

Pharmacy Business Basics

The nuts and bolts of
running a pharmacy



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Corporate Structure & Contracts

Legally defining your business what, where and how

The What: Determining the Corporate Structure of Your Business

Working with your attorney and CPA, you can decide what type of corporation or legal entity your pharmacy business will be. Determine whether there are other legal decisions that need to be made and what their impact will be on your business — both now and in the future.

Naming the corporation is another important aspect of this process. Many businesses have two names:

1. A corporate name that is the business's legally registered name
2. A "doing business as" (DBA) name, which is how the public knows the business.

Health Mart® Systems Inc., a pharmacy franchise operated by McKesson, recommends this two-name structure to protect both the independent pharmacy and Health Mart. Additionally, the pharmacy should not include "Health Mart" in its corporation's name for these reasons:

1. Leaving Health Mart off the name clearly establishes that no structural or ownership relationship between the pharmacy and Health Mart Systems Inc. exists.
2. Should the pharmacy decide to terminate the franchise agreement with Health Mart, a DBA change is much simpler and more cost effective than filing a corporate name change with the state's department or agency of corporations.

The Where and How: Contracts and Leases

If you are starting a new pharmacy, it's advisable to have your attorney approve contracts and leases prior to signing.

The following are just a few examples of pharmacy contracts and leases. Your pharmacy may require others.

- Building/store lease
- In-store vending machines, such as copiers or photo-processing kiosks
- Collection service contracts, such as water, utility or phone
- Business or franchise contracts with third parties, such as UPS or the United States Postal Service
- Building and/or parking lot maintenance contracts
- Drop-ship vendors for front-end products
- Direct accounts with suppliers of gifts, cards and so on
- Pharmacy automation equipment
- Pharmacy services, such as compounding
- One of our ownership advisors can work with you to help establish contracts with third-party payers through organizations such as Health Mart Atlas.
- Visit the NCPA Ownership Academy to learn more.



Accounting for Success

Finance and accounting practice setup

Setting highly efficient finance and accounting practices can be a significant aspect of your pharmacy's success. You'll want to be sure you're selecting the best financial methodology and accounting software for the business and you're set up to measure and manage your business from day one.

Spend time with your CPA and industry experts to learn about the various financial reports that are necessary to track income, expenses, profit and so on. Be sure you have a clear understanding of:

- What financial information needs to be gathered
- How your financial information should be organized
- How and when your financial information should be reported
- How often you will receive a recap of your financial information from your CPA or accountant

[Visit the NCPA Ownership Academy to learn more.](#)

You'll also need to contact a number of federal, state and local tax authorities to file all necessary tax numbers.

Your attorney and CPA can help with the following:

- Federal tax ID number
- State tax ID number
- Sales tax authority
- Local taxing authority, such as the city and/or county

Once your financial processes are in place, work with your pharmaceutical distributor to establish enough credit to place your initial inventory order.



Ownership Rules, Licensing and Considerations

What it means to truly take ownership of your pharmacy

There are several licenses that you may need to have before you can open your pharmacy or assume ownership. The requirements of each state are different, so allow time to understand what is needed. If you're purchasing an existing pharmacy, determine which licenses can be transferred to your name and which will need to be issued directly to you.

Licenses you'll likely need for official ownership include:

- State pharmacy license: Contact your state's board of pharmacy to apply for your state pharmacy license.
- DEA number: Contact the Drug Enforcement Administration for a DEA number so that you are licensed to order and dispense prescription narcotics.
- NABP/NCPDP number: Contact the National Association of Boards of Pharmacy (NABP) to obtain this number so that you may bill third-party payers.
- NPI number: Contact the National Plan and Provider Enumeration System (NPPES) to apply for an NPI number for the pharmacy and, if applicable, for the pharmacists who will be providing patient care.

Before you open your doors, you may also need to pass a final state inspection. Work with your state's board of pharmacy to schedule this inspection, if required.

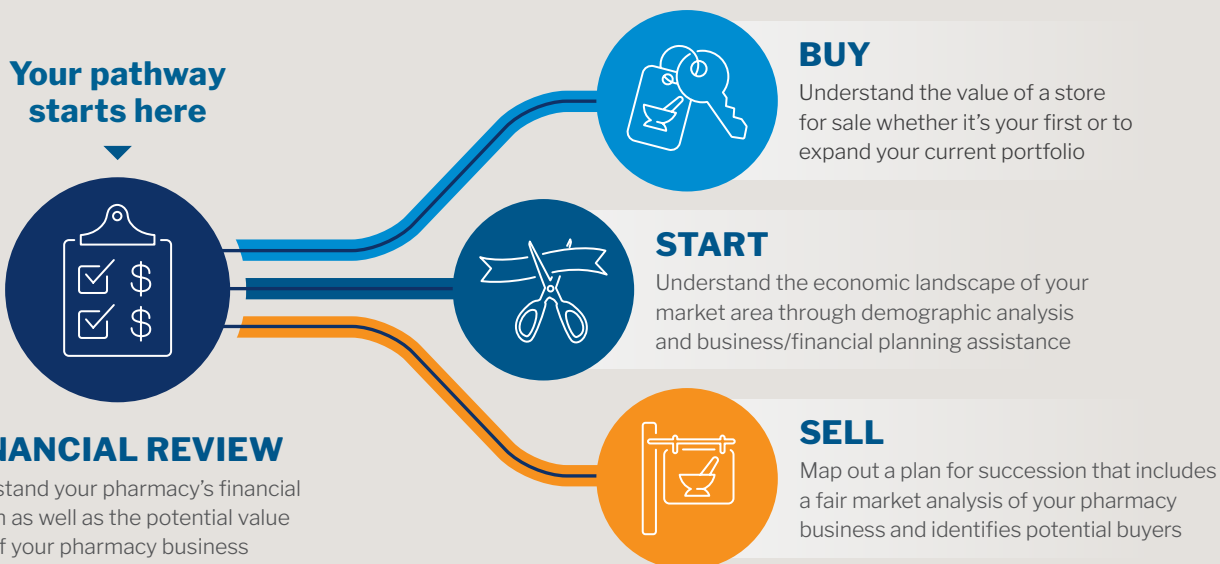
Visit the [National Alliance of State Pharmacy Associations](#) and [NCPA Ownership Academy](#) to learn more.

Responsibilities you'll need to take ownership of beyond the pharmacy practice itself:

- Budgeting and business projections
- Instituting human resources management
- Creation of a policy and procedure manual
- Planning and executing marketing programs

Above all else, a successful pharmacy is a successful business. From managing operating costs to marketing clinical services, and more, our [ownership advisors](#) can help you find the information you need to become a successful pharmacy owner.

No matter your path, **we're your partner**



Unlike other financial and succession planning resources, RxOwnership is a **no-fee, no-contract** resource designed to help pharmacy owners, **regardless of wholesaler affiliation**, financially plan for the next step in their ownership journey. Whether you're interested in opening your first pharmacy, expanding, or closing your last, RxOwnership is here to help you adapt and grow your pharmacy business to accommodate ever-changing needs.

RxOwnership services include:

- Financial analysis to help your pharmacy remain sustainable and profitable
- Access to resources to understand pharmacy demographics, financing and loans
- Getting ahead of retirement plans and creating personalized succession plans to maximize the value of your business

Join the conversation and connect with us!



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Learn more at: [RxOwnership.com](https://www.RxOwnership.com)

Contact us at: RxOwnership@McKesson.com | 800.266.6781

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