



Employers Act When Retail Pharmacies Close, Cancel Primary and Virtual Care

Written By Laura Carabello

Don't be surprised if, on your next trip to the local pharmacy, there is a sign on the door: "CLOSED."

Industry pundits characterize it as the looming pharmacy crisis in America, a "Pharmageddon" pockmarked by pharmacists protesting what they say are unreasonable and unsafe working conditions at the biggest chain pharmacies in the United States. It's all part of the recent stumbles of the national pharmacy chains that are struggling for survival. Analysts point to the culprit of lower reimbursement rates for prescription drugs since the majority of sales come from filling prescriptions.

There's also a lot of finger-pointing as to why the prices differ for what customers pay for drugs vs. what pharmacies receive. Many lay blame on the pharmacy benefit managers (PBMs) who negotiate rebates from drug manufacturers to insurers with accusations that PBMs have been cutting reimbursement rates to boost their own profits.

Declining profits from prescription sales channels are part of the overall picture, as each retail pharmacy company maintains its own complex narrative and market circumstances that have led to these problems. Senior pharmacy chain management was very bullish about the potential for highly lucrative, accretive healthcare business lines. However, their well-intended but lofty expansion plans for developing primary care clinics, virtual primary care services, and innovative programs to leverage their retail pharmacy locations did not deliver the expected return on investment.

A THUMBNAIL SKETCH OF THE LANDSCAPE

Market collapse of retail drug stores has created pharmacy deserts, and a landscape punctuated with failures from coast to coast.

Deerfield, Ill.-based Walgreens recently announced that in response to mounting losses, the venerable chain would be shuttering about 1,200 locations nationwide over the next three years, representing about 9.5 percent of the chain's 12,500 locations nationwide. Company leaders decry

online competitors and declining prescription drug payments as the root causes. By 2027, about one in seven Walgreens currently open will close its doors, and an estimated 500 stores will close over the next year.

in 2021, Walgreens also took a \$5.2 billion stake in VillageMD, a primary care network, but this has not been profitable as the chain has been closing VillageMD locations and announced last summer it will divest from the company.

Bentonville, Ark.-based Walmart Health announced in April 2024 that after five years, they made a "difficult decision" to close all 51 Walmart health centers across five states and shut down Walmart Health Virtual Care. Leadership determined that these business models were simply not sustainable. Company leaders also cited the challenging reimbursement environment and escalating operating costs that dented profitability. However, the retailer won't be reducing the number of the chain's nearly 4,600 pharmacies and more than 3,000 Vision Centers.

UnitedHealth, which owns Optum, also announced that it was exiting the telehealth business, shutting down Optum Virtual Care after a three-year run at the market. Industry experts agree that the closure reflects broader trends in the telehealth market, in which saturation and differentiation challenges are leading some providers to struggle.



In the future, experts believe the most successful virtual care companies will be those that provide personalized patient experiences and focus on niche community needs.

Philadelphia, PA-based Rite Aid announced 154 store closures as part of its filing of voluntary Chapter 11 bankruptcy petitions in October of 2023. Since that time, more than 520 Rite Aid pharmacies have closed, about a quarter of the 2,111 pharmacies open at the time of the bankruptcy filing, including 74 store closures in 2024. In September 2024, leadership announced that it was emerging from bankruptcy with fresh financing. Burdened with struggling sales and opioid-related lawsuits, Rite Aid has completed its restructuring and is now a privately held company with "a rightsized store footprint, more efficient operating model, significantly less debt and additional financial resources."

Woonsocket, RI-based CVS Health, which owns Aetna, is in the process of shuttering about 300 locations across the country in 2024, including the dozens of pharmacies in Target stores. They have also cut about 5,000 jobs in an effort to pare down the workforce as it evaluates the changes in population, consumer buying patterns and future health needs. When they announced a plan in 2021 to close nearly 900 stores from 2022 to 2024, with a goal of about 200 per year, leadership said that decisions regarding which locations were to

close would be based on "local market dynamics, population shifts and store density" as well as "ensuring Aetna and Caremark coverage and the needs of underserved communities."

However, they are offering in-network primary care to Aetna members in certain markets through its MinuteClinics. There are about 1,100 MinuteClinics across the country, with the walk-in retail health clinics located at CVS pharmacies.

Independent Pharmacies are also disappearing. In 2023, about one independent pharmacy closed each day, and according to a February 2024 survey by the National Community Pharmacists Association (NCPA), 32% of independent pharmacy owners plan to close by the end of 2024.

However, UnitedHealth Group's Optum Rx is rolling out a variety of new programs that seek to support independent pharmacies in managing costs and more complex patient needs. These pharmacies play a critical role in underserved communities. The OptumRx CVS90 program allows patients to get 90-day supplies of medications at nearly 9,700 CVS Pharmacy locations or through OptumRx home delivery service. Optum's new

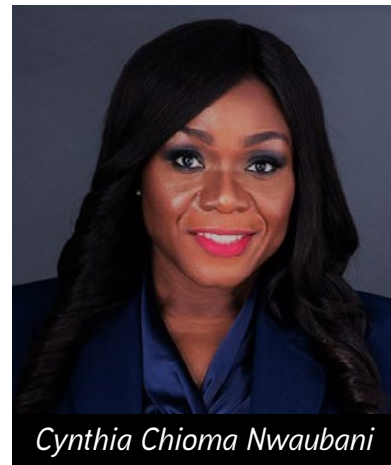


Independent Pharmacy Network is available as an add-on for its PBM clients.

PHARMACIST-LED TELEHEALTH CLOSES CARE GAPS

Stepping in to fill the void, **PharmD Live**, an innovative pharmacist-led virtual care solution powered by AI-driven algorithms, underscores the critical role of its Pharmacist Care Managers (PCMs) to optimize chronic care management and close care gaps created by national retail pharmacy chains shuttering primary care clinics and eliminating virtual care options. The Company contracts directly with self-insured employers, hospital-affiliated and hospital-owned clinics, health systems, Accountable Care Organizations, and telehealth organizations that lack medication expertise or virtual pharmacist support.

"PharmD Live's innovative pharmacist-led telehealth care model enables continuous patient engagement, providing millions of people, especially those in underserved communities, consistent access to vital services," Cynthia Chioma Nwaubani, PharmD, BCGP, CEO, certified geriatric pharmacist and founder, PharmD Live. "PharmD Live's PCMs provide continuous monitoring and education to support medication adherence. Now more than ever, this is vital given the cessation of services typically provided by retail pharmacists. PCMs are specially trained to help patients adhere to treatment regimens,



Cynthia Chioma Nwaubani

understand complex health information and feel supported every step of the way."

PCMs play a pivotal role in chronic disease management.

"As a board-certified geriatric pharmacist with over 15 years of experience, I've witnessed firsthand the gaps in cardiac care

management, medication management and medication adherence," says Nwaubani, who has developed medication management solutions for large managed care organizations, patients and accountable care organizations (ACOs). "The turning point came for me when I saw patients tragically die from avoidable medication overdoses. This deeply impacted me and drove me to found PharmD Live. Our mission is to empower pharmacists to deliver proactive, personalized care and prevent similar tragedies from occurring."



She says pharmacists have specialized expertise in medication management and specific disease states, enabling them to look at patients through multiple lenses and identify gaps in chronic care, such as diabetes, hypertension and heart disease. These conditions often require complex medication regimens that increase the risk of adverse drug events, which are a significant threat to patient safety and contribute to over 770,000 injuries and deaths annually.

"By embedding PCMs into healthcare teams, we provide a critical lifeline and go beyond the role of traditional pharmacists," she continues. "For example, there are cases where medications that should have helped the patients have instead created new problems due to drug interactions, incorrect dosing and efficacy issues. PCMs provide immediate access to potentially lifesaving interventions and avoid potential health crises. People feel supported every step of the way."

She recalls one particular case involving a patient who had diabetes and heart failure and was struggling with a complex and frequently changing medication regimen. Additionally, the patient also needed assistance with a rolling walker to prevent falls.

"A PCM stepped in to identify gaps in the medication regimen and worked with the patient's physician to eliminate drug interactions that were worsening the patient's heart condition. Additionally, the patient did not understand how to adjust their diuretic for their heart failure. Therefore, the pharmacist worked to educate the patient on how to safely manage their diuretic to prevent overload that could lead to hospitalization. "

The PCM worked closely with the patient and his physician and was able to adjust the therapy and stabilize the patient's health. This patient had been in and out of the

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1. Business Insurance; Largest Employee Benefit TPAs (as ranked by 2019 benefits claims revenue); May 2020.

hospital before they came under the care of the PCM, and this intervention led to a significant reduction in the patient's hospitalization rate – from seven hospitalizations prior to just two after the pharmacist got involved. Beyond medication support, the PCM also helped the patient navigate the process of getting a much-needed rolling walker, which helped reduce the risk of falls.

WHAT'S AN EMPLOYER TO DO?

Access to Medications

Even prior to the demise of brick-and-mortar retail or community pharmacies, employers were encouraged to utilize mail-order pharmacies as a way to drive savings and provide a convenient way for employees to receive prescriptions. These entities ship medications directly to the member's door and typically operate through or are owned by a pharmacy benefit manager (PBM).

However, there are many skeptics of this approach. Online pharmacies can't administer vaccines, and not every medication can be shipped. Some fear that a medication may have been exposed to extreme heat or otherwise compromised during the delivery process. Moreover, a new in-depth report by the Wall Street Journal presents data showing that mail-order pharmacies are driving up costs for employers when they are supposed to do the opposite. According to the report:

- “Markups were as much as 35 times higher than what other pharmacies charged, according to a recent analysis of millions of prescriptions in Washington state.”
- “Branded drugs filled by mail were marked up on average three to six times higher than the cost of medicines dispensed by chain and grocery-store pharmacies, and roughly 35 times higher than those filled by independent pharmacies, according to the analysis...”
- “Generic prescriptions dispensed by mail pharmacies were marked up on average more than three times higher than prescriptions filled by bricks-and-mortar pharmacies...”
- “Mail-order drug sales have increased to more than \$206 billion from \$86 billion over the past decade, though the number of prescriptions filled by mail has risen only 11%.”

Benefits consultants point out that employees may receive a prescription when effective and often less expensive over-the-counter (OTC) options are available. Experts also advise that, in certain instances, prescriptions provide little value to employees or their family members. Assessment of these and other issues related to pharmacy and prescription drug costs should be conducted at least annually with consultants and TPAs since these decisions significantly impact health plan costs.

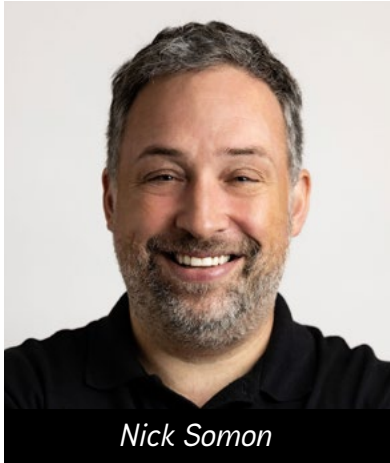
Additionally, onsite medication dispensing programs, also known as physician dispensing, provide an alternative for patients to access prescribed medications. These services, often integrated with an onsite clinic, equip healthcare providers with the necessary licensing, internet access, and a printer in order to dispense medications directly to patients at the point of care. As a result, employees eliminate trips to the local pharmacy and accelerate treatment. It also empowers providers to manage medication availability and quickly address any concerns, which leads to improved patient care and optimized outcomes.

There are also risks to the pharmacy dispensing model that can occur without the intervention of a pharmacist:

- With approximately 6,800 prescription medicines available in the US, there are countless combinations of medications that can have potentially adverse interactions.
- Each year, 7,000 to 9,000 people die from medication errors.
- Each year, it costs over \$40 billion to care for people affected by medication errors.

Dr. Nwaubani says, "Pharmacist Care Managers play a crucial role in preventing adverse drug events (ADEs) and drug interactions by reviewing medication regimens, identifying potential conflicts between drugs a patient is taking, and providing patient counseling to ensure proper medication usage. They truly act as a safety net against harmful drug interactions. When our pharmacist-led telehealth model is embedded into an onsite clinic or practice, these risks are minimized."





Access to Primary Care

There are alternative options beyond the traditional doctor's office. In virtually every geographic area, there is an urgent care clinic providing convenient access to primary or episodic care. They are typically staffed by physician assistants and nurse practitioners but may also have doctors on site. The Urgent Care Association, an industry trade group, reports a record 11,150 urgent care centers have popped up around the US, and they are growing at 7% a year.

Although urgent care visits are less expensive than a trip to the ER, they do not establish a relationship with a physician who knows the entire patient history.

Employers are also establishing onsite and near-site clinics to offer medical and wellness services delivered by primary care physicians and other licensed practitioners in settings that are located directly at their companies. A wide range of services can be offered to all or a portion of eligible employees, including general first aid, treating minor illnesses, primary care appointments, and ongoing management of chronic diseases.

Nick Soman, CEO, Decent, asserts that Direct Primary Care (DPC) is already well-positioned to address gaps created by retail pharmacy closures and declining primary care access.

"Many DPC providers currently dispense medications in-house where state regulations allow, offering patients a convenient and cost-effective alternative to retail pharmacies," says Soman.

Additionally, he points to the DPC relationship-based model that fosters trust and continuity of care, allowing physicians to provide personalized support for chronic conditions and preventive health needs.

"With affordable flat-fee memberships and same-day or next-day appointments, DPC reduces reliance on urgent care and emergency services," he continues. "These capabilities make DPC a practical, community-centered solution to today's healthcare access challenges."

IMPACT OF 'PHARMACY DESERTS'

A survey recently conducted by Wolters Kluwer Health found that nearly 6 in 10 Americans worry about obtaining medications close to home. Respondents said that while internet mail-order pharmacies and pharmacy benefit managers could serve as alternatives to brick-and-mortar pharmacies, only 16% of those surveyed prefer using online pharmacies.

Researchers report that the rise of pharmacy deserts adds complexity for consumers taking multiple medications:

- 75% of respondents rely on daily prescriptions; of that group:
- 41% reported taking one to two medications;
- 21% said they take between three and five medicines;
- 13% currently take more than five prescription medications.

Pharmacists are a trusted source and key access point to care in the US healthcare system, including preventive care such as flu shots and vaccines – for COVID, shingles, and pneumonia. Prior to the recent closing of pharmacies, around 90% of Americans lived within five miles of a community pharmacy. In non-emergent situations, 58% of Americans seek healthcare at a pharmacy, and patients visit their community pharmacist about twice as often as their physician or other qualified healthcare professional.

Access to a pharmacist is essential in rural and underserved communities where “pharmacy deserts” represent a serious shortage of pharmacies and healthcare providers. For employers with workforces that live in rural areas that have virtually seen local pharmacies disappear, there is growing concern that these employees will be left without access to the medications they need. These closures are a disruption of care, breaking people’s routines of going to a drug store that is geographically accessible – and hopefully affordable – only to discover their pharmacy is no longer in business and a new one has not opened to fill in the gap.

Experts fear that when pharmacies close, some patients will be forced to travel farther to get the prescription drugs, over-the-counter medications and other healthcare products they need. The extra mileage requires more gas and time, which often translates into a grim reality that people won’t pick up their medicine at all.



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Dr. Nwaubani concludes that medication is the cornerstone of disease management, with 95 percent of conditions treated and managed through medications.

“We’ve had an enormous number of medications approved in recent times, so we have many moving parts when it comes to medication management,” she observes. “We encourage employers to include virtual pharmacy services like ours as part of their employee wellness programs, and we have been approached by self-insured employers and HR professionals who are interested in integrating our solutions, especially for managing chronic conditions. Our program benefits both employees and employers by reducing healthcare costs and boosting workforce health and productivity. Our solution is scalable as well as adaptable to diverse healthcare settings and patient populations, ensuring flexibility in meeting the diverse needs of different organizations.”

RETAIL SETTINGS NOT THE FUTURE OF HEALTHCARE

The thinning herd of pharmacy-sponsored primary care clinics doesn’t eliminate the pressing need for dramatic changes to the primary care landscape. Nearly one-third of Americans — more than 100 million — lack access to primary care, according to a recent report from the National Association of Community Health Centers.

The closure of pharmacy-based services is causing many people to

feel medically disenfranchised from their care setting, their doctor and their pharmacist. Individuals and families who depended upon the local pharmacy for primary and chronic care may now be forced to resort to the hospital emergency room and burden employers with exorbitant costs.

While pharmacy chains are to be admired for attempting to use their resources, knowledge of consumers and geographic retail footprint to try and improve access to primary and virtual care, they fell into the trap of not fully grasping the complex American healthcare system. They are not alone since some of the country’s most sophisticated businesses, such as Haven Healthcare, the Amazon/JP Morgan/Berkshire Hathaway joint venture, failed to overcome these inherent challenges.

Primary and virtual care must be scrutinized as more than a profit center. Delivering quality care is a tough undertaking, one that pharmacy chains just could not master. Some analysts chalk it up to a lack of insight into the unique patient-provider relationship, while others point to the administrative burdens needed to get paid for services and the patience required to change consumer attitudes. The sheer size and depth of financial resources can’t



guarantee success – as many of these retailers learned.

Amazon, another major player in the retail healthcare space, is striking out on its own with a different approach. By leveraging its technology capabilities and logistical reach and investing heavily in the healthcare supply chain, Amazon is embarking upon doorstep drug delivery, cloud services, pharmacy, telehealth and artificial intelligence. These strategic differentiators must surmount the challenges similar to those of their brick-and-mortar retail pharmacy counterparts.

Analysts praise Amazon’s chronic care initiatives for their potential but foresee struggles to establish deep, ongoing patient relationships — a competency that health systems and provider organizations excel at with established infrastructures and comprehensive care models. Amazon focuses on episodic and transactional care vs. managing a patient’s full continuum of healthcare needs, constraining its potential to make a meaningful impact on healthcare outcomes. It remains to be seen how its platform can successfully connect consumers to healthcare services and sustain a viable model.

With the demise of pharmacy-sponsored healthcare services, it becomes obvious that healthcare must be more than a transactional

consumer experience. People depend upon their relationships with pharmacists and providers, continuity of care and coordination of services – support that chain drugstores were unable to offer and make profitable. ■

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