A New Perspective: The State of Pharmacy in America
A new perspective: the state of pharmacy in America

With more than 3.4 billion retail prescriptions filled nationwide in 2005 and U.S. sales topping $250 billion,* America has set its sights on prescription drugs for better health and well-being. In many ways, the state of pharmacy has never been more robust.

But looking at it from a different angle, overall U.S. healthcare spending is out of control. And prescription medications have come under fire as the fastest-growing, though relatively small, category of healthcare costs.

That’s why a new perspective is needed to understand drug spending – specifically, how proper use of medication can lower healthcare costs, as well as improve quality of life. A new perspective also focuses on the role of community pharmacy and how convenient drugstore locations can become community health centers led by knowledgeable, caring pharmacists more involved in patient care.

Such a perspective is bold and challenging. And with it comes insight, conviction and the prospect of a healthier nation.

Walgreens mission is to provide the most convenient access to healthcare services and consumer goods in America.

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* IMS National Sales Perspective and National Prescription Audit, March 2006
Our Vision: expanding the scope of pharmacy

Everybody’s talking about healthcare. And everybody has a point of view. So do we. Our beliefs are grounded in research, observation and a century-plus of hands-on experience delivering patient care.

Charles R. Walgreen Jr., the son of our company’s founder and former CEO, said it best in 1951: “Pharmacy is the heart of our business.” Early on, pharmacy represented about 2 percent of sales. In fiscal 2006, prescriptions accounted for more than 64 percent of our business. By 2015, we expect pharmacy to reach 90 percent.

We believe the future of healthcare – and the future of Walgreens – depends on an expanded scope of pharmacy. We already expect a lot of our pharmacists. Daily life in the pharmacy is often stressful, due to tedious insurance problems, high-prescription volume, unrealistic patients or new systems. What stands out and what we appreciate are the compassionate, caring pharmacists who, every day, see thousands of patients as individual human beings and treat each one with respect.

We need this commitment to patient care to realize a deeper value of pharmacy. We’re on the cusp. Major trends are converging to change and augment the role of the community pharmacist in improving patients’ lives and reducing healthcare costs. As trusted healthcare professionals, we’ve always had the education, knowledge and inclination. Soon, we’ll be compensated to play a more proactive role in ensuring patients use medication correctly.

The purpose of this report is to provide a behind-the-scenes look at healthcare trends and analysis from experts outside and inside the company. We also want to share our thinking and explain the strategies and supports we’re putting in place to make the future we envision a reality.

We think you’ll agree: Pharmacy has a rare opportunity and distinct role to play in advancing the quality of healthcare in our great nation. We’re looking forward to working with you to make it happen.

Dave Bernauer, RPh
Chairman

Jeff Rein, RPh
President and CEO

February 2007

“We’re heading back to the future with more patient-pharmacist interaction.”
JEFF REIN

“We have the potential to save thousands of lives and take billions out of the nation’s healthcare bill.”
DAVE BERNAUER
Pharmacists are the third largest health profession – the medication experts among healthcare providers in the U.S. According to the American Pharmacists Association (APhA), the number of pharmacists totals 200,000 with an estimated 112,000 to 136,000 serving in community pharmacy. Walgreen pharmacists are 21,000 strong, meaning one in 10 pharmacists works for “The Pharmacy America Trusts.” The second largest work setting is hospitals. Pharmacists also serve in long-term care facilities, the pharmaceutical industry, academia, managed care, consulting and government.

A top 10 profession
A 2006 study by MONEY magazine and Salary.com found that pharmacist ranked ninth among the best jobs in America. The study began with a list of professions that require at least a bachelor’s degree and are projected by the U.S. Bureau of Labor Statistics to grow at an above-average rate over 10 years. Jobs were then rated by stress levels, flexibility in hours and creativity, among other things. The resulting top 10 best jobs are...

1. Software engineer
2. College professor
3. Financial advisor
4. Human Resources manager
5. Physician assistant
6. Market research analyst
7. Computer/IT analyst
8. Real estate appraiser
9. Pharmacist
10. Psychologist

Well educated
Historically, future pharmacists could choose between two entry-level degrees: a five-year Bachelor of Science (B.S.) in pharmacy or a six-year Doctor of Pharmacy (PharmD). Approximately 60 percent of Walgreen pharmacists hold a B.S., while 40 percent have a PharmD.

As of 2000, most pharmacy schools began offering only the PharmD degree. The APhA notes that “this extensive training makes the pharmacist the most knowledgeable healthcare professional when it comes to medicines and their use.”

Scope of practice
In the early 1900s, it was common for pharmacists to work 10- to 12-hour days and seven-day weeks. Their job was to combine ingredients from barrels and jars, shaking them up or pounding them to powder with mortar and pestle, rolling and counting. Thanks to technology, new drugs and more extensive education, the role of pharmacy has expanded in recent years beyond dispensing medications to include a broad range of patient services. Today’s pharmacists assess, monitor, initiate and modify medication use to ensure drug therapy regimens are safe and effective. They
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A Pharmacy Manpower Project conference emphasized that to meet U.S. pharmacy needs through 2020, “the profession of pharmacy needs to move even more rapidly to redeploy its members from medication order fulfillment to patient care (1).”

also collaborate with other healthcare providers to promote health and prevent disease.

Nevertheless, in April 2006, Drug Store News reported that dispensing still consumes more of a pharmacist’s time than any other activity – an average 49 percent, versus 19 percent for consultation and 13 percent for drug therapy management. Quality, safety and accuracy remain central to the pharmacist’s responsibilities.

Walgreens: more than traditional retail

Adding patient services is prevalent among today’s community pharmacies. At Walgreens, ideas for new programs come from the Pharmacy Services department on the retail side and Walgreens Health Services (WHS), the company’s managed care arm.

“WHS serves two important purposes,” says Don Huonker, corporate vice president of Pharmacy Services at Walgreens. “Staffed by 148 pharmacists and other business professionals, WHS incubates concepts like compounding and in-store clinics and then sends them to Pharmacy Services for chainwide implementation. WHS is also Walgreens face to the business community.”

“Third parties pay for more than 90 percent of prescriptions,” says Greg Wasson, president of WHS. “Understandably, Walgreens needs a business-to-business approach.”

WHS was formed in 1991 when Walgreens decided to grow its mail service pharmacy business, which had been operating since 1984. Since then, WHS has added Walgreens Specialty Pharmacy, Walgreens Home Care, community living pharmacy and a pharmacy benefits manager known today as Walgreens Health Initiatives (WHI). WHI serves more than 400 health plans, employer groups, third-party administrators, union groups, government entities and other organizations.

**Walgreen pharmacy staffs on the grow**

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<tr>
<td>Technicians/Store</td>
<td>2.1</td>
<td>3.3</td>
<td>5.1</td>
<td>5.9</td>
</tr>
</tbody>
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1. The Pharmacy Manpower Project, Inc. (PMP), comprised of 14 professional pharmacy associations, is a nonprofit corporation that develops data regarding the size and demography of the pharmacy workforce. PMP sponsored the National Pharmacists Workforce Study, March 2006.

WHY WE CHOSE TO BE PHARMACISTS

Shay and Tara Smith
Daphne, Alabama

Tara and Shay Smith always thought they’d end up in healthcare. They’d met at the University of West Alabama and were married in 1999. She expected to become a nurse anesthetist and he planned to become a physician.

“A friend in pharmacy school recommended pharmacy so we’d have more time for each other and family,” says Tara, pharmacy manager at 3025 Highway 98 in Daphne, Ala. (pictured above, right). “She said retail pharmacy was changing. With techs and technology, you’re freer to counsel patients.”

The couple decided on Auburn University Harrison School of Pharmacy, graduated in 2005 and immediately went to work for Walgreens.

“The company assigned us to stores just 1.4 miles apart,” says Shay, pharmacy manager at 30957 Mill Lane in Daphne, Ala. “Being on a similar schedule’s great, and so is patient interaction. But knowing we’ve helped someone is the best part of the job.”
Insight:
12 trends shaping the future of pharmacy
Healthcare in the United States is at a peak – we’re living longer, and our quality of life has never been better. Prescription drugs deserve much of the credit. But advances in healthcare come at a price...

Managed care has ideas about controlling healthcare costs, as do economists, health policy analysts, employers and legislators. Yet consumers want whatever it takes to save a life, or to prolong it. Sorting through the issues requires acumen and persistence with healthcare hanging in the balance.

1. Rising cost of healthcare

Total U.S. health expenditures are estimated at $2.16 trillion for 2006. That’s $7,110 in per-person health spending and 16 percent of the gross domestic product (GDP) – up considerably from 7.2 percent of GDP in 1965 (1).

And still the price tag for improved health inflates. Two years ago, national health expenditures were $1.9 trillion – 4.3 times the amount spent on national defense in 2006. By 2016, U.S. health spending is projected to exceed $4 trillion, with per-person health expenditures of $12,320 (1,2).

Experts agree: Healthcare is the driving force in the economy. They further agree that healthcare costs cannot continue to climb at the current pace. “We cannot sustain an economy that ultimately will have to put [so much] of the GDP into healthcare,” Michael Leavitt, secretary of the U.S. Department of Health and Human Services, stated at the 2006 annual meeting of the National Association of Chain Drug Stores (NACDS).

“Everyone wants the best healthcare, the newest treatments,” says John Colaizzi, dean of Rutgers University Ernest Mario School of Pharmacy. “But nobody wants to pay for it. When it comes to drug spend, we’re all obligated to control costs and increase efficiencies, from pharmaceutical companies to drugstores.”

2. Increasing script volume

The U.S. spends more on health per capita than any other country, much of it to control or reduce the impact of chronic diseases and conditions affecting an aging population (4). Prescription drugs are a notable example. In fact, the case could be made that Americans have gone crazy for prescription drugs. While drug spend has been a small portion of national healthcare spending – about 12 percent in 2004 (5) – annual rates of increase in the last decade have exceeded any other type of health expenditure (4,6).

“Many health problems are more treatable today,” says Laura Miller, senior economist at NACDS. “We have drug categories that didn’t exist 10 years ago. And there’s been a huge cultural shift. It’s socially acceptable now to take medications when, not so long ago, it wasn’t.”

In 2006, prescription drug spend in the U.S. exceeded $250 billion, up significantly from $188 billion in 2004 and $40 billion in 1990 (6). Changes in prescription spending are generally driven by drug price changes, new drugs hitting the market and existing medications losing patent protection. Drug manufacturing is a lucrative business, both for makers of brand-name drugs and generic manufacturers. In 2005, profit margins averaged 16 percent versus an average 6 percent for all Fortune 500 firms combined (6). Understandably, the drive to innovate blockbuster drugs or lower-priced generics is intense.

Increasing prescription volume and cost 1994 2005

- Dispensed prescriptions jumped 71 percent, compared to U.S. population growth of 9 percent.
- The average number of retail prescriptions per capita hit 12.3, versus 7.9 at the beginning of the period.
- Retail prescription prices increased to an average of $64.86 from $28.67. (6)

In a 2006 series of Crain’s Chicago Business articles on healthcare, three pharmaceutical company presidents offered insight into developing new medications. It takes upwards of $1 billion to get a drug to market. Only one of five drugs entering clinical trials gains approval from the U.S. Food and Drug Administration (FDA), and of the drugs that do get FDA approval, only about three in 10 earn back the average cost of research and development. Industrywide, drug research reached a record $51.3 billion in 2005. That same year, 20 drugs received FDA approval and manufacturers
launched 56 drugs, with biotech and generics leading the pack (7).

“The availability of generics for major brand-name drugs encourages a more competitive market,” says Helen Fong, manager of professional affairs in Pharmacy Services at Walgreens and a former member of the Florida Board of Pharmacy. “As generics continue to make inroads, everyone benefits. Our nation’s drug spending should moderate, while patients receive the medications they need at a lower cost.”

“There’s an irony with all the new drugs, increased utilization and concern over growing drug spend,” says Dave Bernauer, chairman of Walgreens. “Non-compliance is costing us more than if drug spend were to continue to increase at current rates.

“Today, 20 percent of the prescriptions doctors write are never filled, and at least 50 percent of patients don’t take medications as instructed,” Bernauer continues. “According to U.S. Pharmacist, that translates into 125,000 deaths each year and nearly $100 billion poured into unnecessary healthcare because of poor compliance.”

3. **Graying of America**

Men and women age 55 to 64 are projected to be the fastest growing segment of the U.S. population, increasing by 11 million to 40 million between 2004 and 2014 (4). Put more bluntly, the nation’s 76 million baby boomers born between 1946 and 1964 are graying.

“Baby boomers are expected to live longer than previous generations, but with chronic medical illnesses that require drug therapy,” says Mary Lee, vice president and chief academic officer for pharmacy and health science education at Midwestern University Chicago College of Pharmacy. “Diabetes, hypertension and heart disease, for example, increase with age.”

“The average 18-year-old takes three prescriptions per year, while the average 55 to 64-year-old takes 19,” says Michele Garvey, director of senior strategy in Marketing Services at Walgreens. “More than 55 percent of U.S. prescriptions dispensed in 2005 were for individuals 55 and older.”

4. **Cost containment through managed care**

Containment of prescription costs through managed care has become a way of life. As recently as 1990, only 26 percent of prescription drug expenses were paid by private health insurance. By 2004, it was 48 percent (6).

“Because third parties pay for most prescriptions,” says NACDS’ Miller, “control has shifted from patients and their physicians. Payors decide what prescriptions get filled, through which channels and by whom – all to reduce costs.”

Third-party payors are self-funded employers, private insurers and managed care organizations representing employers, the principal source of health insurance in the U.S.

Pharmacy benefit managers (PBMs) work on behalf of third-party payors to adjudicate claims, integrate data, manage clinical programs and design cost-effective prescription drug plans. Formularies, product rebates, patient co-pays, reimbursement and mail order services are increasingly the domain of PBMs, along with selecting which pharmacies to include in their network of providers, enabling integration of...
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More than 10,000 prescription drugs and 300,000 OTC products are available today (3).

all medical and pharmaceutical care to lower overall cost. It’s estimated that PBMs manage prescription drug benefits for 57 percent or more of the U.S. population (8).

“Like the drugstore industry, managed care is consolidating,” says Don Huonker, corporate vice president of Pharmacy Services at Walgreens. “PBMs are consolidating, too, and buying small processors and specialty companies for greater reach and economies of scale.”

5. Growth of mail order

PBMs are also pushing mail order pharmacy service (9). Almost all offer it, and many have their own facilities. Designed for patients taking maintenance medications, mail service has gained broad acceptance as many PBMs claim it lowers prescription costs.

Today, mail service accounts for almost $40 billion of prescription sales. It’s one of the fastest-growing distribution channels of prescriptions (10), though growth has recently slowed with a decline in mandatory mail programs.

“Most managed care organizations that have PBMs and mail facilities see them as revenue streams,” says Greg Wasson, president of Walgreens Health Services (WHS). “They’re looking to restrict networks – exclude retail altogether or exclude retailers that won’t accept lower reimbursements – in order to drive patients through their own mail programs.”

“It’s a misconception that mail order lowers cost,” says Bob Zimmerman, chief administration and finance officer for WHS. “Research with our own PBM, Walgreens Health Initiatives (WHI), shows that 90-day fills – not the channel through which the prescription is filled – are what save payors money.”

6. Government as partner

Increasingly, third-party payors include Medicare, Medicaid and TRICARE, which covers the U.S. military and their families. Prior to 2006, the U.S. government paid for 44 percent of prescriptions, and Medicare didn’t cover outpatient prescription drugs.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established a voluntary outpatient prescription drug benefit, known as Part D, under which 43 million Medicare beneficiaries could enroll in private drug plans, effective Jan. 1, 2006 (6). Six months later, more than half of those beneficiaries had Part D coverage. Once Part D is fully implemented, Medicare will be the nation’s largest prescription drug purchaser.

Medicaid, the joint federal-state program that assists 55 million low-income individuals, was the largest public payor of prescription drugs prior to the implementation of Part D. It accounted for 19 percent of U.S. drug spend in 2004. Under the Deficit Reduction Act of 2005, enacted Feb. 8, 2006, states can control Medicaid

Other trends worth watching

Women and pharmacy

Twenty-five years ago, your neighborhood pharmacist was probably a man. But a greater percentage of new pharmacy graduates are women. In 2004, 45.9 percent of community pharmacists were women, compared with just 31.3 percent in 1990 (17). “The challenge,” says Mary Lee, vice president and chief academic officer for pharmacy and health science education at Midwestern University Chicago College of Pharmacy, “is to develop career models in community pharmacy that are attractive to women, realizing the drivers may be different for women than for men.”

Where scripts are dispensed

Fiscal Year 2005

| Source: National Association of Chain Drug Stores |

**Best-selling prescription products**

U.S. retail – 2005

<table>
<thead>
<tr>
<th>Total prescription count</th>
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<tbody>
<tr>
<td>1. Hydrocodone with APAP</td>
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<tr>
<td>2. Lipitor</td>
</tr>
<tr>
<td>3. Lisinopril</td>
</tr>
<tr>
<td>4. Atenolol</td>
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<tr>
<td>5. Synthroid</td>
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</tbody>
</table>

Source: National Association of Chain Drug Stores
drug spending through increased cost sharing for non-preferred drugs, changes in how pharmacists are paid and inclusion of generics in calculating “best price” for drugs (6).

“Unless we are able to reverse current legislation over the 2006-2010 period, Medicaid generic payments to pharmacies are scheduled to be reduced by $6.3 billion, and average manufacturers’ price (AMP) will be the new pharmacy reimbursement benchmark,” says Debbie Garza, director of Government & Community Relations at Walgreens. “Other third-party payors may want to push lower AMP pricing. In other words, Medicaid reforms are a huge threat to retail pharmacy.”

As for TRICARE, 58.4 million prescriptions were filled under the plan in 2005, up 20 percent from 2004. That’s why Congress spent much of 2006 debating how to control these costs. Thanks to persuasive advocacy efforts, mandatory mail was eliminated and retail co-pays were frozen at the current level through September 2007. However, debate over these issues may resume in 2007.

### The need for community pharmacists

As prescription drug use escalates, so does demand for pharmacists. The current pharmacist shortage, which has plagued the nation for almost a decade, is known all too well among retail pharmacies. And it may get worse before it gets better.

According to the National Pharmacists Workforce Survey (12), about 41 percent of male pharmacists and 10 percent of female pharmacists are currently 55 or older, meaning retirement is at hand. By 2010, as new pharmacy graduates enter the workforce and older pharmacists retire, NACDS predicts a modest 7.8 percent net increase in community pharmacists. At the same time, prescriptions will jump 27 percent.

So what’s being done to address the nation’s pharmacist shortage? Starting new pharmacy schools is a key strategy. In October and November 2006 alone, announcements were made of three new schools, and one well-established pharmacy college announced plans to increase enrollment by 100 percent by 2020.

More aggressive student recruitment is crucial, too. And it’s paying off. Enrollment among first-year PharmD students increased 6 percent to 46,527 in 2005, versus 43,908 students in 2004. 2005 also marked the fifth consecutive year of increases in pharmacy school applications, up 7.1 percent over 2004 (12).

“In recent years, we’ve recruited students away from medicine and dentistry,” says John Pieper, dean of the University of New Mexico Health Sciences Center College of Pharmacy. “Sure, part of it’s salary. But mostly our students choose pharmacy to have patient contact and opportunities to manage disease states.”
Focus on drug safety

Patient safety is always top priority. But errors happen and are more likely with greater drug complexity. Complicating matters, opportunities for drug interaction are greater as 80 percent of adults now take at least one medication or dietary supplement each day (13). In addition, post-Vioxx, the public and FDA are more cautious than ever about prescription drugs (14).

With a focus on patient safety, the Institute of Medicine released a report, Preventing Medication Errors: Quality Chasm Series, in July 2006. The report noted, among other things, that more than 1.5 million Americans are injured every year by drug errors in hospitals, nursing homes and doctor’s offices—a count that didn’t include patients’ mix-ups or retail pharmacy mistakes.

As a chief remedy for doctors’ notoriously bad handwriting, sound-alike drug names and inadequate communication among healthcare providers, the report recommended that all prescriptions be transmitted electronically by 2010. Less than 1 percent of prescriptions in the U.S. are currently electronic.

“Pharmacists, associations and corporations need to be more vocal about pharmacists’ focus on quality, accuracy and safety,” says Bill Ellis, executive director and CEO of the American Pharmacists Association Foundation. “I’ve done it myself—caught a drug interaction and quietly called the physician. The patient never knew what had happened. We should let patients, payors and the public know the value pharmacists add.”

Consumerism and self-care

It’s the age of consumerism, and individuals of all ages are taking charge of their health— with encouragement from healthcare professionals, consumer advocacy groups, employers and payors. The primary focus is personal wellness and prevention of disease and injury.

Secondarily, consumers are becoming oriented to self-care when they do encounter health problems. Outpatient procedures are the norm, and hospital stays are shorter. Patients returning home from the hospital rely on themselves, family and friends for follow-up care.

That take-charge attitude extends to medications. Consumers are predisposed to taking vitamins and mineral supplements along with prescription drugs for better health. Cost conscious as well, they’re requesting generics, using OTC medications when they can, buying in bulk and comparing drug prices for the best deal (15).

“Consumers want healthcare professionals who will answer questions, give good information and be accountable for quality outcomes,” says Midwestern University’s’s Lee. “They want providers representing different disciplines to work together, rather than in silos, to create a system of checks and balances for the patient’s benefit.”

Consumers also want healthcare that’s more convenient, affordable, error-proof and easier to understand, whether it’s self-administered treatments or recommended lifestyle changes. Patients also like the idea of having control of their own medical records.

OTHER TRENDS WORTH WATCHING

DTC drug advertising

Direct-to-consumer (DTC) drug advertising by pharmaceutical manufacturers reached $4.2 billion in 2005, more than five times the amount spent in 1996 (6). It’s little wonder: A 10 percent increase in DTC drug advertising results in a 1 percent increase in drug sales in that class (16). In June 2006, the American Medical Association (AMA) asked the U.S. Food and Drug Administration (FDA) to impose a temporary moratorium on DTC advertising of newly approved prescription drugs to give physicians a chance to review the drugs before consumers start asking for them. The AMA also called for guidelines for future ads, which would be further subject to FDA approval. FDA response is pending.
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10. A diverse population

The U.S. is becoming increasingly diverse – racially, ethnically and culturally. By 2050, almost a quarter of the population will be Hispanic and nearly 15 percent black (15).

“New Mexico, for example, is a minority majority state,” says the University of New Mexico’s Pieper. “The total of various minorities exceeds 50 percent of the state’s population. Like all border states, we’re tackling what it means to be culturally diverse ahead of other U.S. regions.”

Language, communication style and a patient’s ability to understand instructions are obvious concerns for pharmacists seeing a diverse population. But what about patients’ attitudes toward health and disease?

“We’re encountering patients of Mexican descent who use non-traditional herbal products to treat diseases such as diabetes,” continues Pieper. “Pharmacists must know what those herbal products are, their impact and possible interactions.”

“We are becoming more culturally diverse, pharmacists need to be culturally competent healthcare providers,” agrees Midwestern University’s Lee. “As pharmacists – and as teachers and employers of pharmacists – we need to take cultural diversity seriously.”

11. The new corner drugstore

The chain drugstore industry isn’t what it was five years ago, much less 10 years ago. Retail pharmacy is changing both in response to and in anticipation of major trends, including:

• Consolidation. Like the rest of the pharmaceutical supply chain, retail pharmacy is consolidating. The number of major chain drugstore players has diminished with mergers aimed at economies of scale – for better leverage with drug manufacturers and PBMs – and more diversified service (8). In addition, independents are shutting their doors at record rates.

• Location, location, location. Surviving chains have aggressive growth plans. A drugstore on every corner where it makes sense, market share leadership the goal.

<table>
<thead>
<tr>
<th>Projected U.S. population by race and ethnicity</th>
<th>2000</th>
<th>2010</th>
<th>2020</th>
<th>2030</th>
<th>2040</th>
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<tr>
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<td>65.1</td>
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<td>57.5</td>
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<td>13.5</td>
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<td>15.5</td>
<td>17.8</td>
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<td>24.4</td>
</tr>
<tr>
<td>Asian alone</td>
<td>3.8</td>
<td>4.6</td>
<td>5.4</td>
<td>6.2</td>
<td>7.1</td>
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<tr>
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<td>3.0</td>
<td>3.5</td>
<td>4.1</td>
<td>4.7</td>
<td>5.5</td>
</tr>
</tbody>
</table>

* includes American Indian and Alaska Native alone, Native Hawaiian and Other Pacific Islander alone, and two or more races

Source: U.S. Census Bureau, 2004, “U.S. Interim Projections by Age, Sex, Race, and Hispanic Origin,” census.gov/ipc/www/usinterimproj/
• Identity. As prescriptions and pharmacy become increasingly important to a chain's success, drugstores are repositioning their brand identity and role in the community to emphasize their role in healthcare.

• Service diversification. Immunizations, smoking cessation, health screenings and diabetes management services are currently offered at 10 percent of community pharmacies. Initial pharmacist-run disease state management programs address anticoagulation, hypertension and asthma, as well as diabetes. Growth of non-traditional pharmacy services is expected to increase rapidly as payors turn to specialized retail distribution channels to help manage their pharmacy benefit expenditures.

“Chain drugstores have learned that patients will shop the front end of the store because a pharmacist is there to provide health services, answer questions, help manage chronic diseases and dispense prescriptions,” says Mark Wagner, executive vice president of Store Operations at Walgreens. “Patients say drugstores fill a need. While location is important, they see pharmacists as trustworthy, knowledgeable and approachable.”

12. What technology can do

“Technology is the most significant trend shaping pharmacy,” says Mark Britton, associate dean for academic affairs at the University of Oklahoma College of Pharmacy. “Technology doesn’t reduce the number or quality of pharmacists we need. Instead, it makes more patient services possible, along with greater assurance of safety and lower healthcare costs.”

“Accelerated use of technology speeds the dispensing process so pharmacists have ample time to interact with patients,” adds Walgreens Fong. “And that’s just the beginning.”

“We’ll soon see a proliferation of health information that’s transmitted electronically from prescribers to pharmacies to labs and back again,” says Britton. “Right now we’re limited by what patients tell us about their health. With access to patients’ total health records, we can make a dramatic difference in their care.”

Technology can capture and store a vast trove of data on patient outcomes, compliance, drug therapy and other information. Now it’s time to integrate the information internally and among healthcare systems.

“Bottom line, an investment in technology and integrated information is an investment in better patient care and lower healthcare costs,” says Walgreens Huonker.

Endnotes
5 statehealthfacts.org, August 2006.
7 IMS Health Midas Data, May 2006.
8 Follow the PV: Understanding the U.S. Commercial Pharmaceutical Supply Chain; The Health Strategies Consultancy LLC, on behalf of The Kaiser Family Foundation, March 2009.
9 Walgreens began operating its own mail service pharmacy in 1984 and added a pharmacy benefits manager (PBM) in 1991.
11 National Pharmacists Workforce Survey, March 2006. The study, which was conducted under a grant from the Pharmacy Manpower Project, polled 1,564 actively practicing community pharmacists across all retail practice settings. David A. Mott, Ph.D., associate professor, University of Wisconsin-Madison School of Pharmacy, served as the study’s project director.
12 2005 Profile of Pharmacy Students, American Association of Colleges of Pharmacy, June 2006.
13 Preventing Medication Errors: Quality Chasm Series, Institute of Medicine, a branch of the National Academy of Sciences, an independent organization chartered by Congress to advise the government on scientific matters of the National Academies, July 2006.
Pharmacy by the numbers

SHOW ME THE MONEY

The average prescription price in the U.S. was $64.86 in 2005, versus $63.59 in 2004.

Source: National Association of Chain Drug Stores

Of the cost, the manufacturer received almost 77%, the wholesaler 3% and the retailer 20%.

Source: Follow the Pill, The Health Strategies Consultancy, Kaiser Family Foundation

In 2004, national health expenditures were $1.9 trillion, or 4.3 times the amount spent on national defense.

Source: National Coalition on Health Care

$17 billion

The amount Americans spent in 2005 for cough, cold and flu products.

Source: IMS

SPEAKING THEIR LANGUAGE

18% of the U.S. population, or 50 million people, speak a language other than English at home. Source: 2004 U.S. Census

20% of Walgreen stores have at least one bilingual pharmacist.

14 Number of languages available for pharmacy label instructions at Walgreens.

14 Number of languages available through Walgreens Dial-A-Pharmacist service, which puts patients in touch with a pharmacist who speaks their language.

PRESCRIPTIONS GALORE

At least 4.1 billion prescriptions will be dispensed at retail pharmacies in 2010.

Source: National Association of Chain Drug Stores

In 2005, the number of per-capita prescriptions filled at U.S retail pharmacies was 12.3.

Source: Prescription Drug Trends, Kaiser Family Foundation

MAPPING IT OUT

In 2005, California led all 50 states in prescription filling with 263 million. Alaska filled the least with 4.2 million.

Source: statehealthfacts.org

Importation of pharmaceutical products from Canada totaled about $700 million in 2003, versus U.S. pharmaceutical sales of more than $210 billion. Prescription imports from the rest of the world totaled about $700 million as well.

Sources: Prescription Drug Trends, Kaiser Family Foundation, IMS National Sales Perspectives
Nonadherence with medication regimens may cost upwards of $100 billion yearly as a result of hospitalizations, emergency department visits and repeat physician visits. Source: U.S. Pharmacist

SERVING AMERICA

Walgreens is No. 1 among drugstores in 122 markets nationwide.

529 MILLION

The number of prescriptions filled at Walgreens in fiscal 2006, up 8.1% from the previous year. We fill an average of 281 prescriptions per store each day.

SOUND ADVICE

Pharmacists make on average 22 recommendations a day regarding OTC products.

Source: National Council on Patient Information and Education

IT ALL ADDS UP

WALGREENS OPENS A NEW STORE EVERY 18 HOURS.

No. 1

Walgreens ranking among food and drugstores by Fortune magazine in America’s Most Admired Companies (March 2006) – for the eighth consecutive year.

25,000

The number of items for sale in a typical Walgreen drugstore.

7,000

The number of stores Walgreens expects to operate in 2010.
A New Perspective: The State of Pharmacy in America

A Roundtable Discussion

Viewpoint: the future of pharmacy


Jeff Rein: The future of pharmacy is promising, exciting – and challenging. We’ve conducted research and analyzed trends. We’ve done a thorough cost analysis and explored ways to build on our strengths. The result is a clear vision: Drugstores must become community health centers.

Kermit Crawford: Lick and stick, count and pour are not the future of pharmacy. Taking the long view suggests that because pharmacists are the most accessible healthcare professionals and we’ve earned patient trust, we can do more than fill prescriptions. We have an unprecedented opportunity to play an expanded role in healthcare.

Rein: Patients want more from pharmacies. Flu shots, immunizations, blood pressure checks and diabetes care are the starting point. We have the right individuals as well as the locations, strategy and technology to provide a range of healthcare services that complement traditional pharmacy care – conveniently, efficiently and cost effectively.

Cordell Reed: All those services are sorely needed, especially in neighborhoods where the emergency room is the primary source of healthcare and Walgreens may be the only health resource within walking distance. And even in communities where patients have choices, our flu shot program has proven they come to Walgreens for convenience.

Laura Miller: This community health center model of pharmacy coincides with a trend we’re tracking at NACDS (National Association of Chain Drug Stores). A retail model of healthcare is emerging as clinics, physician offices, labs and other ancillary health services spring up near pharmacies, and vice versa. If health services are in close proximity, patients are more likely to follow through with tests and treatment. We expect both freestanding and in-pharmacy clinics to grow at a rapid pace because patients like them – they’re conveniently located, you don’t need an appointment, wait times are often less than 15 minutes and they’re staffed by nurse practitioners who can handle routine health issues and refer urgent matters to a physician.

Rein: Clinics in drugstores are cost effective, and that’s important in attracting patients. But we also have a responsibility to do more as a corporate citizen to help reduce the rising cost of healthcare. Clinics can do just that. A $65 clinic visit, for example, compares favorably to $110 for a doctor visit and $325 for a trip to the emergency room.

Kermit Crawford is a corporate vice president at Walgreens and executive vice president of PBM Services for Walgreens Health Services.

John Gans is executive vice president and CEO of the American Pharmacists Association.

Don Huonker is corporate vice president of Pharmacy Services at Walgreens.

Nimesh Jhaveri is director of pharmacy operations optimization in Pharmacy Services at Walgreens.

Laura Miller is senior economist for the National Association of Chain Drug Stores.

Cordell Reed is a former senior vice president of Commonwealth Edison Co. and a member of Walgreens board of directors.

Jeff Rein is president and CEO at Walgreens.

Trent Taylor is executive vice president and chief information officer at Walgreens.

Mark Wagner is executive vice president of Store Operations at Walgreens.

Lick and stick, count and pour are not the future of pharmacy...
We have an unprecedented opportunity to play an expanded role in healthcare.

— Kermit Crawford
Drugstores must become community health centers.
— Jeff Rein

MILLER: Walk-in clinics located in or near drugstores will drive more business into the pharmacy. Smart retailers will get their pharmacists involved, meaning we’ll see patient care that’s superior to anything we’ve ever had. But such a move necessitates rethinking the practice of pharmacy and role of pharmacists – and overcoming resistance in the medical community to giving pharmacists more responsibility. It also opens the door for a broader array of healthcare services.

DON HUONKER: That’s been our logic with Walgreens Health Services (WHS). Our goal is to serve the whole life cycle of a patient. We have mail service, home care, specialty pharmacy and services for assisted living facilities. We’re moving toward a total healthcare package.

MARK WAGNER: Remembering we have a business to run, the key is offering services that payors and patients are willing to pay for. Pricing dynamics, margin pressures and lower government reimbursement are serious challenges facing retail pharmacy.

JOHN GANS: Yes, but I’d like to come at it differently. The pharmacy in most drugstores is not a healthcare facility. It’s run as a retail operation, backed by a business model emphasizing profit margins. Retail pharmacy needs to get retail out of its mindset and commit to health improvement. Because you have little, if any, control over drug prices, you’ll never make enough margin dispensing product. What retail pharmacy does have is locations that patients already visit and healthcare professionals – pharmacists – who have the education, degrees and knowledge to provide drug information, training and follow-up.

NIMESH JHAVERI: The risk of focusing on dispensing product is the continuing commoditization of pharmacy, plus lower job satisfaction among pharmacists. Knowledge, compassion and counseling are what patients value and what payors need to pay for – not moving product off the shelf.

REIN: Yes – because when price is the issue, prescriptions become a commodity. That’s why Wal-Mart’s generic pricing announcement last fall was problematic. It equated prescription drugs to Barbie dolls and CDs, with no thought to professional service, safety and trust.

JHAVERI: One-on-one, pharmacists can show patients how to use injectables, or we can see a rash that may be a drug allergy. WHS talks about a case management approach, where pharmacists help patients manage their diseases with medications before those patients become high cost. Yes, that demonstrates value to payors in lowering overall costs. But more importantly, we’re promoting quality of life for our patients.
A New Perspective: The State of Pharmacy in America

Once electronic medical records become prevalent, a pharmacist can play a more serious role as a caregiver.

— Laura Miller

Laura Miller

CRAWFORD: We need to measure outcomes, and once we have a track record of better compliance with counseling, we can be paid for cognitive-type services. As an industry and a profession, we need to zero in on disease management through compliance – because it’s compliance that will bring down healthcare costs over the long term, and ultimately show PBMs (pharmacy benefits managers) the value of the face-to-face patient-pharmacist relationship.

REIN: That’s why we’re excited about MTM (medication therapy management). We provide drug therapy services, prove outcomes and get paid for what we do best. We’re committed to MTM programs, and their outcomes show how pharmacist-patient interaction is vital.

CRAWFORD: It ties back to that goal of providing a continuum of care from cradle to grave, and saying “yes” to every prescription patients have in their lifetime. We can do this because we’re investing in the services, delivery system and pharmacists who want to provide more expansive prescription care.

REIN: I want to underscore that last point: Pharmacists are the core of who we are. Our future is about emphasizing the personal and clinical aspects of pharmacy, as well as broadening drugstore services. As medication experts, pharmacists are in a unique position to be involved with patient outcomes. That’s what we’ve been trained to do and why we chose healthcare as a career in the first place.

GANS: Then I suggest we totally give in to a model of patient care. Let’s free pharmacists from filling prescriptions and seeking insurance approvals by automating as much of their workload as possible and shifting clerical tasks to pharmacy technicians. It will require some board of pharmacy changes. But that’s what’s best for patients and pharmacists.

HUONKER: We have several initiatives as pilots to do just that. And I’ll take it a step further to advocate for tech-managed pharmacies. Inventory, labeling, third-party issues, workflow and other non-clinical processes could be handled by a pharmacy tech manager. Pharmacists could then do data reviews, telepharmacy product checks, other drug monitoring, MTM, vaccinations and in-depth counseling.

TRENT TAYLOR: We’re at the beginning of a pharmacy renaissance, thanks in part to technological advances. We used to re-engineer pharmacy procedures to lower costs and improve efficiencies. Now we can connect networks, capture data, integrate information and automate more tasks to give pharmacists more time for patients.

JHAVERI: Our vision of pharmacy really does depend on our ability to understand and deploy technology. We must push for e-prescribing and electronic medical records.
**Knowledge, compassion and counseling are what patients value and what payors need to pay for – not moving product off the shelf.**

— Nimesh Jhaveri

**GANS:** The need for improved patient safety has spurred interest in e-prescribing. In the 2006 Preventing Medication Errors report, the Institute of Medicine recommended, among other things, that physicians should “write prescriptions electronically by 2010 and all pharmacies [should] be able to receive them electronically, also by 2010.” Besides improving accuracy and speed, e-prescribing makes electronic medical records possible – meaning pharmacists, physicians and other appropriate healthcare providers would have access to complete patient records, including drug history, possible interactions, opportunities for therapeutic interchange and payor information.

**MILLER:** Once electronic medical records become prevalent, pharmacists can play a more serious role as a caregiver. The retail pharmacy that takes advantage of this opportunity will be ahead of the healthcare curve.

**TAYLOR:** Pharmacy is well over 60 percent of Walgreens business and growing, so there’s not a more important strategic opportunity across the company. We’re putting significant resources into developing technical solutions that enhance our pharmacy operations.

**REIN:** We are truly in the throes of a paradigm shift. Community pharmacy is evolving from a dispenser of product to a more professional, sophisticated model – we’re becoming a dispenser of information and services.

**WAGNER:** To support this shift in purpose, Store Operations is focused on better alignment between the back and front ends of our stores. Store managers and pharmacists need to be on the same page. Pharmacists can handle the clinical side, while store personnel can support in-stock positions and offer outstanding customer service. We’ve also asked store managers to get directly involved in pharmacy operations. Why? We know the best pharmacy in the world won’t succeed if things aren’t right on both sides of the counter. Future success requires unified strength.

**REED:** “Transformation” is the word I’d use as we move forward. And it all comes down to not underestimating the value of a pharmacist’s advice and the impact it has on a patient’s well-being.

**HUONKER:** Pharmacy-as-community-health-center is the direction we need to go. Living it means keeping patient care at the forefront of all we do while delivering value to payors. Clinical programs, new services and ongoing emphasis on patient counseling build on the strength of the Walgreen name, our locations and ability to innovate – and differentiate us from our competition. As this new model of pharmacy catches on, we should find ourselves in the sweet spot of healthcare.
Outlook: strategic solutions in pharmacy
Walgreens strategy for the future of pharmacy is simple and straightforward. It can be summed up in one key phrase: Our goal is to say “yes” to every prescription. The question is how...

The future of pharmacy is closer on the horizon than you may think... Getting there is about creating value both for patients and payors. By expanding the scope of pharmacy and adding health services, there’s no need to choose between patients and payors. Doing right by patients leads to lower healthcare costs.

“When we deliver value for patients, we demonstrate value to payors,” says Don Huonker, corporate vice president of Pharmacy Services at Walgreens. “That’s the edge we can use to build our business and compete distinctly, effectively and profitably in an increasingly complex healthcare market.”

Balance is the key to satisfying both patients and payors. Walgreens is committed to exploring a variety of methods and implementing new programs and services that advance quality healthcare and fair prices.

MTM: what pharmacists have been waiting for
Most pharmacists want to spend their time counseling, and that’s good for patients. Face-to-face pharmacist-patient interaction is the best way to encourage drug compliance.

“With medication therapy management, or MTM, pharmacists counsel patients about drug therapies – and get paid for it,” says Huonker. “The theory is: Counseling leads to compliance, and as patients become more compliant, hospitalizations and other medical expenses should decrease. Payors are willing to compensate pharmacists because counseling reduces healthcare costs. MTM is a win for patients, a win for payors and a win for pharmacists.”

MTM really got off the ground in January 2006 thanks to Medicare Part D. Because the program insures millions of seniors who previously were cash-paying patients, prescription use is on the rise. To ensure the money spent on those medications isn’t a waste, Medicare built in an allowance for seniors to receive extended pharmacy consultation if they have multiple disease states and take multiple medications.

To make MTM a reality at Walgreens, a group of pharmacists have been developing an MTM program since 2003.

“We extract and process claims data on the most complicated patients from the 56,000 pharmacies in our Walgreens Health Initiatives (WHI) pharmacy benefits manager network,” says Jim Langman, vice president of clinical services for Walgreens Health Services (WHS) and head of the MTM development group. “Our clinicians evaluate that information with the patients’ physicians to ensure safety and appropriateness of therapy.”

The patient’s pharmacy receives a complete medical record from WHI, along with counseling sheets to assist in communicating recommended changes, such as switching to generics or adjusting dosages. Patients can use the printout for their own reference or with their physician.

“We believe MTM and better drug regimens add value,” says Huonker. “That’s why we’re developing systems to receive intervention opportunities from other payors. That’s also why Medicare plans to increase the scope of MTM in 2007.”

“MTM needs time to prove itself,” cautions Ruth Conroy, San Francisco Central district pharmacy supervisor and a member of the California Board of Pharmacy. “The question is whether pharmacists are the right healthcare professionals to administer MTM. We believe they are.”

Compliance – a high priority
“The single biggest opportunity for pharmacists to have an enormous impact in bettering the lives of patients and lowering healthcare costs is compliance,” says Dave Bernauer, chairman of Walgreens.

“Good things happen when people are compliant with their prescription therapy. Patients are healthier, and we take millions of unnecessary dollars out of the healthcare system,” continues Bernauer. “For example, savings in diabetes amount to $7 in other healthcare costs for every $1 spent on properly used drugs. Many of our strategies, new programs and services are designed to encourage compliance.”
Our goal is to “marry” niche pharmacy services to our thousands of pharmacy counters.

— Dave Bernauer

Sandra Jones
Bartlett, Tennessee

Her claim to fame – Elvis shopped in her Walgreens. But there’s much more that makes Sandra Jones unforgettable. She’s warm, persistent and patient oriented.

Pharmacy students from the University of Tennessee rave about her as a preceptor. Assisted living residents get a chuckle – and information – out of her drug abuse skit. On career day, elementary school children learn that science can be fun.

Jones is pharmacy manager at our 6697 Stage Road store in Bartlett, Tenn. The former math teacher has worked at Walgreens for 32 years. She chose a career in pharmacy because she saw how her hometown pharmacist made a difference in the community.

Jones is doing likewise. A patient recently approached her at the grocery and said, “You’re that Walgreens lady. When things were bad, you made it OK. I always come back to you.”

“That just fills my soul,” says Jones. “I’m the luckiest person to be here.”

professional to reimburse for counseling. Turf wars have begun. But patients are more likely to be compliant if they can get everything in one place. And who can bring it all together? Who do they trust? Their community pharmacist.”

‘Pay for performance’ strikes a chord

For years, drugstores and pharmacists have felt patient counseling was a billable expense. Yet only 12.9 percent of retail pharmacists currently receive payment for non-dispensing services. That’s changing. Part of the excitement about MTM is that it sets in motion a new payment model, “pay for performance.”

“Because of Medicare, a quality alliance has been formed to look at ways to base payment on outcomes, not just drugs or time spent counseling,” says Huonker. “Pay for performance measures patient outcomes against the goals of better health and lower costs.

“If it works – and we think it will,” Huonker continues, “pay for performance should improve compliance, encourage better drug utilization and lower healthcare costs, as well as benefit patients.”

WHI, which covers 5 million Medicare patients through seven plans subscribing to MTM, is a case in point. Payors are paying WHI to do the analysis and pharmacies to counsel the patients.

“It’s a first step,” says Langman. “And if we can show it reduces a patient’s healthcare bill, managed care should sign more contracts for pharmacists to provide patient counseling and education.”

Generic substitution, TIP gain traction

Pharmacists have been encouraging drug compliance and demonstrating value to payors and patients with generic substitution for decades.

When branded drugs lose patent protection, they face competition from new, lower-cost generic substitutes. At Walgreens, pharmacy systems are designed to notify a pharmacist whenever a lower-cost generic substitute is available for a branded drug. With payor and physician approval, the pharmacist can shift a patient’s prescription from a higher-priced brand to a chemically equivalent generic. Not only does overall drug spend decline, patients and payors alike also appreciate paying less.

“Walgreens leads the chain drugstore industry with its generic conversion rate,” says Huonker. “Now we can offer similar substitutions with brand-name drugs through the therapeutic interchange program, or TIP, for more cost-effective medications.”

When no generic exists and a drug plan has a well-defined formulary, pharmacists can use TIP to switch patients from brand-name drugs to lower-cost
AARP and Walgreens announced in September 2006 that they had formed a multiyear alliance to bring health education resources to adults aged 50 and older—to encourage Americans 50+ to take greater control of their health.

alternatives within the same drug class. A Walgreens Intercom Plus application identifies these lower-cost, therapeutically equivalent drugs.

“Again, we’re demonstrating value,” says Huonker. “A study of our initial TIP efforts found that patients save an average of $37 on their co-pay, in addition to payor savings.”

Expanding Walgreens presence in compounding and specialty
As new drugs enter the market and drug therapies become more complicated, it’s easy to see why Walgreens needs compounding and specialty services to say “yes” to every prescription.

“Many independents thrive for two big reasons: delivery and compounding,” says Huonker. “Now we’re entering the compounding business.”

Five stores located in the Denver area are compounding for that market using proprietary routing technology. Compounding stores will roll out nationwide over the next few years.

“Patients are often surprised to learn that Walgreens has compounding capabilities,” says Kristi Rudkin, manager of patient services in Pharmacy Services at Walgreens. “Once they give us a try, they’re hooked on our professionalism, availability, pricing and knowledgeable compounding pharmacists. The response has been 100 percent positive from physicians, veterinarians and patients alike.”

As for specialty pharmacy, it’s growing 25 percent annually, double the rate of traditional pharmaceuticals. Specialty drug spend should surpass $100 billion by 2010. Yet Walgreens current market share is just 3.5 percent.

Specialty drugs are biotech medications derived from organisms rather than chemicals to manage complex health conditions, such as hepatitis C, rheumatoid arthritis and growth hormone deficiency. These medications tend to be expensive—the average tab is $18,000 per patient per year—and they require special storage and handling, strict adherence and extra patient support.

“Part of our fascination with specialty drugs is that most are administered by injection,” says John Colaizzi, dean of Rutgers University Ernest Mario School of Pharmacy. “In the past, they’d have been limited to hospital use. Today, self-administration in the patient’s home, or administration of the injectable by a family member, is the expectation.”

As these complicated pharmaceuticals grow in use, more managed care organizations and pharmacy benefits managers (PBMs) are selecting pharmacy providers that can offer dedicated support. That’s where Walgreens Specialty Pharmacy comes in.

Established by WHS in 1999, Specialty Pharmacy provides injectable and biopharmaceutical medications, plus clinical support. Recently, Specialty Pharmacy acquired several “best of breed” businesses that provide advanced fertility medications, nutritional therapies, injectables and infusibles to meet growing demand for these drugs.

For now, most specialty work is being done from a facility in Cincinnati and the Orlando Specialty Call Center in Florida. Specialty patients come to their local Walgreens with a script, which is routed electronically to Cincinnati or Orlando for filling and support. However, select pharmacies may eventually be designated as centers of excellence—in-store patient care centers that use a case-management approach to help individuals with specific diseases, such as asthma or diabetes.

“Centers of excellence are staffed by pharmacists with additional training in a specific disease state,” says Langman. “Payors pay for these specialty MTM services because the patients who need the care are the ones who cost payors the most.”

Reaching an aging population
“Our greatest opportunity for growth may well be long-term care,” says Greg Wasson, president of WHS. “Payors want a Walgreen solution for residents of assisted living facilities and nursing homes.”

In September 2005, WHS launched community living pharmacy services and joined forces with SeniorMed, an institutional pharmacy that provides assisted living facilities with pre-packaged medications for each patient’s regimen. Nurses are available to assist facilities’ support staff, and pharmacists consult with patients and medical professionals on-site.
Only 81 percent of children 19-35 months of age are vaccinated for childhood infectious diseases, according to the U.S. Department of Health and Human Services.

“Our process improves compliance, reduces errors – and it’s a huge convenience for the nurses who dispense the drugs,” says Randy Knutsen, a former Walgreens district pharmacy supervisor and now director of pharmacy at SeniorMed.

“As we grow this business, a significant advantage is our connection to Walgreens retail network,” he continues. “Our 24-hour stores can fill acute prescriptions, such as those for antibiotics, and other emergency prescriptions along with first-dose medications.”

Pharmacies in the Dallas, Denver and Tampa, Fla., markets serve more than 200 assisted living communities in 30 states, filling 70,000 scripts each month. Volume is expected to double in fiscal 2007.

**Speaking of seniors...**

It wasn’t that long ago that Medicare Part D went into effect, and with it came chaos. Walgreens strategy was to weather the storm and win new patients with convenient locations, a reputation for quality care, senior-friendly services and patience.

“Walgreen pharmacists were the unsung heroes in the rollout of Part D,” says Ric Leonardi, director of pharmacy acquisitions and business in Pharmacy Services at Walgreens. “And Rx Savings Advisor was a great help. It allowed pharmacists to provide patients with a computer-generated list of plans that cover the medications they’re taking, along with plan details such as premiums, co-pays and deductibles. During the height of enrollment, our pharmacies printed Rx Savings Advisor reports – or Medicare summaries – for 5,000 people a day.”

The effort is paying off. Thousands of seniors, many of whom had been paying cash but now pay the same price no matter where they shop, have become Walgreen patients. Thanks to Part D, prescriptions dispensed by Walgreens to seniors is increasing significantly – and millions of people can now afford the drug therapy they need.

**Flu shots – not just for senior citizens anymore**

While seniors are often first in line each fall for Walgreens popular flu shot program, greater numbers of younger patients are showing up as well. All are getting a taste of the convenience and broad range of patient services Walgreens provides.

2006 marked the 13th year of the program. More than 6,000 in-store flu and pneumonia vaccination clinics were conducted over a six-week period nationwide. In six states – Colorado, Iowa, New Mexico, Texas, Virginia and Washington – shots were given for the first time by Walgreen pharmacists. Shots at other clinics were nurse-administered.

“We’ve trained more than 400 pharmacists in a quarter of our districts to give flu and pneumonia shots,” says Huonker. “With 44 states allowing pharmacists to give immunizations, we anticipate taking the program chain-wide in the fall of 2007, and offering vaccines for other viruses, such as HPV (human papillomavirus) and shingles, in certain markets.”

In the meantime, more Walgreen pharmacists will participate in a two-day training program certified by the American Pharmacists Association to learn proper techniques and emergency procedures, practice giving immunizations and pass a skills test to become certified.

**In-store clinics come on strong**

“Take the idea of expanded patient care a step beyond flu shots and you understand the rationale for in-store clinics,” says Denny Murray, manager of in-store clinics in Pharmacy Services at Walgreens. “Our thinking is, ‘Why not come to your neighborhood clinic for a quick check, rather than visit the ER or try to find an open urgent care clinic?’”

In the summer of 2006, Walgreens opened Health Corner Clinics inside 19 stores in the Kansas City and St. Louis markets, followed by clinics in...
According to the National Coalition on Health Care, about 20 percent of uninsured people say their usual source of care is the emergency room, rather than a clinic or physician office.

Atlanta, Chicago and Las Vegas. The goal is to have 250 in-store clinics by August 2007.

Located adjacent to the pharmacy, Health Corner Clinics are self-sufficient centers staffed by certified nurse practitioners who follow protocols established by the medical community to diagnose, treat and prescribe medications for standard family illnesses. When patients’ conditions fall outside the clinic’s scope, staff refer patients to their primary care physician or help them find a doctor if they don’t have one.

The clinics also offer screenings for conditions such as diabetes and high blood pressure, and vaccinations for flu, hepatitis B, meningitis and tetanus/diphtheria. Services are available seven days a week with no appointment necessary.

Most clinics work with third-party payors to provide services for insured patients, usually at the same price as their office visit co-pay. For uninsured patients, services are priced below the typical cost of a trip to the emergency room or an out-of-pocket physician visit.

“Our in-store clinics have been designed to respond to patient requests for healthcare that’s more convenient and affordable,” says Murray.

Compliance, convenience...
...cost, communication – they all go hand in hand. Three programs are noteworthy and address all four of these areas:
1. **Dial-A-Pharmacist** provides telephone counseling with a Walgreen pharmacist who speaks the patient’s native language. More than 11,000 requests come in each month for translations in 14 languages.

2. **Rx Compliance Advisor** helps pharmacists identify patients with poor compliance and recommends different ways to improve it using Walgreen services, such as autofill and Internet refills. Rollout began in October 2006.

3. **Walgreens Home Care** provides respiratory therapy, infusion therapy and home medical equipment, currently in 11 states. Recent acquisitions of regional providers with national potential extend Walgreens reach in this booming healthcare arena.

The big picture
From MTM to in-store Health Corner Clinics, it probably seems like Walgreens is into a lot of programs and services at once. That’s true.

“All of us with a vested interest in pharmacy need to take a step back, look at the big picture and realize no one particular service is the future of pharmacy,” says Bill Ellis, executive director and CEO of the American Pharmacists Association Foundation. “If we focus on one program or opportunity, we risk a distorted view of the broader reality – and create a divide between dispensing and clinical. The future of pharmacy is a continuum that needs both.”

Endnotes
1 National Pharmacists Workforce Study, March 2006, conducted under a grant from the Pharmacy Manpower Project, Inc., by David A. Mott, Ph.D., University of Wisconsin-Madison School of Pharmacy.
Having our say

It’s been said the most pressing issues facing pharmacy are safety, compliance, staffing and integrating healthcare systems. Walgreens district pharmacy supervisors share their own ideas, concerns, observations – and enthusiasm for the future of pharmacy.

What is the most significant issue or trend that’s shaping the future of pharmacy?

Medicare Part D has been huge. Where it’s heading and what the government will pay for will have a major impact on us all.

Mike Godek
Boston Central

Third-party issues – they’re the biggest headache in our pharmacies, making it difficult for pharmacists to focus on patients.

Alycen Lacombe
San Antonio East

The need for a store culture of service and humanity. Creating such a culture will differentiate us among our competition.

Sylvia Castro
Puerto Rico South

Hiring qualified pharmacists has been our greatest challenge. It’s difficult to focus on anything else when you’re struggling to keep stores open. But now that our recruiting efforts have paid off, we can look at the bigger picture: third party. Payors control which drugs a patient can take, then dictate where prescriptions can be filled. Along with restrictions the patient sees, payors then challenge us with pharmacy audits and chargebacks.

Fauzia Somani
Phoenix Central
What we can do for pharmacy staffs with VISION and dynamic workload balancing. I look forward to the day when we perfect remote verification. Then pharmacists will have more time to counsel, and it will help lessen the impact of the pharmacist shortage.

Thanh Nguyen
Seattle Central

What excites you most about Walgreens vision of the future of pharmacy?

Concentrating on patients, pharmacists and techs. We need to devote more attention to developing our people and use internal reports as tools.

Jaime Whited
Cleveland North

Being able to provide a total healthcare solution for our patients. We can dispense every kind of prescription, from compounding to IVs to pet meds. We provide valuable health services, such as immunizations and flu shots. We offer in-store clinics where patients can be treated for common ailments. And we provide all these services at a conveniently located neighborhood drugstore.

A.J. Patel
Austin West

Where do I begin? Emphasis on understanding the female customer, delivery models for seniors in assisted living, e-prescribing and people-focused supervision.

Jeff Hines
Lincoln
What will it take to make the future of pharmacy a reality? Expanding the role of pharmacists requires a long view – and intelligent, well-designed infrastructures. Investing in technology is only the beginning...

“Technology has come so far, it’s patient-centric,” says Charlie Goodall, divisional vice president of Pharmacy Technology Services at Walgreens. “Ten years ago, our systems were technology-centric – we did what the technology allowed.

“Today’s hardware, software and telecommunications make programming the easy part,” he continues. “What we want to do is more important than how we do it.”

Highest priority is given to developing systems that free pharmacists for more one-on-one patient counseling and those that improve quality, safety and accuracy. Priority is also given to making it convenient for patients to get their prescriptions filled at Walgreens.

“Patients want information first,” says Goodall. “When a prescription’s new, they want time with their pharmacist. After they’re comfortable with a new regimen, they want speed and convenience. We build systems that deliver both.”

A ‘vision’ for the future

Industry-leading systems like VISION (Virtual Imaging System for Improved Operations Nationwide), dynamic workload balancing and routing technology set the standard.

Using VISION imaging technology, pharmacies scan hard copies of prescriptions, which are then stored as electronic images and tied to patient prescription records in Intercom Plus. Dynamic workload balancing automatically determines if a store should send prescriptions to – or receive prescriptions from – other stores based on staff resources and scripts in the queue. Special prescriptions – such as those for compounding – are routed to alternate locations for filling.

“Almost 90 percent of our stores do workload balancing, and we’re experiencing many of the benefits we anticipated,” says Nimesh Jhaveri, director of pharmacy operations optimization in Pharmacy Services at Walgreens. “Not only does dynamic workload balancing ease workload pressures in our busiest pharmacies, but patients spend less time standing in line and more time being counseled.”

VISION also advances quality with more checks and balances, and prescription retrieval is a snap – scanned
In 2006, Walgreens established alliances with the National Urban League, AARP and the Joslin Diabetes Center, an affiliate of Harvard Medical School, to better serve patients and respond to pressing healthcare needs.

Images are always available on screen. As for convenience, patients can drop off prescriptions at one Walgreens and pick them up at another.

**E-prescribing is ready for take-off**

“We’re looking forward to the day when electronic transmission of prescriptions reaches a critical mass,” says Dave Bernauer, chairman of Walgreens. “E-prescribing gets accurate prescriptions to the pharmacy in a timely manner, just as it has the potential to get every prescription to the pharmacy.”

In 2001, Walgreens joined with other pharmacies through the National Association of Chain Drug Stores and National Community Pharmacists Association in founding SureScripts. The partnership has since been developing systems and building healthcare alliances to raise awareness of e-prescribing.

“Early on, we met with every state board of pharmacy to clear the path and, if necessary, change legislation to allow e-prescribing,” says Kevin Hutchinson, president and CEO of SureScripts. “With 48 states on board, we’re focused on connecting pharmacy and physician systems through the SureScripts Electronic Prescribing Network for secure, reliable electronic transmission of prescriptions.”

Topmost among anticipated advantages, e-prescribing cuts down on phone calls and faxes to clarify handwritten prescriptions and authorize renewal requests. It also trims the number of paper prescriptions while reducing potential errors due to misread prescriptions or medications with sound-alike names.

**Assuring continuity of care with electronic medical records**

E-prescribing hints at what’s possible with data collection and electronic connectivity. It also lays the groundwork for pharmacists, physicians and payors to create a complete medical record and close the healthcare loop on patients’ behalf.

“Test results, diagnosis and treatment information are currently not free flowing, which limits what healthcare providers can do,” says Phil Burgess, national director of pharmacy affairs in Pharmacy Services at Walgreens and vice chair of the Illinois Board of Pharmacy. “Even with privacy regulations like HIPAA, the day is coming when electronic healthcare records will be a reality. With them will come transportability and transparency, meaning all healthcare professionals will have access to their patients’ complete medical records. That will open the door to a whole new way of managing patient care.”

KatrinaHealth.org is a case in point. When the 2005 hurricane hit, some 40 percent of evacuees were taking prescription drugs and left home without them.

“KatrinaHealth.org was designed as a single source of comprehensive medical and prescription histories for healthcare providers treating evacuees,” says Bill Ellis, executive director and CEO of the American Pharmacists Association Foundation. “Lives were saved because of it.”

“KatrinaHealth.org shows what technology and caring healthcare providers can do in an emergency,” says Bernauer. “Soon we’ll be able to deliver continuity of care for more patients on a regular basis, not just in emergencies. A central repository of electronic medical records is probably the most profound change in healthcare that we’ll see in our lifetime.”

**RFID – keeping the drug supply safe**

Technology also may offer the solution pharmacies and the drug industry need to keep the nation’s drug supply safe. With a concern that the number of entry points in the supply chain all but invites counterfeiting and drug tampering, radio frequency identification (RFID) has the potential to assure product safety.

This wireless data collection technology uses electronic tags similar to bar codes for storing data, such as where a drug was manufactured and when it was shipped. Ultimately, each time the drug moves through the supply chain, additional information would be added to the tag, which is
As retailers invest in new pharmacy layouts, it not only improves pharmacist efficiency, but ensures better privacy and access for patients. —Johnnie Early II, University of Toledo College of Pharmacy

scanned at each stop to guarantee the integrity of the product. RFID tags hold more data and can be read from greater distances than bar codes, and programs using this technology are in the works at Walgreens.

People help
Leading-edge technology may provide certain efficiencies, but informed, unflappable pharmacy technicians are essential to a pharmacy’s smooth operation. More than 34,000 technicians currently staff Walgreen pharmacies.

“Our technicians are sharp,” says Roberto Valencia, Store Operations vice president at Walgreens. “No matter what comes at them, they just pick it up, do what’s necessary and keep going.”

“Over time, we’ll be asking techs to do more, so pharmacists can provide additional services,” says Mark Wagner, executive vice president of Store Operations at Walgreens. “Pharmacists need the support of their techs, and confidence that those techs are good.

“How well they’re trained will make or break a store in the future,” he continues. “Walgreens was the first to get behind certification, and close to 65 percent of our techs are certified. We also have the best training system with our proprietary People Plus Learning. Building on that expertise is critical as we extend our pharmacy practice.”

As Walgreens grows, plans call for another 10,000 technicians to be hired over the next five years. Good news: Community colleges and vocational schools are adding pharmacy tech classes to their health programs. Pharmacy technician has become one of the fastest growing occupations in America, according to the U.S. Bureau of Labor Statistics.

Such a forecast coupled with Walgreens experience leads to an obvious conclusion – the tech-managed pharmacy. Under this model, pharmacy techs would manage all administrative activities, so pharmacists could offer other services and do clinical work.

“The tech-managed pharmacy is a concept,” says Don Huonker, corporate vice president of Pharmacy Services at Walgreens. “It’s a possibility for the distant future – not a current reality. But it’s an idea that excites us and merits further exploration.”

Advocacy matters
Electronic prescribing. More responsibility for techs. It all sounds great. But is it permissible under federal and state laws? What about state boards of pharmacy? Fortunately, there’s a pharmacy affairs group working behind the scenes in Walgreens Pharmacy Services department, advocating for the future of pharmacy.

“As you might expect, state boards are concerned about expanding roles of pharmacy techs,” says Dan Luce, manager of pharmacy affairs in Pharmacy Services at Walgreens and a former member of the Wisconsin Board of Pharmacy. “Boards exist to protect the citizens of their state, and some have adopted pharmacy tech ratios. Now they need to decide it’s OK for techs to do as much as possible so pharmacists can be more involved in patient care.”

Among state boards, recent conversations have zeroed in on appropriate use of new technology and how to ensure every patient receives counseling. On an ongoing basis, boards are concerned with pharmacists’ education, skills and qualifications.

“Our purpose is to keep our finger on the pulse of pharmacy and let pharmacists know what’s ahead,” says Ruth Conroy, San Francisco Central district pharmacy supervisor at Walgreens and a member of the California Board of Pharmacy. “At the same time, we want to be sure pharmacists are qualified to provide new services, such as medication therapy management, compounding and other expanded clinical services.”

On a national level, Walgreens advocacy efforts help legislators understand how pharmacies add value to healthcare, which is particularly important as they draft legislation. Recent focus has been on Medicaid reimbursement, Medicare Part D and TRICARE co-pays for prescriptions filled at retail and mail.
A New Perspective: The State of Pharmacy in America

The Pharmacy Technician Certification Board reports that, as of July 31, 2006, certified pharmacy technicians number almost 253,000 in the U.S.

“Today the most pressing issue before state boards is national licensure,” says Luce. “With VISION and dynamic workload balancing, pharmacists can technically process work from any state. But will state boards allow it?”

Carmen Catizone, executive director of the National Association of Boards of Pharmacy, recently stated that “the day is rapidly approaching when pharmacists will be able to obtain a national license valid in multiple states... Forces outside the state pharmacy boards are pushing the issue.”

“National licensure clearly has momentum,” adds Luce. “If we don’t craft it, someone else will.”

Top-down support
A refined infrastructure provides better support and communication for Walgreens pharmacy of the future. In mid-2006, Pharmacy Services boosted the number of divisional directors working with district pharmacy supervisors from four to eight.

“Change is hard,” says Joanna Lalich, divisional director of Eastern Operations in Pharmacy Services at Walgreens. “Pharmacists say they’re excited about more patient focus, so the need for management support throughout the organization has never been greater.”

Store managers, for example, are an invaluable resource. They bring business expertise and a skill set that complements pharmacists’ clinical training.

“To keep pharmacy top of mind, store managers are required to train in the pharmacy,” says Store Operations’ Valencia. “We also expect them to work with their district pharmacy supervisor during store visits.”

“We started asking store managers to call patients who transferred scripts to other retailers to get a better sense of what’s going on in the pharmacy,” says Lisa Ehlers, Store Operations vice president at Walgreens. “They can also use their customer service skills to coax patients back to our stores.

“We’re also getting store managers involved with SIMS – our inventory system – in the pharmacy to correct on-hand counts and thus avoid partial fills,” adds Ehlers. “Not only does an involved store management team make a positive, practical difference in the pharmacy, store managers and pharmacists working together boosts morale.”

Among other organizational supports, a series of focus groups with pharmacists and techs helps management understand and seek to address pharmacists’ critical needs. And starting in 2006, district managers and district pharmacy supervisors will attend a pharmacy conference in Chicago to ensure everyone's on the same page through the many changes in pharmacy still ahead.

Context and environment
The next pharmacy frontier is non-traditional drugstores. One pharmacy model with potential is telepharmacy, which is practicing pharmacy remotely to serve isolated areas that

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Walgreens technology all-stars

“Walgreens biggest advantage in developing state-of-the-art pharmacy systems is size and diversity,” says Charlie Goodall, divisional vice president of Pharmacy Technology Services at Walgreens. “We’re also committed to leadership in technology.”

The proof is in Walgreens technology breakthroughs:

Early 1980s
Intercom. The only national, chainwide online computer system in the industry, to link all Walgreen pharmacies by satellite to each other and a central databank.

1998
Intercom Plus. The $150-million successor to Intercom, to organize workflow and enable pharmacists to focus on patient consultation.

2004
STARS (Strategic Tracking and Analytical Reporting System). Walgreens internal system for reporting and discussing errors to improve quality patient outcomes.

2005
VISION (Virtual Imaging System for Improved Operations Nationwide). Equipment and computer system to scan paper prescriptions and save images in Intercom Plus, which enables dynamic workload balancing.

Soon
Remote exception handling. As prescription plans become more complicated, remote exception handling, currently in development, will allow pharmacies to send exceptions to a remote site that specializes in exceptions for more efficient handling.

“Walgreens is so far ahead of the competition,” says Lisa Ehlers, Store Operations vice president at Walgreens. “Our technology people are amazing, anticipating store needs three to five years ahead.”

Walgreen Co.
can’t support a pharmacist on staff. Instead, a pharmacist is available by phone to provide counseling when a script is picked up. Such a virtual pharmacy also helps ease the staffing crunch caused by the current pharmacist shortage, but will require state pharmacy board approval.

“We must always explore new ways of delivering patient care,” says Pharmacy Services’ Jhaveri. “Similarly, we must look at how our retail pharmacies are configured to improve efficiency and encourage counseling. That’s the reason we recently tested a combined cash register and Intercom Plus terminal and redesigned patient seating areas for more privacy.”

The value of a good education

Education and training are fundamental to the future of pharmacy. The question is: How are tomorrow’s pharmacists being educated today?

Partners in education

In October 2006, Walgreens sponsored a two-day seminar for deans of pharmacy schools. The event brought deans from 23 schools to Chicago to hear 21 Walgreen executives, eight pharmacy directors and a student panel talk about the drugstore industry, technology and patient care trends.

“The Deans’ Seminar puts Walgreens and pharmacy schools face to face to examine trends and mutual interests,” says Phil Burgess, national director of pharmacy affairs in Pharmacy Services at Walgreens and event moderator.

Aside from the Seminar, Walgreens also collaborates with pharmacy schools on skill labs, shared faculty positions, pilot patient care centers and other initiatives to help schools stay in touch with the practical aspects of pharmacy.

“Our goal is to position Walgreens as the employer of choice for graduates interested in community pharmacy,” says Burgess.

Nationwide, schools of pharmacy continually refine their curricula. They’re also interested in input from chain drugstores and other pharmacist employers. The goal is to incorporate the latest science and anticipate healthcare trends in preparing students who will be able to practice pharmacy with the best interests of tomorrow’s patients in mind.

“Naturally we insist on academic achievement in science-based coursework,” says John Colaizzi, dean of Rutgers University Ernest Mario School of Pharmacy. “At the same time we’re emphasizing interpersonal communication, business-savvy and a commitment to service and ethics.”

“We’re also aligning ourselves with population trends,” says John Pieper, dean of the University of New Mexico Health Sciences Center College of Pharmacy. “For us, that means teaching medical Spanish and cultural competency since we know minority students are likely to return to their own neighborhoods to practice pharmacy.”

Even after a pharmacist has a diploma in hand, quality patient care requires a commitment to lifelong learning. Walgreens provides continuing education for pharmacists, along with People Plus Learning to master a variety of clinical and technology skills needed in Walgreen stores. Additional training for Walgreen pharmacists who want to become district pharmacy supervisors is available through the Emerging Leader management training program.

Investing our resources

It’s one thing to give lip service to paradigm shifts that improve patient care, and quite another to make it happen. But Walgreens invests resources in supports – whether it’s training, technology, advocacy or partnerships – that encourage pharmacists to practice community pharmacy in ways that benefit patients, payors and pharmacists alike.
With paradigm shifts, new services and technology, there’s lots of change at Walgreens. Yet some things stay the same – important things like quality, accuracy, confidentiality and optimum patient care. No matter what may change, you can always count on...

Pharmacy is the heart of Walgreens. And because of that, we’re committed to promoting the profession among government bodies, legislators and boards of pharmacy to do right by our patients, our pharmacists and our company.

Phil Burgess

Look at Walgreens technology and leadership position in the marketplace – you’ll be blown away. And that will continue for the long haul.

Lisa Ehlers

Some standards of patient care will come and go. It’s the ethics of the company that need to stand the test of time. If you take care of your customers, employees and shareholders, then you’ve done your job.

Alan Levin

Customers like one-stop shopping. Drugstores are becoming a one-source healthcare provider with services such as in-store Health Corner Clinics. Given Walgreens involvement in both the business and patient sides of healthcare, we’re in a great position to create the definitive one-source resource for patients.

John Grant

One of my professors in pharmacy school, Dr. Culpepper, used to say that what separates you from the next guy is what’s on the tip of your tongue. It’s always been about the conversation – pharmacists helping patients understand their medication, how to take it and why it’s necessary.

Johnnie Early II

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Trent Taylor is executive vice president and chief information officer at Walgreens.
Three standards of practice are sure to remain constant: Pharmacists are collaborative, we believe in the power of patient consulting, and our focus is quality of care.

Helen Fong

Pharmacists have always connected at a personal level with their patients. Ours is a caring profession, and that’s our major strength as we move toward a future that hearkens back to a time when the druggist on the corner was called “doc.”

Bill Ellis

Good relationships with healthcare providers – hospitals, physician groups, other pharmacists – will solidify and mature, allowing pharmacists to play a more substantial role in patient care. We cannot work in isolation, only in partnership.

Mark Britton

We’re committed to innovation and technology. Walgreens pioneered childproof safety caps before they were mandated by law, and drive-thru pharmacy service was introduced in 1992. Over twenty years ago, our 1986 annual report told shareholders, “Walgreens is widely recognized as the industry leader in technology. Our commitment to sophisticated systems crosses all major disciplines. The use of technology is crucial to our ability to compete effectively in the 1990s and beyond.” That’s still true.

Trent Taylor

Walgreens is smart, sensitive and fast enough to add healthcare services to create a continuum of care that delivers value to patients and payors.

Stephen Axelrod

Walgreens never does anything without a lot of thought. This is a company with integrity. Change is purposeful – because more than money is at stake. After 32 years, I’m still proud to work for Walgreens.

Sandra Jones

Pharmacy will remain one of the most trusted professions, and pharmacists the go-to professional for health information.

Ric Leonardi
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Photo captions
Cover, pg. 4: Amira Saad, pharmacy manager at 4142 Pacific Coast Highway in Torrance, Calif.
Inside front cover: Tykisha Demery, pharmacy technician at 3502 Summer Ave. in Memphis, Tenn.
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Page 3: Beverly Toney, senior pharmacy technician in Kingsville, Texas
Page 7: Tiyaji Rogers, pharmacy manager at 3317 Montrose Blvd. in Houston
Pages 13, 19: Stuart Koizumi, pharmacy manager in Torrance, Calif.; Kristy Muñoz, senior pharmacy technician in Los Lunas, N.M.
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