



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

Moderated by:



**Arkansas State Representative
Deborah Ferguson
WIG State Director**

Featuring:



**Matthew DiLoreto
Vice President
State Government Affairs
Healthcare Distribution
Alliance (HDA)**



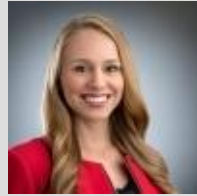
**Scott Pace, PharmD, JD
Partner
Impact Management
Group**



Women In Government Board of Directors



Chair
Rep. Cindy Ryu
(D-WA)



Vice Chair
Rep. Lauren Matsumoto
(R-HI)



Treasurer
Rep. Geran Tarr
(D-AK)



Secretary
Rep. Christie
Carpino (R-CT)



Past Chair
Sen. Stacey Guerin
(R-ME)



Western Regional Director
Asw. Lisa Krasner
(R-NV)



Western Regional Director
Sen. Julie Gonzales
(D-CO)



Eastern Regional Director
Del. Sheree Sample-Hughes
(D-MD)



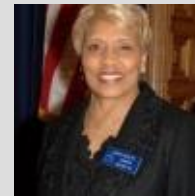
Eastern Regional Director
Sen. Patricia Rucker
(R-WV)



Midwestern Regional Director
Sen. Mattie Hunter
(D-IL)



Midwestern Regional Director
Rep. Patricia Pike
(R-MO)



Southern Regional Director
Sen. Gloria Butler
(D-GA)



Southern Regional Director
Rep. Heather Crawford
(R-SC)



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

Moderator

Arkansas State Representative
Deborah Ferguson
WIG State Director





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

General Housekeeping Items:

Please take a moment to introduce yourself in the Chat Box!

For optimized viewing of this program, click 'speaker view' or 'side by side.'

Please use the Chat Box in the Zoom Toolbar to ask questions after the presentation!

Let's Stay Connected!



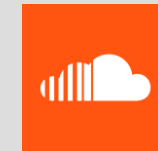
@WomenInGovernment



@WomenInGovt



@WomenInGovernmentFoundation



Women In Government



Women In Government



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

Featuring:



Matthew DiLoreto
Vice President
State Government Affairs
Healthcare Distribution
Alliance (HDA)



Scott Pace, PharmD, JD
Partner
Impact Management
Group

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

Matt DiLoreto
Vice President, State Government Affairs
Healthcare Distribution Alliance (HDA)

Scott Pace, PharmD, JD
Partner
Impact Management Group

- HDA is the national trade association representing **37 primary healthcare wholesale distributors**.
- HDA members are the backbone of the U.S. healthcare ecosystem, serving as the vital link connecting **nearly 1,500** healthcare and pharmaceutical manufacturers to **more than 180,000** individual pharmacies, hospitals, healthcare facilities and other sites of care.
- In addition to the many valuable services distributors provide to their customers, some wholesalers offer their independent community pharmacy and small chain pharmacy customers voluntary PSAO service options.
- HDA currently convenes a diverse group of PSAO stakeholders exclusively focused on the PSAO industry policy landscape.

Not all PSAOs are wholesale distributor owned, and not all wholesalers operate a PSAO business.

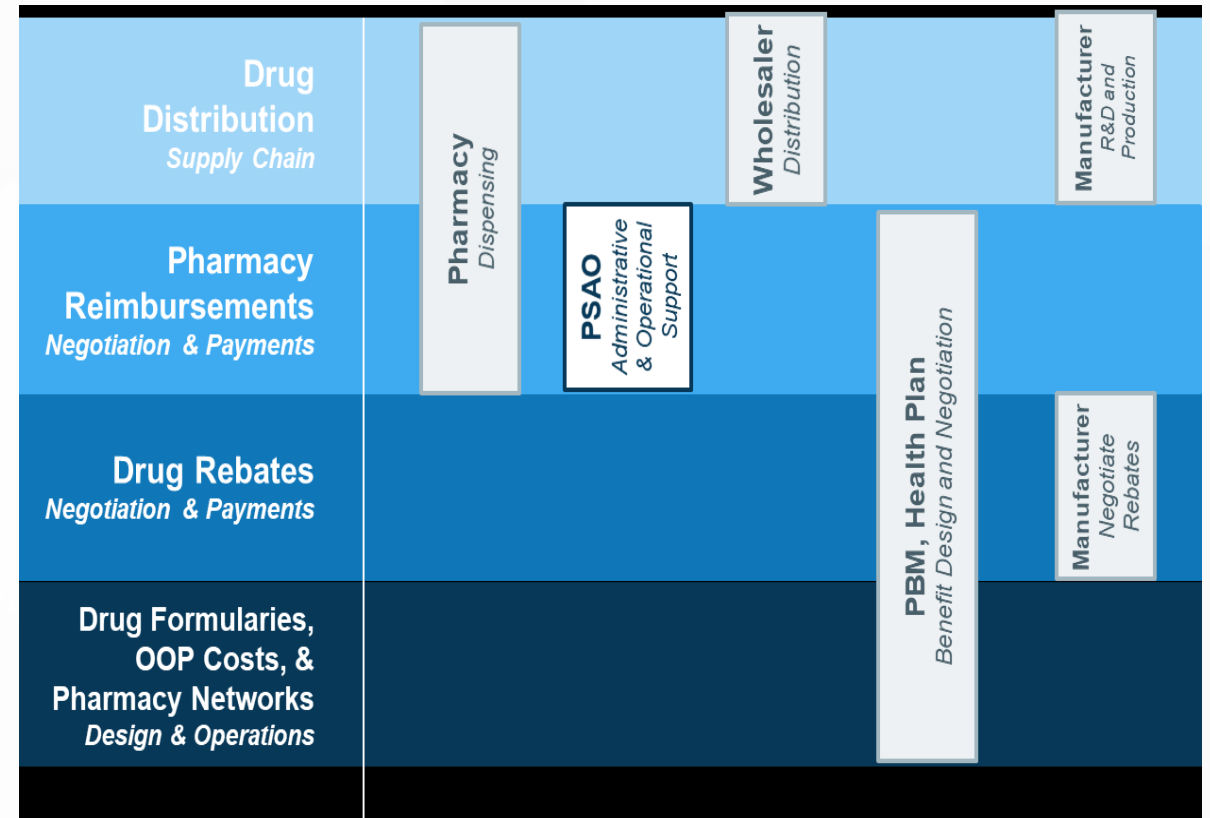
What is a PSAO?

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.

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 PSAOs are equalizers in the pharmacy/insurer-PBM relationship.
- Inaccurate perception that wholesaler-owned PSAOs have greater negotiation power.
- State-proposed legislation blur lines between PSAOs and other supply chain entities, such as insurers and PBMs.

Reality

- 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.
- PSAOs are administratively focused entities operating on a flat membership fee and do not impact patient out of pocket costs, formulary design, etc.
- PSAOs should not be treated as insurers or PBMs.

Please Note

Please make us part of the conversation:

If legislative proposals are being considered in your state that include PSAOs, please reach out to mdiloreto@hda.org or 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.

Recognize 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 that are inaccurately being conveyed as more than they are.

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.

For More Information:

We are here to help! Please reach out with any questions or for further education.

Matt DiLoreto, mdiloreto@hda.org or (703) 885-0236

Scott Pace, pace@impactmanagement.com or (501) 690-8735



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

Questions & Answers



Matthew DiLoreto
Vice President
State Government Affairs
Healthcare Distribution
Alliance (HDA)



Scott Pace, PharmD, JD
Partner
Impact Management
Group



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

Thank you for participating in today's virtual policy round-table event

WIG wishes you a joyful holiday season and a Happy New Year!

