



Pharmacy Services Administrative Organization (PSAO) Coalition

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Governor's Task Force on Reducing Prescription Drug Prices

Summary of PSAO Coalition

- ▶ Developed in 2020 by the three largest PSAOs that are owned by pharmaceutical wholesalers (AmerisourceBergen – Elevate, Cardinal Health – LeaderNET, & McKesson – Health Mart Atlas)
- ▶ Collectively, the Coalition's members provide administrative services related to contracting with PBMs to over 17,000 of the 22,000 independent pharmacies and small chain pharmacies across all 50 states
- ▶ Despite the large market share amongst the independent pharmacies in the US, the three largest PSAOs *combined* only represent less than 13% of the total prescription drug market share

Background on PSAOs

- ▶ *Voluntary* service organization that independent pharmacies and small chains use to execute contracts with payers and PBMs on behalf of independent community pharmacies in their PSAO network;
- ▶ PSAOs often get access to networks that are not offered to pharmacies who contract directly with PBM (i.e. preferred Medicare Part D, some Medicaid Managed Care, etc.)
- ▶ PSAOs help pharmacies obtain access to more patients in their communities through their contracting;
- ▶ Creates administrative efficiency for the pharmacy to not have to wade through contractual terms and make individual evaluations about each PBM contract, addendum or network addition;
- ▶ PSAOs charge a flat monthly fee for their service.

Core Services that PSAOs Provide to Independent Pharmacies

- ▶ Evaluation and execution of PBM contracts by experienced teams;
- ▶ Access to preferred Part D networks unavailable to individual stores;
- ▶ Support with interactions between the pharmacy and PBM;
- ▶ Central payment services that make PBM payments faster and delivery of claims data more efficient;
- ▶ Reconciliation and business support tools;
- ▶ Patient data tools to improve performance for Medicare and some Private Health Plans;
- ▶ Customer support to assist with resolving PBM issues;

What PSAOs in the PSAO Coalition Do *Not* Do

- ▶ Dictate reimbursement rates (this is determined by the PBMs in their contractual offerings);
- ▶ Set Maximum Allowable Cost (MAC) rates for generic medications;
- ▶ Retain *any* portion of pharmacy reimbursement, DIR fees or any dispensing fees. **PSAOs typically charge a flat monthly fee for their service.** Reimbursements are passed through, in their entirety, from PBM to pharmacy;
- ▶ PSAOs do not sign every contract presented by the PBMs;
- ▶ Determine formulary selections or patient coverage;
- ▶ Create specific networks or plan designs;
- ▶ Create Direct and Indirect Remuneration (DIR) Fees;

What PSAsOs in the PSAO Coalition Do *Not* Do - continued

- ▶ PSAsOs do not provide access to pooled purchasing power;
- ▶ PSAsOs do not sell or distribute drugs or negotiate with manufacturers;
- ▶ Do not provide inventory functions for pharmacies;
- ▶ PSAsOs do not have an improved negotiation position based on the affiliation with their parent companies and their respective size in other lines of business;
 - ▶ The three largest PSAsOs represent approximately 25% of the total number of retail pharmacies, but only less than 13% of the total retail pharmacy prescription volume;
 - ▶ Compare this with the three largest PBMs (CVS/Caremark, OptumRx, and Express Scripts/Cigna) who collectively have 80% of the total PBM marketplace;
 - ▶ Creates inequitable contracting positioning;

PSAO Benefits for Pharmacies

- ▶ Provide back office functions related to contract evaluation, reconciliation services to ensure accurate payment, and tools to improve patient outcomes that can help to reduce DIR fees;
- ▶ Keep pharmacies up-to-date on industry contracting changes and evolution;
- ▶ Utilize contracting expertise and resources to provide pharmacists access to patients that they might not be able to serve by contracting directly with PBM;
- ▶ The back office solution helps to provide pharmacists more opportunity to focus on other areas of their business and to work on other patient-focused activities;

Wrap up

- ▶ PSAOs are voluntary entities that charge a flat fee for their service;
- ▶ PSAOs assist with executing contracts, they DO NOT negotiate with manufacturers and DO NOT sell medications to pharmacies;
- ▶ PSAOs provide administrative simplification for pharmacies;
- ▶ The PSAO Coalition is here to help answer your questions and help educate on PSAO issues that you may have related to pharmacy contracting and payment;
- ▶ My contact info is pace@impactmanagement.com or 501-690-8735.



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**GOVERNOR'S TASK FORCE ON
REDUCING PRESCRIPTION DRUG PRICES**