The Role and Value of Pharmacy Services Administrative Organizations (PSAOs)

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What is a PSAO?

- PSAOs are service organizations that provide back-office support to independent pharmacies and small chains.
- These services include, but are not limited to:
  - Evaluation and navigation of Pharmacy Benefit Manager (PBM) contracts;
  - Help desk to assist pharmacies with communications with the PBMs;
  - Credentialing and compliance assistance;
  - Central payment facilitation;
  - Claims reconciliation;
  - Performance tracking; and,
  - PBM audit support.
- For the services provided, PSAOs charge a flat monthly fee.
Who are PSAOs?

- In a 2013 report, the Government Accountability Office (GAO) identified 22 PSAOs owned by a mix of wholesalers, member pharmacies (of the PSAO), group purchasing organizations, and other private entities.
- Today it is estimated there are fewer than 10 PSAOs in operation.
- One analysis estimates that the six largest PSAOs in 2021 ranged from having 1,700 to 6,800 participating independent pharmacies each, with a median of 4,250 per PSAO.

In Comparison:

- The percent of total U.S. prescription claims managed by the six largest PBMs in 2018 was 95 percent.
- The top three PBMs control 77 percent of the prescription market.
- The second-largest PBM accounts for approximately 90 million plan members and controlled 68,000+ pharmacies.
# Scope of PSAO Services

- Community pharmacies and/or small chains often do not have the infrastructure and expertise of their larger chain competitors. Some choose to contract with a PSAO to assist with managing their PBM interactions and “back-office” administrative duties.

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<tr>
<th>Services Provided By PSAOs:</th>
<th>PSAOs Do Not:</th>
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<tr>
<td>Managing insurer and PBM relationships, including fielding questions about claims, contracting, reimbursement, and payer/PBM audits</td>
<td>Dictate reimbursement rates</td>
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<td>Ensuring pharmacy clients understand their rights and responsibilities regarding responding to or appealing audit findings</td>
<td>Set Maximum Allowable Cost (MAC) rates</td>
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<td>Assisting with regulation compliance and credentialing</td>
<td>Determine formulary listings or patient coverage</td>
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<td>Aggregating claims to a single payment from a third-party payer on behalf of a PSAO’s member pharmacies; individual payments are then disbursed to a PSAO’s members</td>
<td>Retain any portion of pharmacy reimbursement</td>
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<td>Managing and analyzing pharmacies’ payment and drug dispensing data to identify claims that have not been paid or were paid incorrectly</td>
<td>Create Direct and Indirect Remuneration (DIR)* fees — or retain any portion of DIR or dispensing fees</td>
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<td>Accept all contract terms</td>
<td>Create networks or plan structures</td>
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*In fact, PSAOs provide tools to help improve patient outcomes, which can in turn reduce DIR fees for pharmacies.
## Summary of State Policy Trends

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<th>National Landscape</th>
<th>Reality</th>
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<td>• Inaccurate national campaign indicating that PSAOs are equalizers in the pharmacy/insurer-PBM relationship.</td>
<td>• Government and supply chain studies note that PSAOs — including those operated by wholesale distributors — do not level the playing field between PSAOs and PBMs. All face difficulties in achieving fair contract terms.</td>
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<td>• Inaccurate perception that wholesaler-owned PSAOs have greater negotiation power.</td>
<td>• PSAOs are administratively focused entities operating on a flat membership fee and do not impact patient out of pocket costs, formulary design, etc.</td>
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<td>• Inaccurate perception that PSAOs impact the cost of pharmaceutical drug prescriptions</td>
<td>• PSAOs should not be treated as insurers or PBMs.</td>
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<td>• State-proposed legislation blur lines between PSAOs and other supply chain entities, such as insurers and PBMs.</td>
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Incorporate the PSAO perspective:

If legislative proposals are being considered in your state that include PSAOs, please reach out to pace@impactmanagement.com to discuss the PSAO perspective.

“If it ain’t broke, don’t fix it”:

PSAOs are not PBMs or insurers and should not be treated as such. The need for greater regulation of PSAOs is questionable at best.

Remember PSAOs actual role:

PSAOs do not notably impact the cost of medication and they are not responsible for patients benefit design. They are administrative support service providers. Additionally, not all PSAOs are wholesale distributor owned, and not all wholesalers operate a PSAO business. Who owns a PSAO does not impact market influence or prices.
To Summarize

- PSAOs are administrative service entities that charge a transparent, flat fee for their services.

- These entities assist with executing contracts, they do not negotiate with manufacturers, determine medication costs and do not sell medications to pharmacies.

- Pharmacies engage PSAOs to provide administrative support and expertise so pharmacists can focus on serving their patients.

- PSAOs do not impact the cost of pharmaceutical drug products and have absolutely no role in the formulary design of any health benefit plan.
Please reach out with any questions or for further education on PSAOs.

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