Pharmacy Ownership Transition Guide

A step-by-step process to help you purchase an independent community pharmacy with confidence

Purchase a store that's powered by *Good Neighbor Pharmacy®*

The pharmacy acquisition process is complex and time-consuming, but it's nothing you can't navigate when you have the right resources at your side. And expert guidance is even more important when it comes to the long-term success of your business. That's what makes *Good Neighbor Pharmacy* membership such a smart decision at this point in your purchase journey. This guide is just the beginning of the type of indispensable insight you can expect from here on out when you partner with us for your new acquisition. Beyond how-to handouts, we're here to guide you through the paperwork in the correct order, help you perform due diligence, and connect you with all the right people to get the deal done. When you're ready to take ownership of the business, we then provide you with everything you need to make improvements and customizations, so your new pharmacy continues to shine as a one-of-a-kind healthcare destination for personalized care in the community. **Here's how we do it:**

We simplify your business operations

From training staff to inventory management to patient engagement, we can help you streamline the existing workflow of your new business to fit your preferences. Using competitive benchmarks and deep industry knowledge, we'll help you maximize the efficiency of your pharmacy, so you spend less time on day-to-day management and more time focusing on your patients.

We amplify your brand and identity

We provide you with robust marketing support and the flexibility to tailor it to the community to make sure you not only retain current patients, but also expand your reach to target new customers. We'll help you offer the services your patients need most and promote them in ways that drive traffic through your door.

We protect your independence

Independence is your most valuable asset. It allows you to adapt quickly to patient needs, which is critical as you settle into your new business. We take that to heart every time we negotiate a payer contract and fight to secure the reimbursement you deserve. It's also what inspires us to advocate for you every day in Washington, D.C.

"My business coach truly cares about my bottom line. I know she's going to make my pharmacy the best it can be, and it's so reassuring to have someone who really cares about helping me do better."

Donna Avant, Ehrhardt Pharmacy

A dedicated business coach

When your new store is a *Good Neighbor Pharmacy* member, you'll have an undeniable competitive advantage thanks to our unique business coaching program. Your coach will meet with you regularly to discuss what's going on in your pharmacy from top to bottom. Armed with comprehensive data and extensive pharmacy experience, they will:

- Give you a deeper understanding of your performance
- Identify operational issues
- Provide specific recommendations for improvements
- Establish metrics to measure progress
- Keep you informed of industry trends
- Help your pharmacy grow year after year

A powerful managed care network

You'll also have access to the AmerisourceBergen PSAO, Elevate Provider Network. Our managed care network is more than 4,600 members strong, giving you the collective scale and voice needed to thrive. Moreover, it positions your new pharmacy as part of something bigger — a group of peers who are excited to talk about their experiences, share their ideas, and grow with you side by side, because you share a common bond made stronger by the very fact that you're independent and proud of it.

Let's start the acquisition process ›

Phase 1

Finding the right pharmacy and connecting with the seller

Approximately 14 days

- ☐ **Sign a mutual non-disclosure agreement**

  This document needs to be signed by you and your AmerisourceBergen pharmacy acquisition advisor to protect the confidentiality of pharmacy owners who are in the process of selling their business.

- ☐ **Fill out a buyer questionnaire**

  This form lets you identify your criteria for pharmacy acquisition, such as location, annual sales, prescription volume, timeframe, etc.

- ☐ **Identify opportunities and take a deeper dive**

  Your advisor will share acquisition opportunities that match your criteria and have you pick one to explore. You can also browse our pharmacy listings on your own.

- ☐ **Answer a series of initial questions**

  Your advisor will ask you questions related to the business you selected to ensure your ownership goals are aligned with the goals of the seller.

- ☐ **Participate in an introductory call with the seller**

  Your advisor will host a conference call to introduce you to the seller and facilitate a discussion about the opportunity.

- ☐ **Visit the store**

  Schedule a time with the seller to get a personal tour of the pharmacy after business hours.

- ☐ **Assemble your acquisition team**

  Enlist the help of other experienced professionals, such as a CPA, attorney and a qualified lender, to keep the acquisition process running smoothly.

Phase 2

Getting the deal started

Approximately 30 days

☐ **Sign a letter of intent**

This initiates the business deal between you and seller by identifying key understandings like purchase price, terms, due diligence period, and contingencies. It will serve as the basis of the purchase and sales agreement. This is a non-binding document if stated as such in the language.

☐ **Get lender pre-approval**

This won't guarantee you financing for your acquisition, but it will give you a better idea of how much you'll be able to borrow. Your pre-approval letter also shows that you're a capable buyer, which gives you an advantage in a competitive bidding environment.

> Most lenders will require you to prepare a solid business plan that details the purpose of the loan and how you expect to increase profits, so it's a good idea to start developing a business plan early on in the process.

☐ **Form a company or corporation**

There are tax benefits to operating a business througha company or corporation. It also limits the risks of the business to what is owned by the company. This prevents creditors of the business from being able to come after your personal assets.

- [ ] **Conduct your due diligence**

This is your chance to examine the pharmacy more thoroughly, so you can make an informed decision before purchasing. Lean on your team of experts, especially your accountant, to help you examine the books and records. You'll want to see financial statements and tax returns for the past three years.

- Observe the business for a few days, while still upholding seller's request for confidentiality
- Explore reports that indicate their top prescribers, top drugs dispensed, third-party payors, etc.
- Make sure there's enough cash flow to support you personally
- Review existing legal contracts, including lease arrangements and vendor purchase agreements
- Analyze bad debts, accounts receivable aging, and the current collection policy
- Look for documents showing liens or judgments that must be paid
- Examine the competition and their service offerings to see how they're doing financially

- [ ] **Execute the purchase and sales agreement**

This is a comprehensive, legally binding contract negotiated by your lawyer and the seller's lawyer. It clarifies what is being purchased, what is being paid, and who is responsible for what – both before and after the sale.

- [ ] **Submit your deposit**

Your deposit is typically held by an escrow company and delivered to the seller at closing once both parties have met all the agreement terms.

Phase 3

Securing your loan, lease, licenses, and membership agreements

Approximately 30-45 days

- [ ] **Meet your AmerisourceBergen sales executive**

You'll be assigned a sales executive who will help you with your AmerisourceBergen credit application, set up your account, and be your primary contact after the acquisition.

- [ ] **Complete the wholesale credit application process**

Submit your AmerisourceBergen credit application and the following items. Partial submissions won't be processed until all items are received. Contact our credit department if you have any questions.

- Purchase agreement with EFT authorization and voided check
- Personal financial statement
- Three of your most recent bank statements
- Copy of your signed buy/sell agreement
- Cash flow projections for the first year
- Seller's most recent interim business financials or FYE federal income tax return
- Copy of your driver's license
- Copy of your partnership agreement (if applicable)

These items may also need to be provided upon request.

- Two most recent personal federal income tax returns
- Copy of articles of incorporation and DBA
- Your business plan
- Copies of statements or credit references from your current wholesalers

- [ ] **Have your CSRA 590 form completed**

Your sales executive will work with the seller to fill out this compliance form to ensure controlled substances continue being distributed to you after the ownership transition.

- [ ] **Negotiate the property lease**

You'll need to secure a property lease that's market rent for a term of at least 10 years. This can include extension options to help you meet the 10-year period.

- [ ] **Complete your state's Board of Pharmacy permit application**

All states have different applications and procedures for handling the change of ownership process. Work with your pharmacy acquisition advisor to determine what your state requires and then submit a retail pharmacy permit application to your state's Board of Pharmacy if necessary.

- [ ] **Apply for your business licenses and permits**

The application process for business licenses and permits varies by city and state, so work with your pharmacy acquisition advisor to figure out what is needed.

- [ ] **Submit your completed CSRA 590 form**

Once the seller has filled it out, your sales executive will return the completed form to you to submit. Processing takes 7-14 days.

- [ ] **Fill out the Elevate Provider Network change of ownership questionnaire**

This form asks general questions about your acquisition, like whether you'll be keeping the existing NPI/NCPDP provider numbers or applying for new provider numbers to circumvent pre-existing debts in the event of a third-party audit. Contact the Elevate team for assistance with this form.

- [ ] **Prove that you meet all loan conditions to get final approval**

You'll need to work diligently to provide your lender any outstanding items that verify your qualifications. This will ensure there are no delays in funding and closing.

- [ ] **Send AmerisourceBergen the necessary files and forms**

The following items must be submitted to your sales executive before your new accounts can be created.

- A copy of the seller's DEA license
- A copy of your state Board of Pharmacy license
- Tax exemption certificate/resale certificate
- New account inventory usage form
- Retail pricing form

- [ ] **Get set up with your new accounts**

AmerisourceBergen will send you the following paperwork, which you will need to sign and submit where applicable.

- AmerisourceBergen membership agreement
- Prime vendor agreement
- PRxO Generics agreement
- *Good Neighbor Pharmacy* franchise disclosure document
- *Good Neighbor Pharmacy* Premier membership agreement

- [ ] **Execute the power of attorney**

This is a legal document you will execute with the seller to enable you to use their DEA provider number while the application for your new DEA provider number is being processed.

- [ ] **Execute the bill of sale**

This is a document that transfers ownership from the seller to you, which will be required by a variety of agencies as proof that the transfer took place.

- [ ] **Transfer utilities**

You'll need to notify all utility companies regarding the change of ownership and transfer all necessary utilities to your name.

- [ ] **Have a third party take a physical inventory**

This is required in any change of pharmacy ownership. You and the seller will need to have a third-party inventory service come in and take a physical inventory of all prescriptions and front-end merchandise. The inventory of controlled substances must then be reported to the DEA and state Board of Pharmacy.

- [ ] **Get loan funding and take possession of the business**

Once all loan conditions have been approved and the loan documents have been executed, you're ready to get the funding you need to take ownership of your new pharmacy. From this day forward, all prescriptions dispensed and billed fall under your jurisdiction.

Phase 4
Finalizing the transition

- [ ] **Complete your Elevate Provider Network change of ownership application**

  This form must be filled out in its entirety and submitted to the Elevate Provider Network.

- [ ] **Contract directly with PBMs as needed**

  Elevate Provider Network will notify you of the national, federal, and commercial PBMs that you'll need to contract with directly and provide you with instructions on how to do so. It will be your responsibility to identify any local or county federal and commercial contracts that exist.

- [ ] **Enroll in the DEA's Controlled Substance Ordering System (CSOS)**

  Visit deaecom.gov to register for a CSOS account, which enables the secure transfer of controlled substances.

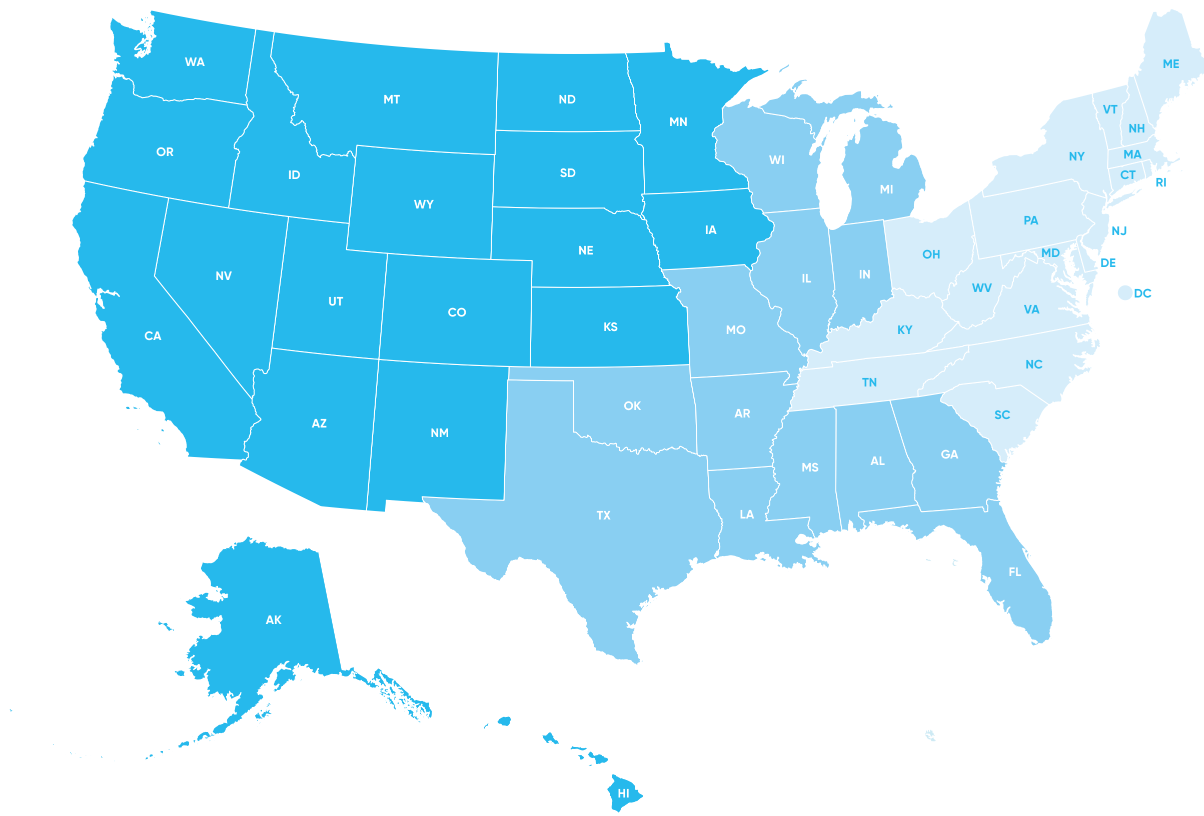
- [ ] **Have the seller add you as a secondary on the pharmacy's Central Pay account**

  Once you have access to the Central Pay account, you'll have visibility into claims made before and after the transfer of ownership. This will also enable you to generate claim reports and reconcile those claims.

- [ ] **Reconcile payments**

  Exchange funds with the seller as appropriate based on the date you took ownership.

The path to acquiring an independent pharmacy is long and winding, but it's well worth the journey. Don't be intimidated by the number of tasks outlined here. If you work closely with your AmerisourceBergen pharmacy acquisition advisor and follow this guide one step at a time, you'll avoid the costly pitfalls and delays that plague other buyers who try to go it alone, getting you the keys to your new pharmacy as quickly as possible. Our Pharmacy Ownership Services team is here to support you before, during and after your acquisition, so don't hesitate to reach out to your advisor if you ever have any questions or just want to chat about your options.



West - Scott Welle

Email

Read bio

Central - Marissa Langley

Email

Read bio

East - Bill LaRose

Email

Read bio

Tips for after the acquisition

As you transition into your new pharmacy, you're going to face many demands on your time, so planning how you spend your limited hours and resources will be vital to your success. Here are some tips to help you prioritize, manage, measure, and adjust the most important components of your new business.

Guidance from our business coaches on operational efficiency

Employee development

- ☐ Get your staff started on the right foot by acknowledging and easing the stress that could be caused by the transition.
- ☐ Be proactive in addressing issues that might negatively affect your operations or your customers' experience.
- ☐ Communicate with your staff, set clear expectations, and answer questions as candidly as possible.
- ☐ Incorporate the best practices of peers as you train your team on everything from customer messaging to claims processing.

Financial management

- ☐ Establish a baseline so you can compare your pharmacy's financial performance as your business grows.
- ☐ Learn your inventory turns and conduct a physical inventory at least once per year. Is your pharmacy in line with industry averages?
- ☐ Calculate your pharmacy's specific Cost of Dispense. How do your operational costs, including your labor costs, impact your COD?
- ☐ Determine your break-even point. How much do you need to grow your business in terms of script volume and sales before you see a profit?

Profitability

- ☐ Review your process to make sure your pharmacy isn't missing out on opportunities.
- ☐ Take advantage of tools and resources that can help you monitor missed opportunities.
- ☐ Boost patient adherence using a variety of techniques. What options are available? What makes sense for your pharmacy and your goals?

Marketing

- ☐ Figure out where your current business is coming from and where it should be coming from.
- ☐ Gain a better understanding of the unique needs and preferences of your target audience.
- ☐ Define your positioning in the market and craft powerful messaging that differentiates your pharmacy and resonates with your target audience.

As a *Good Neighbor Pharmacy* Premier member, you'll have a dedicated business coach to help you navigate these priorities and beyond. **Learn more ›**

Being a *Good Neighbor Pharmacy* Premier member also gets you a retail merchandising specialist to help you optimize your front end. **Get details ›**

Guidance from our retail merchandising specialists on front-end management

In-Store Experience

- ☐ Look at your store through the eyes of a consumer. Would you shop here? Are the shelves dusty? Is anything in disrepair?
- ☐ Keep your shelves properly stocked with at least three of each product – one to show, one to go, and one for back up.
- ☐ Change out promotional endcaps monthly.
- ☐ Display shelf talkers to raise awareness of product availability and pique customer interest.
- ☐ Remove select home healthcare items from their packaging so customers can explore them in a real-world setting.

Need more than merchandising? Our Pharmacy Transformation team can tackle anything from carpets to CAD to construction. **See results ›**

AmerisourceBergen

GOOD NEIGHBOR PHARMACY®

Good Neighbor Pharmacy is a family of locally owned, independent pharmacies united by their commitment to providing personalized care to their patients far beyond simply filling prescriptions.

www.wearegnp.com