

## You and Your Primary Wholesaler

**The relationship between pharmacies and their primary wholesaler has dramatically evolved over the past 30-plus years — from a true partnership in the '70s and the early '80s, to today's often-mined landscape, where any and every misstep can, at the minimum, be costly.**



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Let's begin by verifying a fact and dispelling a myth.

**Fact:** Every pharmacy must have a primary wholesaler. This fact is just as true today as ever. In addition to generics, a pharmacy must have access to a brand, specialty, and OTC (over the counter)

drugs, at competitive pricing available five to six days a week with next-day delivery.

**Myth:** A pharmacy must commit all or even the vast majority of its volume to its primary wholesaler. This is obviously dependent on both a pharmacy's underlying base and its velocity of growth. In today's reimbursement-driven business, the ability to control cost of goods defines a pharmacy's profitability and even its long-term viability.

Taking these two conflicting realities into consideration, the answer is somewhat intuitive. A balance must be struck that maintains your primary relationship while making sure you have the room to address cost and reimbursement pressures.

While the answer may sound simple, the implementation is anything but. How does a pharmacy find the tools to manage its wholesaler agreement, identify significant cost savings, avoid ever-growing reimbursement pressures, and — dare we say — find the time to do it all?

### Technology to the Rescue!

New technologies have become available that potentially answer some or all of these challenges. However, not all technologies are created equal. In evaluating technological solutions, you need to first make sure you identify the specific requirements to address the needs of your business. Just as with technology, no two businesses needs are exactly

the same. So, to evaluate a solution, let's look at some specific areas to address.

You need to identify the structure of your primary vendor agreement (PVA). Technology that can't honor and protect this is, at best, either a short-term solution or one that will necessitate additional manual intervention to manage compliance.

What is your current cost of goods, brand versus generic, and perhaps more importantly, what is your overall dollar ratio between the two? Many pharmacies fall into the brand discount trap. Yes, cost minus 6% is attractive, but if brands make up 70% of your volume, how much is that discount costing you on the other 30%? Let's look at an example for a pharmacy with \$1 million a month in purchases: Purchases: \$1,000,000; Brand: \$700,000; Generic: \$300,000.

For the cost minus 6%, the pharmacy must commit 100% of its volume to its primary wholesaler: 6%; Brand savings: \$42,000.

However, in comparing generic prices, in the open market, we find overall savings of 20% to 30% after all rebates, some even higher.

Now, lets move this to a hypothetical real-world example. At a 4.5% brand discount, you commit 70% of your volume. On brands, you have increased your brand costs by \$10,500 (\$700,000 at 1.5%). But on generics you have realized savings of between \$18,000 to \$27,000 per month, leaving a net savings of \$10,500 to \$16,000 per month. Over the course of a year you can add \$90,000 to \$200,000 of annualized savings straight to your bottom line.

Acknowledging the need for technology, how does one choose between platforms? Here are some important factors to consider:

- ❑ Costs, both direct and indirect.
- ❑ Ability to manage and adhere to your PVA.
- ❑ Integration: Can you seamlessly integrate

and use technology? A common trap with systems is perceived benefits at the cost of more time than you have.

- ❑ Access: Can my chosen solution provide access to a dynamic marketplace?
- ❑ Partnership: Is a technology solution one that addresses its users' needs while competing with your business? You must be clear that any partner must be independent, not driven by either a wholesaler, PBM (pharmacy benefit manager), or competing pharmacy.
- ❑ Dynamic: Is your technology provider up to date today, with a proven track record of updates and responsiveness to user, market, and regulatory changes?

### Conclusions

There are a number of technology solutions available today. However, one system has been designed to be flexible and fulfill your pharmacy's needs.

### PharmSaver provides:

- ❑ Ease of use and integration.
- ❑ Independence. No affiliation with any competing organizations.
- ❑ Compliance and update history.
- ❑ "Reimbursement Alert" is the only prospective reimbursement tool on the market.
- ❑ Wholesaler management tools. Manage your wholesaler's PVA, your generic compliance, and/or top-line revenue using a parameter-driven rule set.

The PharmSaver system provides both the analytic power and the access to a dynamic marketplace that allows pharmacies to accomplish more in less time and at no cost to the user. Visit [pharmsaver.net](http://pharmsaver.net) to learn more. **CT**

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