



**COMMUNITY PHARMACY FOUNDATION**  
COMPLETED GRANT SYNOPSIS

**IMPACT OF MEDICARE PART D ON INDEPENDENT COMMUNITY PHARMACIES:  
A 4-YEAR TREND**

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<b>Objectives</b>	
1) Examine overall drug utilization and payment patterns for independent pharmacy drug claims over 4 years following Part D implementation. 2) Compare and contrast drug utilization and payment patterns for independent pharmacy drug claims over 4 years following Part D implementation among three payer groups: Medicaid, Medicare, and other third party payers.	
<b>Methods</b>	
Design	<ul style="list-style-type: none"> <li>• Non-experimental design</li> <li>• Retrospective data analysis</li> </ul>
Study endpoints	Multiple endpoints including: <ul style="list-style-type: none"> <li>• Number and proportion of claims</li> <li>• Generic drug utilization</li> <li>• Gross margins</li> </ul>
<b>Results</b>	
<p>Generic drug utilization steadily increased throughout the study period to just over 70%. The overall gross margin percents (which stem from a conservative calculation) increased between 2006 and 2007, but began to decline in 2008 and 2009. Similar gross margin trends were found for brand and generic prescription claims. Medicaid showed the highest generic utilization proportions for eight out of the 16 study quarters.</p> <p>Mean ingredient costs increased throughout the study period for Medicaid, Medicare, and other third party claims. Medicaid had the lowest ingredient costs of the three payers during each quarter of the study. Mean revenue increased between 2006 and 2009 for each payer. Only Medicaid claims were associated with an increasing gross margin percent throughout the study period. Gross margin percent for Medicaid generic claims steadily increased throughout the study period.</p>	
<b>Conclusion</b>	
<p>After the implementation of Medicare Part D in January 2006, Texas independent pharmacies witnessed an increasing yield in margins from prescription drug sales through 2007. However, these yields began declining in 2008 and continued through 2009. Unlike their retail, grocery store, and mass merchant pharmacy counterparts, most independent pharmacies heavily rely on the GMs generated from prescription sales to stay in business. Medicaid claims provided the best gross margin percents throughout the study period. Unfortunately for these independent pharmacies, the proportion of Medicaid prescriptions out of all drug claims decreased between 2006 and 2009. It is expected that margins will continue to decline if Texas Medicaid abrogates its fee for service prescription program, moving all prescription services into managed care.</p>	

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