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LONG TERM VISION

For enhanced patient care and a competitive edge, it may be time to close the door

*By Rick Steinhauser
Photography by Jesse Valley Photography*



Merwin Drug in 1963.

In 1989 Merwin Drug in Robbinsdale, Minn., was an independent pharmacy success story: open since 1903 and owned by the Steinhauser family since the 1970s, it was a robust business located in a 14,000 square-foot store. It had a 120-seat restaurant, gift and card department, general merchandise, grocery, and medical equipment. Located in a first-ring suburb of Minneapolis, Robbinsdale had an aging population that needed Merwin Drug's services.

Once we opened our new site, ...we became a distinct pharmacy that focused on the needs of LTC customers, and **that was critical to future customers.**

Despite our success, my father (and owner) Cliff Steinhauser, along with my brothers Dan, Mike, and I, saw some problems ahead. Within a year Walgreen's would open a pharmacy across the street, big box retailers were also closing in, and worst of all, health plans and their pharmacy benefit managers continued to squeeze the gross profit of prescriptions.

We took stock of the strengths of the pharmacy and how it could capitalize on developing a long-term care pharmacy niche.

As we entered local nursing facilities, many Merwin Drug patients would request that their prescriptions come

from their hometown pharmacy. As a result, a significant number of our prescription sales came from patients living in local care centers.

Delivery and hours of operation were both keys to attracting new LTC patients. Merwin Drug had always offered free prescription delivery, seven days a week, but having hours convenient for newly admitted patients and emergency medication needs meant that we often delivered prescriptions in a much timelier manner than the primary pharmacy provider with whom the nursing facilities had contracted.

Local nursing facilities began to take notice. Because of Merwin Drug's reputation for timely delivery, some staff at the nursing facilities would recommend us to non-customers entering their facility. At the same time our reputation for LTC pharmacy services was on the rise, and we were providing more services, such as medical records, special packaging, consulting, after-hours, and IV services.

Initially, we divided the pharmacy, with retail in the front and LTC in the back. As LTC sales grew, it became



From left to right: Mike, Rick, and Dan Steinhauser. Mike is responsible for accounting, legal, insurance, real estate, and supplier contracts. Rick is responsible for operations of the LTC pharmacies and the IV and specialty pharmacy, while Dan is runs the Merwin Home Medical locations.



The billing department serves Merwin's three Minnesota and one Iowa locations. It's located in the same building as its largest pharmacy in New Brighton, Minn.



The MTS Accuflex dispensing robot packages patient-specific medications in blister cards. It also is located at the New Brighton, Minn., location.

clear we needed to give that portion of the business room to grow. We found an underused space in the same shopping center where the retail store was located, and split the LTC business from retail for good.

Requirements for Closed-Door LTC

There are a number of requirements that the Centers for Medicare & Medicaid Services has issued to be a closed-door, LTC pharmacy. Listed below are the CMS requirements:

- Service only institutionalized and home-care patients (no retail).
- Have a separate space, with no connecting doors, windows, or passageways with a retail pharmacy.
- Have a separate Drug Enforcement Administration and pharmacy license.
- Have wholesaler deliveries be made directly to the LTC pharmacy, and not a retail pharmacy.
- Have a group purchasing organization (GPO) inspection before opening.
- Have the capacity to provide “unit of use” packaging.
- Provide 24-hour per day, seven day per week pharmacist on-call service.
- Make delivery available 24 hours a day.
- Have emergency boxes which provide an emergency supply of medications in compliance with board of pharmacy regulations.
- Have infusion products and services: “must have the capacity to provide IV medications....” This can be outsourced.

“We opened our closed-door pharmacy, now what?”

Opening a closed-door pharmacy can seem like a step back. After all, now you are spending more on employee and occupancy costs, but your sales haven't changed from when you were a combo shop.

Initially our reasons for splitting our LTC business into a closed-door pharmacy were to access better reimbursement and better pricing. But we soon realized that there were some important side benefits. Once we opened our new site, we weren't seen as a retail pharmacy to LTC facilities. We became a distinct pharmacy that focused on the needs of LTC customers, and that was critical to future customers.

We also got our retail pharmacy back. Near the end, our LTC side was crowding out the retail staff, making it difficult for both groups to work in such a small space.

Today, our pharmacy business looks completely different than it did in 1989. Gone are the retail pharmacies, replaced by four close-door pharmacies, an IV and specialty pharmacy, and a DME company.... **For us, our best path was to focus on our LTC business, because it had the biggest opportunity for growth....**



Technician Jennie Sabourin in New Brighton, Minn., fills a cycle for an assisted living facility.



Looking back, taking the step to open a separate closed-door pharmacy made it necessary to go out and get new LTC business. We couldn't wait for a skilled nursing facility to walk in the door, as if it were a retail customer; we had to go to the facility and make our case for its business.

We could not have opened our LTC pharmacy without the help we got from our group purchasing organization. The GPO put us in touch with a range of LTC-specific suppliers, along with insurance contracts at LTC rates, and helped us gain access to better pharmaceutical pricing. Their advice and support was crucial.

Key Services of LTC Pharmacies

Here are some comments on key services of a LTC pharmacy:

- **Specialized Packaging**—This seems to be a regional preference. In the Midwest and in most of the country, blister or bingo cards are preferred. Other areas use a 30-day box system, plastic cassettes or strip packaging.
- **Medical Records**—When we first started, medical records were a consistent complaint; facilities would make changes to their medical records, notify the pharmacy of those changes, and the changes wouldn't get on the next printing, resulting in more work for the nursing staff and





Pharmacy technician Bryan Cropper works with the company's automated dispensing system. It packages medications in packets. The ability to offer this kind of packaging has been instrumental in attracting new business.

potential medication errors. I would recommend taking your best, most responsible pharmacy technician and putting them in charge of medical records.

- After Hours Service—Not an easy service to provide but it can be the difference between an average LTC pharmacy and a great one. After hours is where you either shine or fail miserably.
- Pharmacy Consulting—Initially we outsourced our pharmacy consulting, but if you or one of your pharmacists has the inclination to consult, then I would recommend you do it. Consulting is a terrific opportunity to get some face time with the director of nursing and the administrator once a month.
- Delivery—The large, national LTC pharmacies have always had a tough time delivering medications timely and consistently. If you make timely delivery part of your culture and mission, directors of nursing and administrators will take notice.
- Find a Mentor—This is where NCPA can really help: most retail pharmacy owners don't know how to take their current LTC customers and move them into a separate closed door setting. It really helps to get advice from someone who has done it already.

Twenty-Two Years Later

Today, our pharmacy business looks completely different than it did in 1989. Gone are the retail pharmacies, replaced by four closed-door pharmacies, an IV and specialty pharmacy, and a DME company. We came to the realization that our strengths as independent pharmacy owners were needed in the LTC community. For us, our best path was to focus on our LTC business, because it had

the biggest opportunity for growth and to make a difference in the lives of our patients as they aged. **ap**

Rick Steinhauser is president of Merwin LTC Pharmacy, New Brighton, Minn. He is also a member of NCPA's Long-Term Care Committee. Steinhauser can be reached at ricks@merwinltc.com.

LONG-TERM CARE FOCUS

In the coming months, look for expanded coverage of issues of interest to long-term care pharmacies in *America's Pharmacist* and other NCPA communications vehicles.

A year ago, the association established NCPA Long-Term Care (www.ncpaLTC.org). This division was created to give LTC pharmacies a stronger voice. Issues such as short cycle, nurse-as-agent, and dispensing fees are critically important in this segment of pharmacy, and the division has and will continue to be active in lobbying Congress to seek allies in introducing LTC-friendly legislation, building constructive relationships with the Centers for Medicare & Medicaid Services and other key organizations, and staying abreast of any new rules and regulations that affect LTC business.

NCPA and its long-term care committee also encourage LTC pharmacists to attend NCPA's 113th Annual Convention and Trade Exposition in Nashville on Oct. 8–12, which will feature a variety of LTC-specific programming along with LTC-specific vendors on the show floor.

More information is available at www.ncpanet.org/index.php.2001-annual-convention.