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# HEALTHCARE FINANCE NEWS

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## A prescription for success

*Guardian's business model helps long-term care pharmacies carve out their own niche*

By Eric Wicklund, Managing Editor

TOPSHAM, ME – The community pharmacy may be an enduring and endearing image of rural America, offering everything from prescription medications to milk to sunglasses, but its ability to handle the complex needs of a residential home or senior housing complex leaves something to be desired.

Dean Jacobs ran head-on into this fact back in 2007, when the third-generation owner of a chain of Waltz Pharmacies in Maine's Midcoast area found he couldn't keep up with the demands of his long-term care customers. Recognizing the growth potential in that field, Jacobs split the business away from the retail pharmacy side and joined the Guardian Pharmacy chain.

"It became clear to me that I needed to find a partner," he



A pharmacy technician uses an MTS heat-sealer to seal a Bingo-card.

said. "Now, I have access to some sophisticated folks."

Atlanta-based Guardian, launched in 2004, is the third-largest provider of long-term care pharmacy services in the nation, trailing Omnicare (with roughly 45 percent of the market) and Pharmerica (12 percent). Its roster consists of 15 independent pharmacies in eight states, with two greenfield startups scheduled to

open in May in Atlanta and Crestview, Fla. All told, the network serves more than 35,000 patients and is expected to bring in more than \$200 million in revenues this year, more than 30 percent above Guardian's 2010 figures.

Unlike the community pharmacy, the long-term care pharmacy's customers usually can't come into the store to fill a prescription – most are committed or confined to assisted living homes or other types of long-term care settings, and have an average of 10 medications. The long-term care

pharmacy does business, then, with the caregiver, filling and pre-packaging multiple prescriptions and delivering them daily, sometimes more than once a day. The pharmacy also helps with medical administration reporting (MARS) and other administrative duties, such as Medicare Part D eligibility.

What sets Guardian apart, according to CEO and founder Fred Burke, is its focus on local autonomy. Guardian invests in and provides support for its individual members, he said, but each pharmacy is free to develop its own management structure.

"Local entrepreneurship is a successful business model for us," he said. "Local pharmacies need to be tailored to the particular customer the pharmacy serves."

That was the focus behind Guardian's recent deal with Southern Pharmacy Services of North Carolina, whose Pink Hill and Kemersville locations joined the Guardian network in March.

"It was the Guardian business model that attracted us to this relationship," said Marybeth Terry

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Jacobs

# PHARMACIES

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of Southern Pharmacy Services. "We believe that this partnership will enable us to focus on what we do best – ensuring that our clients' and patients' specialized needs are met with care and consideration. In turn, Guardian provides us with a corporate support center that assists with day-to-day business operations – from payroll to rebate management – as well as the intensely complex revenue cycle that can be so time-consuming."



**Pharmacy technicians fill Bingo-cards, using bar-code scanners to verify correct medication. A Zebra printer produces a label with lot number, expiration date and name of medication.**

"Guardian provides the perfect opportunity for me to leverage my 12 years of experience in this niche field, enabling me to run a business and do something that is rewarding to me without assuming all of the risk," added Robert Dunn, who's opening the Guardian Pharmacy of NW Florida in May.

The typical long-term care pharmacy does at least \$10 million worth of business a year.

"It's a special breed of cat," said Burke. "There's significant growth out there, especially as the (Baby) Boomers start moving into this category, but it's also very highly regulated and very complex. ... It's a challenge for one of these to operate profitably."



*Burke*

These types of pharmacies are all business, Burke said. Most aren't open to the public and look, he admits, like an assembly plant. They account for roughly 5 percent of all pharma spending in the nation – a number likely to grow as the population ages and group homes and assisted living facilities gain in popularity.

Jacobs' pharmacy, located in Topsham, is based in the back of one of his community pharmacies. And while the public doesn't get a chance to see it, the relationship between pharmacy and client is every bit as personal as the interaction taking place in the community setting. Jacobs and his staff are in daily contact with their clients, managing prescriptions and making sure administrative tasks are done.

The work has paid off. Jacobs said he's seen 30 percent growth in the business since joining Guardian.