



CREATING A WINNING PURCHASING STRATEGY



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2026 Purchasing Strategy Update: Staying Ahead on Brand COGs

The beginning and end of the quarter is a great time to refocus on brand cost of goods (COGs), specifically invoice discounts on brand medications. Brands represent the largest percentage of your spend and may provide the most opportunity to drastically impact your Gross Margin depending on your mix and supply agreement. Most wholesale agreements include quarterly review periods tied to Generic Compliance Rate (GCR) performance, meaning your purchasing habits now can directly impact your discounts for the next quarter, making it an ideal time to assess your compliance goals and progress. If you're falling short, there's still time to adjust your purchasing strategy to maintain or even improve your brand invoice discounts. We recommend reviewing your wholesale agreement, consulting with IPC or your McKesson rep, and making proactive adjustments to maximize savings. If you need help optimizing your purchasing strategy, contact us today for expert guidance.

Here is a list of must do's

- Identify your GCR reporting tool provided by your wholesaler and/or buying group (GPO-Group Purchasing Organization)
- Review your supply agreement to see where you are, and what's possible to help you determine your goals
- If these two are unknown, find the person that can help you, or call IPC
- Access your rebate statements to include in your final cost

Nice to have:

- Consider adding rebates into your pharmacy management system for reporting purposes.
- Secondary wholesale options that offer Brand and Generic to make it easier to merge cost savings and GCR management.
- EDI ordering through your pharmacy management system to make it easier to identify cost saving and GCR management opportunities
- Outside ordering system or platform that compares cost and GCR by month and/or order.
- Advisor that knows your wholesale agreement and how to manage GCR. Meet quarterly at a minimum. I recommend mid-quarter to put you in a position to identify potential opportunities with time to make changes if needed.
- Daily and weekly review of process and outcomes can save time by maintaining familiarity with the process and puts you in a position to make changes quickly

There are four steps to improving profits as it relates to prime vendor agreements, or primary wholesale supply agreements.



Many pharmacy owners tell us that their number one challenge or focus is to reduce their costs, specifically their cost of goods. It is IPC's mission to help our members enhance profitability and help owners create a purchasing strategy that can directly and positively impact your bottom line.

1. Analyze Your Existing Agreement



Take some time with your GPO representative to break down the components of your prime vendor agreement to know how each purchase impacts the others.

2. Break Down Brand & Generic costs per item



Be confident you know what your final price is. You might know what the best price could be, but until you break it down, you cannot be certain you are paying the best price.

3. Identify & Utilize Available Tools



Meet with your wholesaler and GPO representatives and ask questions to uncover all the tools you have available to track your costs and manage them (IPC is here to help with this analysis).

Make sure your vendor ordering system and pharmacy management system has the final cost components displayed.

4. Develop Ongoing Purchasing Strategies



Be certain your team members in the pharmacy are following the same path towards the same goals and share the path to those goals.

Why it's worth going through these steps?

- One multi-store group earned an additional \$2,000 per store per month after a 30-minute agreement review followed by a strategy development session that took several 15-minute calls with each manager over a few weeks to implement.
- We uncovered one scenario where using the wrong tools was costing a store over \$30,000 per quarter.

It is critical to work through all four steps to find out exactly how it will benefit you, your staff, and your bottom line. We will now dive in a little deeper and help make sure you have the right people and the right system in place to manage your costs.

As a leading Group
Purchasing Organization,
IPC is here to help, give us
a call or talk to a representative
to get started!

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Part 1: Analyze Your Existing Agreement

This step is fundamental to the rest of the process. Completing the agreement analysis properly ensures the remaining three steps build a solid foundation.

Your supply agreement’s terms directly affect your costs, with even a single purchase potentially altering your cost structure significantly. For instance, a seemingly minor 0.5% price increase on a \$100 item can cost a typical \$4M Store about \$15,000 annually. Conversely, a \$1 reduction could substantially boost profits. Price increases in frequently bought items should prompt a review.

1. Brand cost changes are easy to miss and chasing a lower price for one drug might cause a price increase on another.

It is common that the agreement guidelines determine Brand invoice discounts, typically expressed as a WAC (wholesale acquisition cost) minus discount. If your discount is WAC -5%, then you pay 5% less than WAC.

This wholesale acquisition cost minus percentage determines the price paid at point of sale.

The agreement identifies what the greatest and least WAC minus discount can be.

The agreement should also clearly state what impacts the WAC minus discount, including but not limited to:

- Purchase volume
- Generic to Brands (GCR) ($GCR = \frac{Gx\$}{Rx\$}$)
- Wholesaler source Generic percentages
- Dispensing ratios
- Percentage of “specialty” purchases
- Percentage of GLP-1 purchases

The percentages and measurements are used to determine:

- Your invoice discounts
- Additional rebates that can be earned
- Other incentives

It is critical to know what pays and changes monthly, quarterly, and yearly. It is common for Brand costs to be measured quarterly and Generics monthly.

2. “Not all Brand items are treated equally: Brand Differential Pricing.”

Some Brand items including specialty, insulin, and GLP-1 may not qualify for the standard WAC minus pricing. These discounts are typically locked at a specific WAC minus discount referred to as differentially priced or net billed. It is important to identify what items are in this category, and how this category impacts the rest of your costs. These Brands can have a significant impact on your GCR compliance.

3. Generic pricing and rebates fluctuate.

Just like Brands, it is important to know what impacts your invoice discounts and when. If your program is driven by rebates, then you need to know what the minimum, maximum, and average rebate is expected so you can build this into your purchasing strategy.

- Does your rebate percentage or dollar requirements fluctuate on your purchase volume?
- Do you know your rebate percentage and what impacts it?
- How is your rebate percentage displayed in your ordering system?
- Are you purchasing outside your primary wholesaler?

Getting IPC involved at critical points can help prepare you for the next measurement period. Give IPC a call or talk to a representative to get started.

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Part 2: Break Down Brand & Generic Costs Per Item

Now that you are familiar with the components of your supply agreement, you can use that to break down Brand and Generic costs per item. By understanding and reviewing your individual line-item costs, you can confirm the rebates you are receiving and create more clarity in your purchasing strategy. The goal is to be confident you know what your final cost is, so you know you have the right purchasing strategy in place.



To assist you we have broken this down into five steps:

1. Select one commonly dispensed brand.

- Some of the Brand drugs that pharmacies have found useful to start their analysis with are Eliquis, Ventolin, Lantus Solostar, Ozempic, Advair, Trulicity, or Flovent.
- As you get more comfortable with this review and analysis, increase the number of drugs you analyze to two or three. This way you can confirm the same drug invoice discount, identify trends, and begin to review other drugs to broaden the scope of your analysis.

2. Look up the invoice price for each drug.

- For Brand invoice, look up WAC and subtract your cost to determine your discount. Divide that by WAC price to determine the WAC minus percentage.

3. Determine the rebates (from the agreement analysis above), including monthly, quarterly, and annual.

- Calculate your rebates on the actuals you have for preceding months and in a separate calculation, use the potential opportunity if compliance measures were not met to identify the final cost.
- For rebates that can be applied to all purchases, divide the rebate amount by the total purchases to determine your discount percentage that you apply to obtain the final cost on each item.

4. Apply the rebate to the invoice price.

- This will help to identify the potential or actual net price.

5. Calculate the profit based on the reimbursement.

- Look up the reimbursement and subtract your final cost in step #4 from the reimbursement. This is the profit you made from that prescription.

For Generics repeat steps 3-5 above. Through this analysis you can see the real cost and profit to understand the impact of how managing compliance and ratios results in more profit and ultimately more cash in your store.

**IPC is here to help,
talk to a representative
to get started!**

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Part 3: Identify & Utilize Available Tools

In Part 1 we explained how to analyze your wholesaler agreement. In Part 2 we went through the steps to determine your final costs by using the metrics and ratios. Now we identify the tools you will use to create a consistent cadence for your review as the next step in the strategy.

1. Rebate Statements

- Within your distributors' order platform there will be specific locations to set your rebate percentages. It is important to verify and set these percentages to accurately calculate your rebates on a monthly, quarterly & yearly basis.
- Compare the percentages over a few months to determine if your costs are consistent. If you find them inconsistent or are not sure what some of the rebates are paying for, feel free to call us at IPC.

2. Ordering Platform

- Within your ordering platform and McKesson Connect, the cost data they display is impacted by the settings within the system. It is important to have the right settings so you can see more accurate data in real time, and one of those settings is your rebate percentage.

3. Compliance Tools

- Compliance determines the cost structure, and it is critical to use the right tools to manage your compliance goals.
- A purchase drill down report shows the GCR as Gen%Rx in McKesson Connect. When you reviewed your agreement in Part 1, you will want to pay attention to whether compliance is the aggregate of multiple accounts. If so, you will need to add the accounts together to measure compliance.

4. Dispensing Ratios

- Dispensing ratios for managing compliance: BPR (Brand Purchase Ratio) and GPR (Generic Purchase Ratio), these reports show the quantity of all items, Generic or Brand, you purchased and dispensed over the past 3 or 6 months. It will display a calculation showing the percentage of dispensed items purchased, total purchased dollars divided by total dispensed dollars.

5. Carve Out

- If your agreement excludes certain items, make sure you have a process to ensure they are accounted for in your ratio calculations.

6. Formularies

- Familiarize yourself with the key formularies that impact your patient base. This tool can help you predict how much Brand and Generics will be dispensed allowing you to plan for their impact on compliance parameters.

7. Alternate Sourcing

- Alternate sourcing can provide significant cost savings.

Work closely with your buying group representatives regularly to review tools and best practices since they are often changing and improving. Give IPC a call or talk to a representative to get started.

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Part 4: Develop Ongoing Purchasing Strategies

Now that you have identified your team of representatives and advisors; analyzed your agreement, you can confidently calculate your final costs, and familiarized yourself with the tools that are available, it is time to put it together and develop a purchase strategy.

What metrics do I need to establish my goals around?

You may only have one or two that are achievable in the short term.

(Example: you are within a couple percentage points of achieving your next GCR tier. Set your goal to achieve that tier.)

As mentioned in section two, your metrics and ratios are interconnected so make sure you align those metrics and ratios. As you navigate GCR, continue to maintain compliance with GPR and BPR as required, and monitor volume requirements.

Assign responsibility to someone on your team to manage the process and the outcome.

Clear objectives and accountability with recurring touch point reviews will assure you the best chance of success.

Develop a written process for your team to follow:

- Verify the timeline of measurement for each metric, considering some are measured monthly and others are quarterly.
- List the tools, login credentials and training resources available to manage the metrics and ratios.
- Identify outside factors that impact your ability to monitor this including vaccine clinics, open enrollment, vacations, etc.
- Set reminders on your calendars and identify who will be responsible for keeping everyone on track.

Provide education of the process to everyone on the team so they can reference it over the first month.

Review it again in four to six weeks, especially if significant changes to your normal activities are needed.

Schedule quarterly and yearly meetings to ensure this process continues to be the best strategy for your practice. Preparation and continued monitoring will impact on your bottom line.

Commit to optimizing your agreement with your primary wholesaler.

Now that you know your metrics, ratios, and their impact on costs, you understand your business better and are educated to have more insightful conversations with your buying group representative.





The purchasing strategy is just the beginning, IPC can help you continue to grow by establishing new high profit revenue streams, adding services, and improve patient outcomes to become a profitable and thriving healthcare destination.

IPC is committed to the success of our members. For a more in-depth look into this process visit our “Pharmacy Business 101: Creating a Purchasing Strategy” blog by scanning the QR code.



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