

Pharmacy Services Administrative Organization (PSAO) Coalition

SCOTT PACE, PHARM.D., J.D. – CHAIR
PARTNER, IMPACT MANAGEMENT GROUP
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Background on PSAOs

- ▶ *Voluntary* service organization that provides back office services to independent pharmacies and small chains. These services include executing 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;
- ▶ In short, the services offered by PSAOs are to help pharmacies interact with the PBMs;

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 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 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.