

# Pharmacy Services Administrative Organizations (PSAOs): Supporting the Nation's Independent Community Pharmacies


Oklahoma Senator Kay Floyd (Moderator)

Scott Pace, PharmD, JD, Partner, Impact Management Group;  
Owner, Kavanaugh Pharmacy; Former CEO, Arkansas Pharmacists  
Association

Crystal Lennartz, Vice President & General Manager Health Mart  
Atlas, McKesson



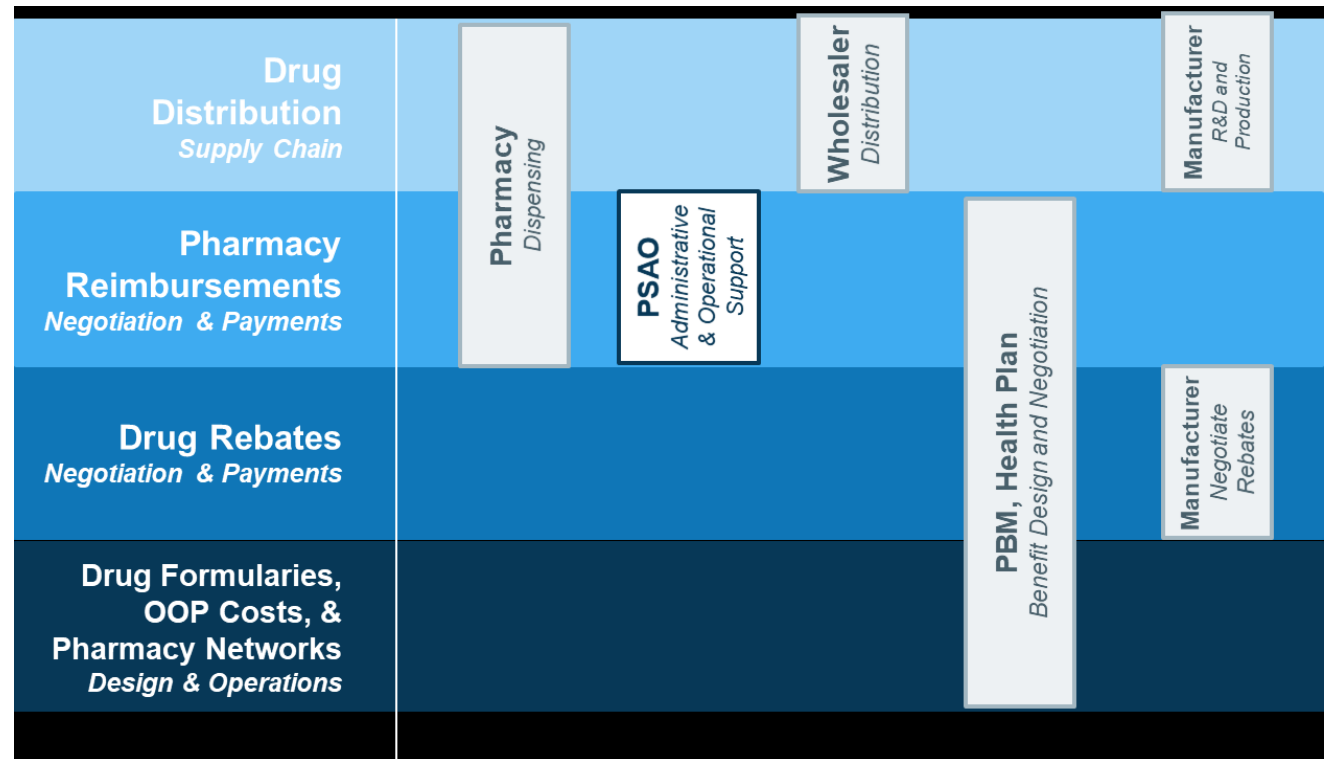
*#StrongEconomies*

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**Pharmacy Services  
Administrative Organizations  
(PSAOs)  
Key Takeaways**

# Key Takeaways

- Pharmacy Services Administrative Organizations (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.



# PSAO Myths v Reality

- 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.

Services Provided By PSAOs:	PSAOs Do Not:
<p>Managing insurer and PBM relationships, including fielding questions about claims, contracting, reimbursement, and payer/PBM audits</p> <p>Ensuring pharmacy clients understand their rights and responsibilities regarding responding to or appealing audit findings</p> <p>Assisting with regulation compliance and credentialing</p> <p>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</p> <p>Managing and analyzing pharmacies’ payment and drug dispensing data to identify claims that have not been paid or were paid incorrectly</p>	<p>Dictate reimbursement rates</p> <p>Set Maximum Allowable Cost (MAC) rates</p> <p>Determine formulary listings or patient coverage</p> <p>Retain any portion of pharmacy reimbursement</p> <p>Create Direct and Indirect Remuneration (DIR)* fees — or retain any portion of DIR or dispensing fees</p> <p>Accept all contract terms</p> <p>Create networks or plan structures</p> <p><i>*In fact, PSAOs provide tools to help improve patient outcomes, which can in turn reduce DIR fees for pharmacies.</i></p>

# Summary of State Policy Trends

## National Landscape

- Inaccurate national campaign indicating that PSAsOs are equalizers in the pharmacy/insurer-PBM relationship.
- Inaccurate perception that wholesaler-owned PSAsOs have greater influence.
- Inaccurate perception that PSAsOs impact the citizens out-of-pocket cost for prescriptions
- State-proposed legislation blur lines between PSAsOs and other supply chain entities, most notably insurers and PBMs.

## Reality

- Government and supply chain studies note that PSAsOs — including those operated by wholesale distributors — do not “level the playing field” between PSAsOs and PBMs. All face difficulties in achieving fair contract terms.
- PSAsOs are administratively focused entities operating primarily on a flat membership fee and do not impact patient out of pocket costs, formulary design, etc.
- **PSAsOs should not be treated as insurers or PBMs.**



*Please reach out with any questions or  
for further information on PSAOs.*

Kelly Memphis, [kmemphis@hda.org](mailto:kmemphis@hda.org)

<https://www.hda.org/issues/psaos>