



**COMMUNITY PHARMACY FOUNDATION
COMPLETED GRANT SYNOPSIS**

**EFFECT OF MEDICARE PART D REIMBURSEMENT ON
COMMUNITY PHARMACY PROFITABILITY**

**David H. Dunson, R.Ph., MBA, CDE
Brian Reisetter, R.Ph., MBA, PhD**

Black Diamond Pharmacy
Northfork, WV

Objectives	
1) To measure the change in Gross Profit (GP) of Community Pharmacies after the implementation of Medicare Part D in 2006 and extrapolate the final effects on the 2006 year-end Gross Profit (GP) and Total Owners Compensation (TOC).	
Methods	
Design	This study was a retrospective analysis of prescription reimbursements in community pharmacy before and after Medicare Part D implementation. A random sample of 30 prescriptions from a convenience sample of 10 community pharmacies across the United States was examined (300 total prescriptions) to compare total pharmacy compensation (reimbursement plus copay) for individual prescriptions and calculated the gross profit (GP) of these prescriptions before and after Medicare Part D enrollment.
Study endpoints	<ul style="list-style-type: none"> The study used prescription data from December 2005 and January 2006.
Results	
This study provides evidence to support the claim that community pharmacists are facing financial pressures due to the Medicare Part D implementation. In our sample of 300 Medicare Part D prescriptions, the average gross margin decreased from 24.0% to 18.6%, a decrease of 22.3%. With the conservative assumption that 30% of all prescriptions will likely be covered and paid through a Medicare Part D provider, that decrease in gross margins will result in an overall decrease in margins to 22.0% from 23.6% for an average pharmacy, assuming equivalent sales in 2005 and 2006 and assuming that margins for the other 70% of non-Part D prescriptions remains constant over those two years. This also assumes that the average reduction in margins realized by these ten pharmacies is exemplary of national averages.	
Conclusion	
The 1.6% change in gross profit (GP) would result in a 21% decrease in average total owners' compensation (salary plus dividends) for community pharmacies across the United States.	

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www.CommunityPharmacyFoundation.org and submit your inquiry through **Contact_Us**.