National Rural Health Association Policy Brief

Rural Independent Pharmacies Sustainability Strategy

Authors: Sagar Dugani, Vistrit Choudhary, Brian G. Williams

Introduction

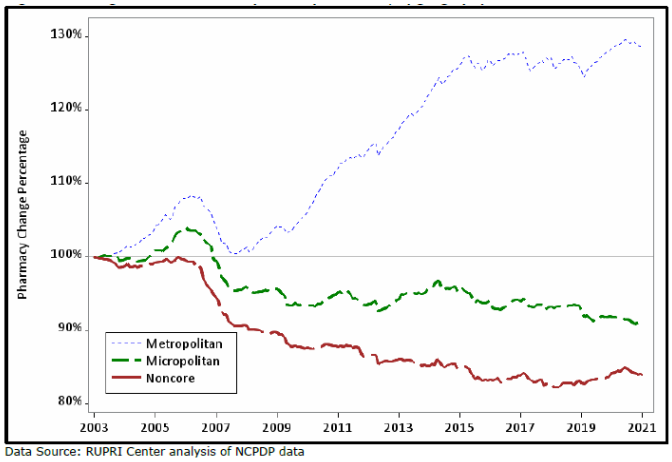
Pharmacies form a critical backbone of the healthcare infrastructure in any geographic region. Importantly, in rural areas, where access to care can be limited, pharmacies play a more critical role in healthcare delivery. This is especially salient as rural areas have a higher disease burden, older populations, and a greater impact of adverse social drivers of health. Consequently, rural independent pharmacies serve several important healthcare delivery functions over and above the function of medication dispensing, providing essential services such as education, wellness and prevention, screening for hypertension and diabetes, fall risk assessment, immunizations, and acute and chronic care management amongst others.[1] Rural independent pharmacies have evolved and expanded beyond their traditional role because they may be the only source of healthcare delivery for the communities, as well as serve as small businesses and economic drivers.

However, rural independent pharmacies, are suffering from unique challenges that threaten their sustainability,[2] including:

- Financial pressures, including delayed reimbursement, reimbursement less than cost of goods sold, predatory pharmacy benefit manager (PBM) contracts and clawbacks.
- Increased competition from chain and mail order pharmacies.
- Workforce challenges, including aging pharmacist populations and lack of workforce replacement.

Analysis

Figure 1: Changes in number of retail pharmacies by rurality



Data Source: RUPRI Center analysis of NCPDP data

Nearly 1 in 3 retail pharmacies closed between 2010 and 2021.[3] According to an analysis by the Rural Policy Research Institute (RUPRI), the number of retail pharmacies decreased by 4.4% in larger rural areas and by 9.8% in small rural areas, while increasing by 15.1% in metropolitan areas from 2003–2021.[2] The issues was even more exacerbated for rural independent pharmacies. From 2003–2021, the number of independently-owned retail pharmacies decreased by 16.1% in small rural areas and by 9.1% in large rural areas.[2] Further, inadequate reimbursements from Medicare and Medicaid disproportionately impacted areas with higher Black and Hispanic populations.[3] Closure rates varies across states, with some, such as New York and Mississippi, experiencing rates above 35%, while others, like North Dakota and Arizona, saw closures under 20%. [3]

Since 2010, nearly 190 rural hospitals have closed or discontinued inpatient services.[16] As a result, rural residents traveled approximately 20 miles farther for general inpatient services, and approximately 40 miles farther for specialty services (e.g., alcohol or drug misuse treatment).[3] These closures are not just an inconvenience. For many disadvantaged areas, a pharmacy can

mean the difference between having care or not. Continued pharmacy closures risk undercutting the COVID-era trend of pharmacists playing a bigger role in healthcare delivery, such as administering vaccines, antivirals, and tests. [3]

Financial Pressures

A key challenge facing pharmacies is low reimbursement. According to the RUPRI analysis, 80% of rural independent pharmacies received reimbursement less than the cost of acquiring and dispensing medications.[4] In addition to filling prescriptions at a loss, pharmacies are also impacted by Direct and Indirect Remuneration (DIR) fees charged by PBMs, delay in reimbursements, and charges for using PBM Claims database. Pharmacies are also affected by performance fees which are often out of a pharmacy's control.[7,8] These metrics also vary considerably across different insurance plans, compelling pharmacists to keep up and comply with different regulations, adding to costs. These fees can be charged retroactively which can further hurt independent rural pharmacy sustainability.

Independent pharmacies also face increased competition from chain and mail order pharmacies which further impact the financial state of rural independent pharmacies.[9] Independent pharmacies are particularly vulnerable, as PBMs steer patients to in-network pharmacies. In addition, the sustainability of a rural pharmacy is also impacted by delay in disbursement of manufacturer rebates for drugs subject to Medicare price negotiations. Independent pharmacies may need to absorb more than $27,000 in average monthly costs to stock drugs such as Januvia, Fiasp, Farxiga and Jardiance and then wait for at least a month to avail manufacturer rebates.[10] Consequently, 51% of independent pharmacies are 'strongly' considering not stocking drugs on the Medicare negotiated price list due to cost considerations.[11]

Workforce Challenges

In addition to financial challenges, rural pharmacies also face operational challenges such as an aging pharmacist population and lack of a replacement workforce supply, leading to understaffing. Due to existing staffing challenges, rural pharmacists work longer than their urban counterparts, leading to challenges to recruit and retain pharmacists. Currently, some pharmacists are eligible for Public Service Loan Forgiveness under narrow eligibility criteria and the National Health Service Corps community loan repayment program, and state repayment programs.[12] However, a greater need exists for scholarship and loan opportunities, and the scope of existing programs must be broadened significantly to increase eligibility and repayment or scholarship amount.

Recent Policy Proposals

Legislation introduced in the 118th Congress acknowledges the importance of rural independent pharmacies, their expansion, and other provisions to establish best practices that can support rural communities. Key legislative proposals include:

- **Equitable Community Access to Pharmacist Services Act**, introduced by Reps. Smith and Adams, and Senators Thune and Bennet, to "expand Medicare coverage to permanently include services provided by a pharmacist, including incidental services and supplies, related to testing, vaccines, and treatment for COVID-19, influenza, and certain other illnesses." (S. 2477/H.R.1770 - Equitable Community Access to Pharmacist Services Act)
- **340B Patients Act**, introduced by Rep. Doris Matsui, "to protect and strengthen the 340B program by codifying 340B providers' ability to use contract pharmacies to dispense 340B discounted drugs". (H.R.7635 - The 340B Pharmaceutical Access to Invest in Essential,

Needed Treatments & Support Act of 2024). Furthermore, as recently reported, independent pharmacies are increasingly signing on as contract pharmacies for 340B. Although not explicitly evaluated, it would be important to evaluate the impact in rural communities.[13]

These proposals, along with the 340B Drug Pricing (340B) Program as previously outlined,[14,15] have the potential to transform and support rural communities.

Policy Recommendations

NRHA recommends the following actions to support rural independent pharmacies.

- Create Medicare Part B direct reimbursement mechanisms for essential pharmacist services, including testing, treatment, and vaccination.
- Make provisions for rural independent pharmacies to partner with Critical Access Hospitals (CAHs) or Federally Qualified Health Centers (FQHC) to provide joint clinical management services and bill for those services under Medicare.
- Provide an enhanced payment of $0.50 per Medicare or Medicaid prescription for Rural Independent Pharmacies that are sole community pharmacies or independent pharmacies for communities. This program would be subject to annual attestation and verified during the annual State survey.
- Provide enhanced loan repayment for pharmacists who are already participating in NHSC loan repayment program for working in a rural independent pharmacy. This enhancement would be based on an initial commitment of no less than 5 years.
- Expand critical pathways education funding to support sustainable pathways for pharmacy practice.
- Develop educational information for state associations to educate state policymakers on the impact of rural independent pharmacies on the state, as well as development of policy and program to support to recruit and retain pharmacists in rural communities.
- Increase awareness to ensure employers are knowledgeable about mail order requirements of health plans and their impact on independent pharmacies.

Recommended Actions

- Develop criteria for pharmacies to qualify as a rural independent pharmacy so they could participate in enhanced loan reimbursement, enhanced CMS payments per prescription, and participate in Medicare clinical management services.

Conclusion

Given the essential role pharmacies play in healthcare in rural America, Congress and agencies such as the CMS should focus efforts in creating an equitable playing field for rural independent pharmacies. As highly trained healthcare professionals, rural pharmacists provide essential care and services to protect rural residents against common infectious diseases such as flu, RSV, and more. These pharmacies can provide critical connections for the medical establishment to reach complex and patients who have traditionally shown low engagement with healthcare delivery. However, these independent providers cannot sustain without intentional effort policy makers to address their unique challenges through models like the rural independent pharmacy designation.

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