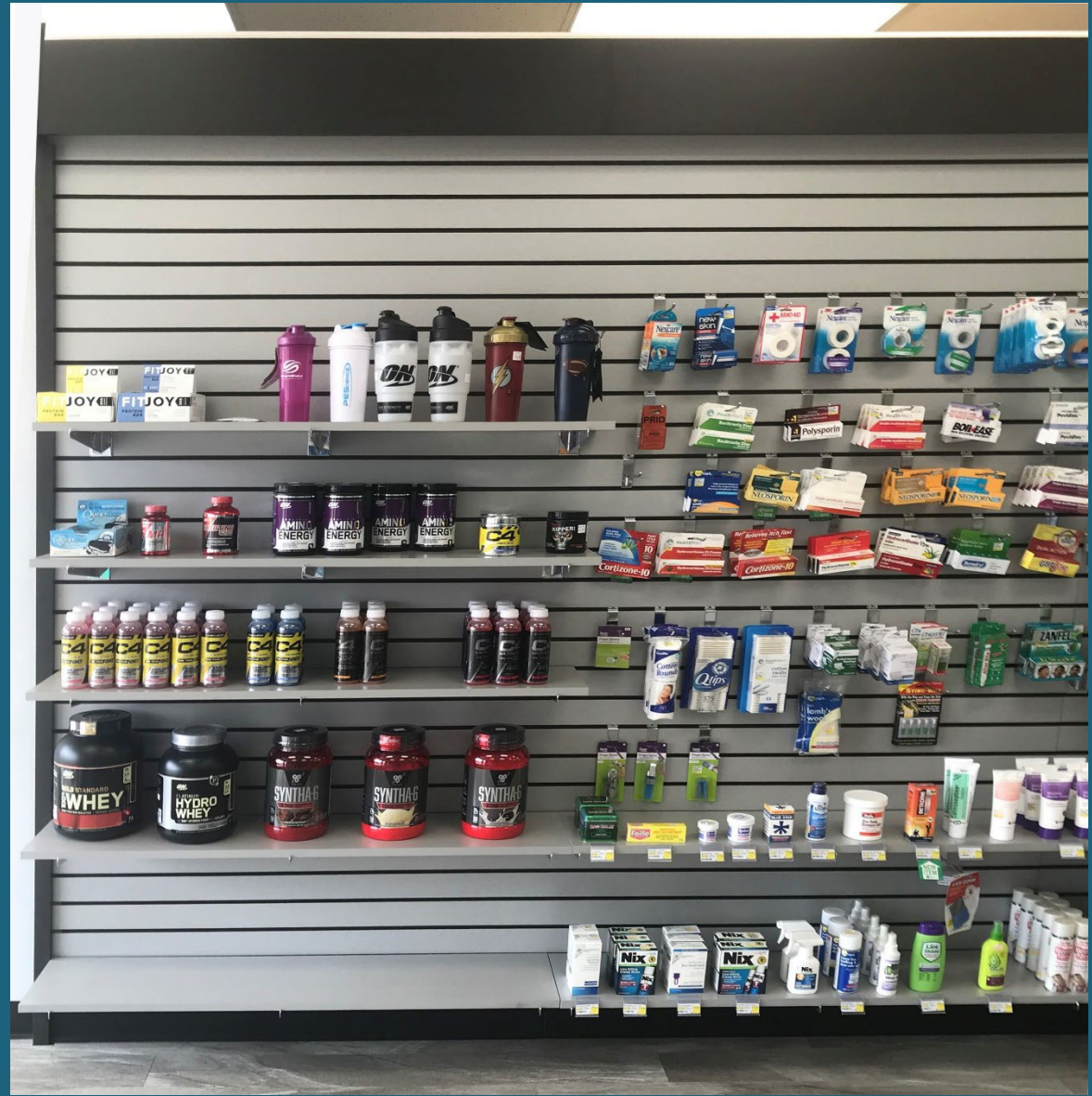


















**Landlord paid:**  
**\$12,000.00**

- \* **new HVAC**
- \* **new shingles**
- \* **exterior paint**
- \* **Repaired sidewalk**

**Store owner paid:**  
**\$60,000.00**

- \* **New office**
- \* **Wiring**
- \* **Plumbing**
- \* **Flooring**
- \* **Sheetrock**



# **What Would You Do?**

**Start-Up**

**Medical Building**

**Ground Floor**

**Minimum 4,000 sq. ft.**

**Corner location**

**No Drive Thru**

**\$43.00 sq. ft.**

**+1,500 common space**

**On the 10<sup>th</sup> year rent will be \$100.00 sq. ft.**



# Owner Finance – No Financial Institution involved.







**the Voice**





- Nobody has ever gone broke walking away from a deal. Plenty of people have gone broke as a result of closing a deal “just for the sake of closing the deal.”

*Jeffrey S. Baird, Esq*

---



**Deal or No  
Deal!  
Thank you!**

**Gabetrahan@gmail.com**

18"  
1'6"



5 ft

30"  
(2'6")



5 ft

30"  
(2'6")



5 ft

18"  
1'6"



18"  
1'6"

2ft

2ft

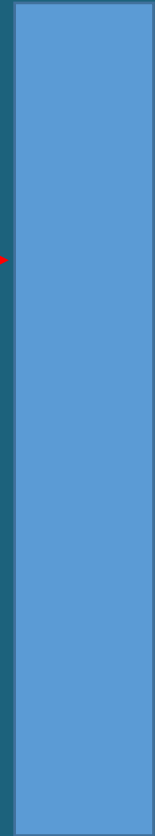
18"  
1'6"

5 ft

5 ft

5 ft

21 ft



List of rooms needed

Pharmacy size

Pharmacy size - work station

Utilities - restrooms

Drive up

List of categories

Size of categories

Space from RX to OTC fixture

Space from entrance to first fixture

Number of fixtures needed

RX Platform

Dedicated line.

Small Refrigerator.

Outlets

Molding

Music – Security – Electrical for signage

Ceiling tiles

Flooring

Dishwasher



# What's on People's Minds

Anti Aging

Weight Control

Energy

Stress

Sleep



Anti Aging

Hair & Nails

Weight Control

Natural

Energy

Wound Care

Stress

Independence

Sleep

Pets



**Champion**

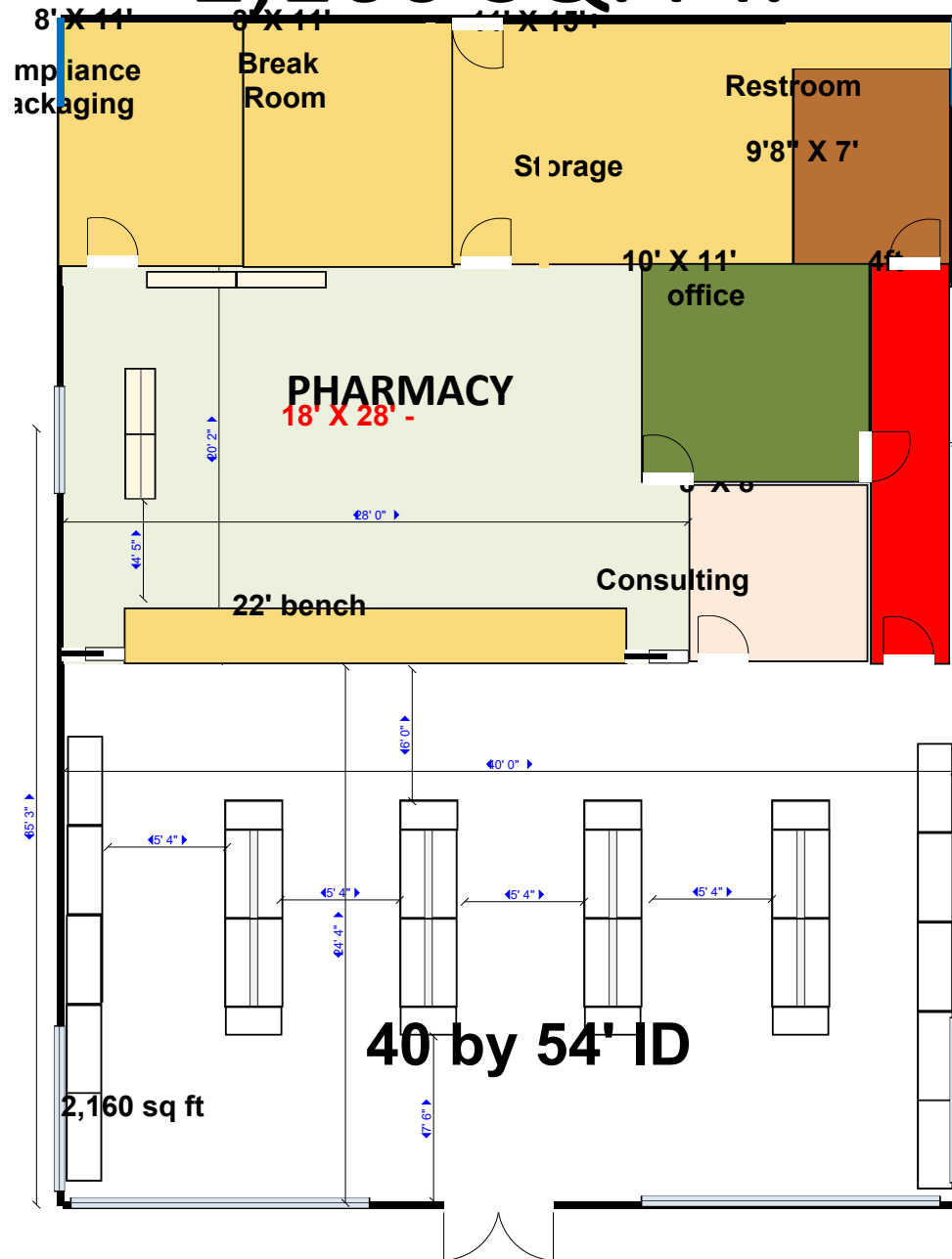


It looks like the dimension from the start of the end Panels at the consultation/Drop Off is **5ft.** The dimension from the checkout counter to the End Displays is **5' 6"** give or take an inch. Make sure they know that as drawn you have **3) 15ft** long Gondola's with End Displays. If needed, we can easily drop those down a ft. or 2 if needed to allow more space between the Drop-off/checkout area and the gondolas. Just let me know. **That is an easy fix!!**  
Talk to you, soon.





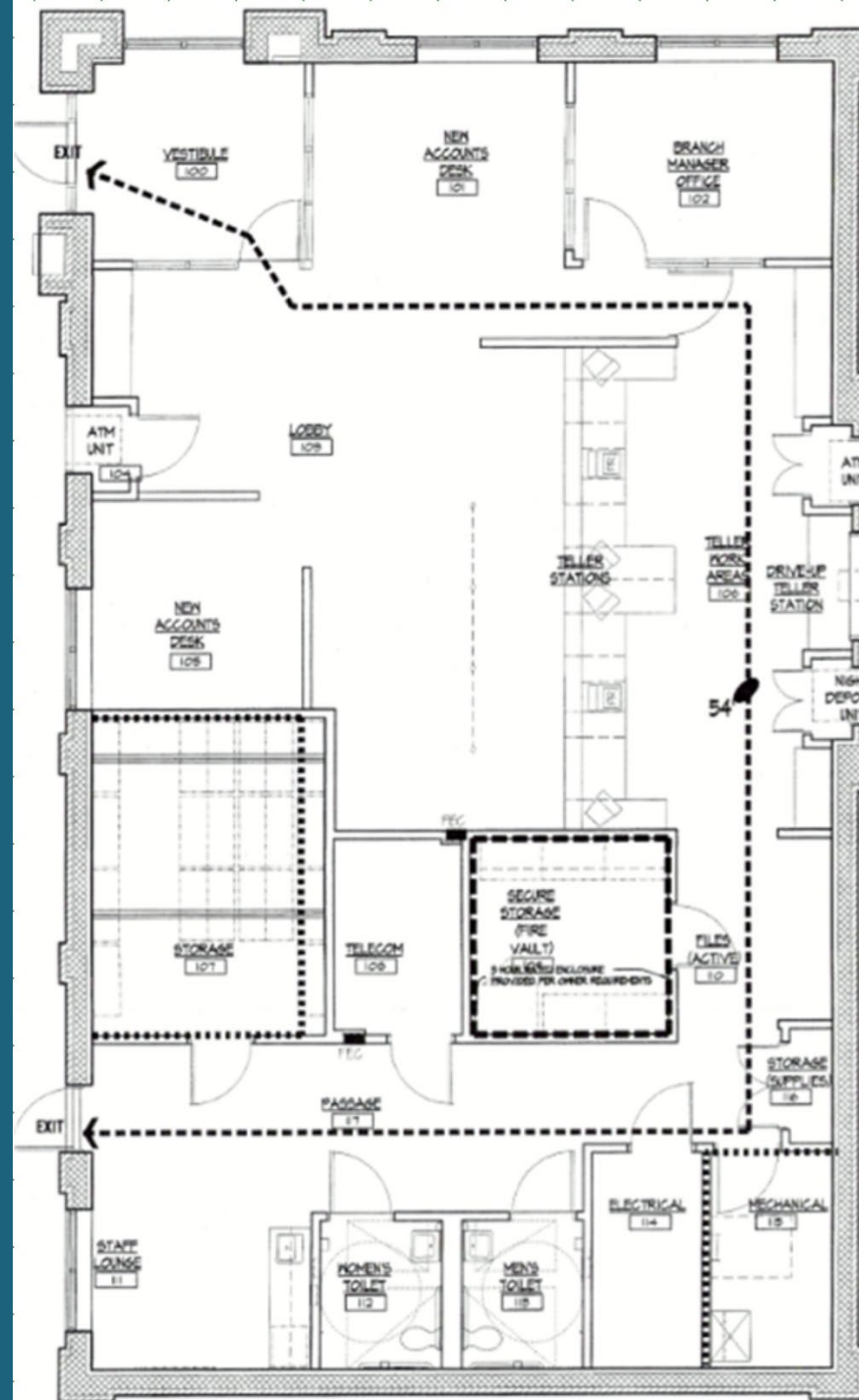
# 2,160 SQ. FT.







3,700 sq ft



1,460 sq ft

3,700 sq ft

-1,460 sq ft

= 2,240 sq ft

