

## Community Pharmacies: The New Entry in the Home Health Market

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The United States market for home health care products is rapidly increasing; it is quite possibly the largest and fastest growing segment of the health care market, and pharmacies more commonly are becoming providers of home health care (HHC) and durable medical equipment (DME) products. Although there is no standard definition for HHC products with product categories such as DME, HME, and HHC frequently overlapping, it is still certain that the market is growing.

Pharmacy and home health care sales are a natural fit. Pharmacy is valued as one of America's most trusted professions and pharmacists, being licensed clinicians of a high educational level, allow for an ideal match of home health care (HHC) products and pharmacy. Pharmacy patrons rely upon the pharmacist's expert knowledge of prescription and over the counter products to assist with their decision making process. The pharmacist's knowledge of the patient and the equipment will allow the pharmacist to serve the patient effectively, meeting their health care needs. Medicare patients often rely upon their neighborhood pharmacist for their prescription and durable medical equipment (DME) needs. The combination of simplified billing, convenience of location, one stop shopping and the friendly face and knowledge of the neighborhood pharmacist make for a convenient shopping experience.

Many members of the population have some form of disability at one time or another, over 6.2 million Americans are disabled and receiving Social Security Disability Insurance.<sup>22</sup> Health problems often result in a lack of ability to function independently, including daily functions. Many home health care products, such as reachers, stocking aids, button hooks, grasp aids, grab bars, tub chairs and raised toilet seats, allow patients and their caregivers to provide them with adequate care at home. Durable medical equipment sales to consumers will grow from approximately \$18 billion to \$21 billion by 2008.<sup>1</sup> In 2002, the Center for Medicare and Medicaid Services (CMS) spent \$7.7 billion on durable

medical equipment, prosthetics, orthotics and supplies. CMS states that durable medical equipment made up 1.3% of public health care expenditures. According to Bruce Vladeck at the Medtrade Spring convention, the home health care market is going to double by 2020.<sup>8</sup> The scooter market, for example, was expected to grow about 7 percent in 2002, bringing the total market to approximately \$1 billion (see table 1).<sup>2</sup> This growing market is providing patients with increased innovation allowing for greater comfort, convenience, and mobility.

The multitude of various niche markets included under the umbrella term of home health care products is astounding. According to Wallace Weeks of the Weeks Group, from 2004 – 2008 in the United States the respiratory market will grow from \$4.5 billion to \$4.9 billion, the diabetes market will grow from \$1.3 billion to \$1.5 billion, and the infusion market will grow from \$4.8 billion to \$5 billion.<sup>1</sup> In 2002, the orthopedic brace and support market was estimated to be \$812 million.<sup>3</sup> First aid products, including bandages, tape, and gauze have been estimated to be \$447 million.<sup>4</sup> Within the sleep disorder market, the demand for bi-level and continuous positive airway pressure devices is increasing, estimated at \$339.8 million in 2004.<sup>5</sup> The market for adult incontinence related products is estimated to be approximately \$1.1 billion per year.<sup>6</sup> The pediatric wheelchair market was estimated to be \$18.2 million in 1998.<sup>7</sup> As can be seen in Tables 1 and 2, all components of the home health care market are increasing at steady rates.

Table 1. Sales and Growth Projections in the Mobility Market 2001-2002 (millions)

<b>Category</b>	<b>2001</b>	<b>2002</b>	<b>% Annual Growth</b>
Standard Wheelchairs	\$148	\$152	3%
Lights and Ultralights	\$266	\$293	10%
Power Chairs	\$285	\$310	9%
Scooters	\$245	\$262	7%
All Mobility	\$944	\$1017	8%

Source: Theta Reports, homecaremag.com McClinton, Denise, Finding a model of Choice

Table 2. Home Health Care Products<sup>9</sup>

<b>Revenues (\$millions)</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>Compound Growth Rate %</b>
Worldwide	4,240	4,550	4,870	7
US	3,369	3,765	4,232	12.1

Source: Home Health Care Products, Medical and Health Care marketplace Guide.

Based on a survey jointly conducted by The Center for Pharmaceutical Health Services Research (CPHSR) at the Temple University (TU) School of Pharmacy and the National Community Pharmacists' Association (NCPA), we can estimate the Home Health Care product market through all community pharmacies to be \$10.5 billion per year, which is approximately 18% of all HHC product sales. In addition we can estimate the Home Health Care product market through independent pharmacies to be \$4.5 billion per year, which is approximately 8% of all product sales. See Table 3.

In this survey, over 7,000 national community pharmacists were sent a questionnaire, which requested information regarding their home health care product sales, by various categories and their total sales. Over 200 completed surveys were received and tabulated. The results indicate that 70% of all responding pharmacists felt that their HHC product sales were increasing, and 83% of all responding pharmacies carry some form of HHC product. In addition to the survey responses received other NCPA surveys, interviews with industry experts, information from industry reports was used to establish information related to the findings. For the purposes of this study, we defined home health care products as durable medical equipment, non-durable home medical equipment, devices and products. Overall on the basis of this research it appears that there is evidence that there are increasing numbers of community pharmacies providing more comprehensive HHC services to pharmacy patrons.

According to the TU-NCPA survey, the average pharmacy sells \$210,000 of HHC products or 6% of the average \$3.5 million annual sales per pharmacy reported by the survey respondents. The

2003 NCPA-Pfizer Digest reports an average sales volume of \$2,855,000 per community pharmacy in

2002, which is significantly lower than the results of the TU CPHSR survey. Among the potential explanations for TU's findings of elevated annual sales volume is the prevalence of home health care product sales, which could be either independently increasing annual sales volume or increasing store traffic leading to in sales in other departments. This niche has a small market penetration and does not have a strong presence in chain pharmacies. Although government regulation and competition affect pricing, this niche market in community pharmacies may have elevated operating margins, due to competitive issues in certain markets and a potential absence of need for discounting. The intermittent nature of purchase and lack of HHC products in all outlets allows retailers to sell at a full margin. Cash sales are increasing due to declining HHC insurance coverage policies. If all independent pharmacies would stock HHC products, this market could increase dramatically and improve operating margins.

Table 3. Average annual sales of HHC products by category. Source: CPHSR/NCPA 2004 HHC Survey<sup>19</sup>

<b>Home Health Category</b>	<b>Average Pharmacy Annual Sales (\$)</b>
Bathing aids	\$1,700
Eating/drinking aids	\$650
Grooming and dressing aids	\$125
Reaching and gripping aids	\$350
Bed and support supplies	\$4,500
Bariatric products	\$450
Canes	\$800
Chairs and accessories	\$4,500
Cold packs	\$450
Commodes	\$1,500
Compression devices	\$350
Crutches	\$600

Diabetic supplies	\$33,000
Foot care products	\$1,850
Gloves	\$875
Hosiery (medical)	\$4,500
Incontinence products	\$8,800
Infusion therapy products	\$47,000
Nutrition products	\$6,000
Ostomy products	\$7,500
Pediatric DME	\$750
Pillows	\$250
Respiratory products	\$30,000
Scooters and accessories	\$3,000
Seat cushions	\$600
Seating and positioning systems	\$550
Skin care products	\$2,200
Ultrasound products	\$50
Urological products	\$1,500
Walkers and accessories	\$15,000

The CPHSR/NCPA survey results are consistent with conclusions from current literature.

According to Home Care Magazine's 2004 Forecast survey of HHC dealers, 9.3% of respondents worked for a pharmacy/chain with DME that sells HHC products, 83.6% worked for a HHC provider, 4.8% at a specialty home care company, and 2.3% worked at another site.<sup>13</sup> According to industry consultant Sheldon Prial the increasing presence of pharmacies as HHC product dealers is also evident. Prial's estimate of 5% of all DME being sold in pharmacies and excluding respiratory therapy, the

percentage would increase to 15-16%. Prial also claims that at least one-half of pharmacies carry some form of home health care product.<sup>18</sup> According to the 2003 NCPA-Pfizer Digest 69% of community pharmacies surveyed carry durable medical goods and 9% have home infusion products.<sup>19</sup> Jack Evans of Global Media Marketing, a home health care consultant, has estimated that bath safety sales in drug stores, are approximately \$50 million, diabetes product sales in drug stores are \$2.8 billion.<sup>15</sup> According to drug wholesalers, pharmacists have been expanding their sales of home health products and this niche will continue to expand in the future.

The dramatic and widespread increase in the HHC market can be attributed to a variety of factors. A large contributor to the increase in HHC products is the aging of the American population and increased life expectancy. In 2000, the population age 65 and over was estimated to be 35 million people, which constituted almost 13 percent of the total population. Members of the baby boom generation will begin turning 65 in 2011, and it is projected that by 2030, one in five people will be age 65 or older. The over 65 population is expected to double during the next 30 years, reaching 70 million by 2030. The fastest growing segment of the older population is the over 85 year old segment of the population. This age group has a greater impact upon our health care system because they have greater needs and poorer health status. According to projections by the U.S. Census Bureau, the age 85 and older population could grow from about 4 million in 2000 to 19 million by 2050. This rapid and consistent increase in the elderly population will constitute a major impact on the HHC market, due to the increased disabilities and diseases and necessity for home health care products to improve their life.<sup>10-12</sup>

The decrease in hospital care and increase in home care has boosted sales in HHC. Managed care companies, Medicaid/Medicare, and private insurers are attempting to cut costs by pursuing home care instead of hospital care. An average home care visit was estimated at \$88/visit in 1996, and a hospital stay was \$1,872/day.<sup>20</sup> According to Harvey Meyers of Hollister, Inc, approximately 35% of

ostomy supplies are used in the hospital and the remaining are purchased in the retail setting.<sup>21</sup> This push toward decreasing health expenditures is increasing the HHC product market. Advanced technology and innovation has allowed for more hospital services to be provided in the home.

Asthma, a disease that is a major cause of morbidity for adults and children, is treatable with drugs and medical devices that enable home care and avoidance of hospital care. In order to properly manage asthma, access to devices such as nebulizers, spacers, holding chambers, and other delivery devices is essential. In a study by Warman, et al, accessibility to medical devices and Medicaid acceptance was studied in a low-income neighborhood. Only 17% of the pharmacies surveyed carried child-size peak-flow meters and 33% carried nebulizers.<sup>16</sup> The difficulty encountered in obtaining these devices can severely impede the health of these children. By providing patients with access to these devices, pharmacies allow low-income patients who may not have the ability to travel to a DME dealer to receive their essential device. According to Magee at al, only 64% of pharmacies able to accept Medicaid for DME carry spacers and peak flow meters.<sup>17</sup> Improving the stock of essential devices, the process of Medicaid reimbursement, and DME licensing, will improve asthma mortality, morbidity and drug compliance. By servicing their patients with home health care products, pharmacists can provide comprehensive health care while completing their patients' continuum of care. This service can fulfill all their patients' needs, from cough drops to antibiotics and wheelchairs.

Pharmacists are vital in the monitoring of patients with diabetes. Pharmacists can use their expertise to improve the health of diabetic patients via education. The consultation services pharmacists provide assist patients with diabetes to remain in proper compliance with drug regimens, nutrition, lifestyle practices, proper blood monitoring, and other important areas of diabetes management. Pharmacists can also identify potentially high-risk patients.

Pharmacies are increasingly becoming involved in the home health care market. From home infusion to incontinence supplies, pharmacists are increasing the home care services and products they provide to their patients. Home health care products ranging from wheelchairs to incontinence products to ostomy supplies are being sold in pharmacies. The largest markets that are being expanded within retail pharmacies are ambulatory products, such as canes, walkers and crutches, bath safety products, such as shower chairs, mats, commodes, diabetes supplies, such as lancets, alcohol wipes, monitors, test strips, incontinence products, such as pads, guards and shields, and personal care products, such as massagers, humidifiers and other miscellaneous HME products. These products can be marketed to expand sales to existing customers, including caregivers and patients and existing traffic that is entering the store to purchase prescription medications.

Pharmacists have been known to be important contributors to the health of their patients. According to a study by Cerulli, 90% of patients feel that their pharmacist is an essential member of their health care team. On a scale of 1-5 (5 being the best), pharmacists received a 4.53, describing their importance to the patients' health.<sup>14</sup> This positive impression and the trust pharmacists receive allow pharmacies to be an ideal location for HHC product sales due to the invaluable counseling that pharmacists can provide. Patient counseling on assistive devices as well as additional home health care products will aid patients and caregivers in properly using their devices.

When expanding into the HHC market, pharmacists must establish a strategic plan and create a complete center for their patient's home health needs. A variety of inventory makes a statement to the patients that the pharmacy is in the home health business and will service their home health necessities. Providing new services involves trained sales professionals and involvement in the community. An educated sales force is essential, manufacturers, distributors, and educational entities that specialize in comprehensive education and training, such as NCPA's National Institute for Pharmacist Care Outcomes (NIPCO), can be excellent sources of education for any sales team. Obtaining referrals from

community hospitals, doctors, and nurses can reinforce the success and continuity of care that these new services will provide. Involving the pharmacy in this new niche will provide additional services, bring in new traffic, and build upon the current customer base.

Nationwide, pharmacists are stocking more wheelchairs, attending more pharmacy DME tradeshows, and expanding their HHC product display space, while improving the health of their patients via accessibility and education. Both the professional community and patients enjoy the convenience and service provided by local drug stores. In the increasing global market of HHC products, pharmacies are gaining market share and in turn, improving the lives of their patients.

As the over 65 population increases and managed care organizations send patients' home from the hospital sooner, sicker, and weaker, the necessity for home health care products is increasing. The escalating and previously overlooked market for home health care products is an essential niche to optimize the success of a community pharmacy and provide additional services to the community, giving a healthy competitive edge. Expanding a business to include the sale of home health care products in an independent pharmacy allows the pharmacy to increase sales, and gain a substantial net income increase while improving the continuity of patient care.

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