



Scaling Up:

How PSAOs Help Independent
Pharmacies Thrive in a Complex
Healthcare Ecosystem

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Key Findings

1. Pharmacy Services Administrative Organizations ("PSAOs") are essential companies in the health care ecosystem that help independent pharmacies manage contracts with pharmacy benefit managers (PBMs).
2. The three largest PSAOs serve approximately 70% of the independent pharmacy market in the U.S., and are owned by massive publicly traded drug wholesaler companies that control 97% of drug distribution in the U.S.
3. Pharmacy group purchasing organizations (GPOs) and buying groups are deeply intertwined with PSAOs, pharmacies, and wholesalers. They help sustain independent pharmacies financially, and ensure pharmacies are well-represented in public policy.
4. The key concept in the pharmaceutical ecosystem is scale. PBMs harness the buying power of employers, unions, governments, and other plan sponsors, and PSAOs harness the selling power of hundreds or thousands of pharmacies.

Introduction

Pharmacy Services Administrative Organizations, or PSAOs, are crucial players in the prescription drug payment and supply chain. Like many participants in the health care delivery ecosystem, PSAOs are intermediaries. They are hired by independent pharmacies to provide services that help them operate efficiently within the ecosystem. The primary role of PSAOs is that of middlemen between pharmacy benefit managers (PBMs) and independent pharmacies, acting as a counterbalance to the payer side of pharmaceutical coverage. Other entities like pharmacy buying groups and "group purchasing organizations" (GPOs), sometimes affiliated with PSAOs, also help independent pharmacies succeed in an intensely competitive market by helping with drug purchasing, administrative tools, and policy advocacy.

This paper will highlight the role of companies that support independent pharmacies by examining:

- » The role and ownership of PSAOs.
- » The PSAO industry's influence, market changes, and complex relationships.
- » The services PSAOs provide independent pharmacies.
- » How PSAOs and PBMs interact.
- » How GPOs and buying groups support independent pharmacies.
- » Policymaker action on PSAOs.

The relationships in the pharmacy ecosystem are complex, sometimes overlapping, and always changing. PSAOs play an important role in helping protect independent pharmacy interests and ensuring their long-term success.



The largest PSAOs are owned by the three large, publicly traded drug wholesalers.


The Role and Ownership of PSAOs

A PSAO is a company that provides administrative services, primarily to independent pharmacies and some small chains, which make up the PSAO's "member pharmacies." PSAOs help pharmacies thrive in an increasingly complex and changing health care delivery system, by bringing pharmacies together for strategic contracting, and to increase efficiencies by offering a variety of tools to help pharmacies run their businesses. Each PSAO offers a different set of services and optional tools, but all PSAOs primarily negotiate on behalf of the PSAO's member pharmacies with third party payers (i.e., PBMs), enabling pharmacies to provide services to health plan members.¹ In some cases, an individual pharmacy or small chain may be able to contract directly with a PBM to serve plan members, but a pharmacy may choose to join a PSAO to increase its negotiating leverage against the PBM and to ease its administrative tasks dealing with multiple PBM contracts.² Participating in plan retail pharmacy networks provides pharmacies access to potential business in exchange for specific prices. Retail pharmacy networks include hundreds or thousands of patients who are enrolled in health plans and need access to prescription drugs and other products sold in drug stores. Large chain retail stores, grocery store chains with pharmacies, and large pharmacy chains do not typically belong to PSAOs because they've established the scale and administrative capabilities to negotiate, execute, and manage multiple large PBM contracts.³

There are a few different ownership models of PSAOs⁴, but the largest PSAOs are owned by the three dominant, publicly traded drug wholesalers, McKesson, Cardinal Health, and AmerisourceBergen.⁵ Wholesalers are influential in this space because they are in a strong position to help independent pharmacies with both their product/inventory needs and their business and administrative needs. On the product side, independent pharmacies are valuable customers, and it behooves the wholesalers to do what they can to help pharmacies run successful businesses. Wholesalers provide pharmacies one-stop access to products from a variety of manufacturers (as opposed to pharmacies working directly with hundreds of manufacturers) and can help with generic purchasing programs, co-branding of products sold in the pharmacy, repackaging drugs, and central fill dispensing, which is a mail-order type of service for a pharmacy's customers.⁶

What Do PBMs Do?

Pharmacy Benefit Managers (PBMs) administer pharmacy benefits on behalf of health plan sponsors (employers, unions, & government programs like Medicare Part D, & Medicaid, etc.). Some companies own both a health insurer and a PBM; some are independently owned. Each health plan sponsor determines what services it wants from its PBM. Most individuals in a health coverage program in the U.S. have their pharmacy benefits managed by a PBM. Although there are a few PBMs with large footprints, there are 73 PBMs in the U.S. serving various types of clients.⁷



The impact of the Big 3 wholesaler PSAs is important, as they are responsible for 97% of U.S. drug distribution and providing PSAO services to approximately 70% of the independent pharmacies in the U.S.

On the administrative side, wholesaler owned PSAs understand pharmacy product costs and retail prices and can provide tools to support other pharmacy business needs like data analysis and forecasting, marketing, starting up or selling a pharmacy, or franchise opportunities that provide an independent pharmacy with national name recognition.⁸

A significant majority of independent pharmacies belong to the “Big 3” wholesaler PSAs and the impact of these companies on the independent pharmacy market is important. They control 97% of U.S. drug distribution⁹, and their affiliated PSAs represent over 17,000¹⁰ pharmacies (including some small chain pharmacies)—likely close to 70 percent of the 23,353¹¹ independent pharmacies in the country. It makes sense for wholesalers and pharmacies to work together, as their financial incentives are well-aligned. Both parties are in the business of selling pharmaceuticals and ensuring that reimbursement from third party payers is appropriate.

The few remaining PSAs are privately owned or owned by member pharmacies, where pharmacies have banded together to create a non-wholesaler affiliated PSAO entity with the sole purpose of supporting the business needs of pharmacies. For the PSAs run by the “Big 3” wholesalers, ownership of the PSAO is clear and included in some Securities and Exchange Commission (SEC) filings and wholesaler marketing documents. For some of the smaller PSAs, ownership structure and affiliation are less clear, but mostly can be derived from marketing information and industry publications.

Ultimately, pharmacies have choice in whether they’ll use a PSAO, and which type they choose. A pharmacy may want the services of a large, national PSAO that is affiliated with a large wholesaler, or may want to work with a smaller, regional, or member-owned PSAO. Another pharmacy may prioritize working with a PSAO that is wholesaler agnostic. Each pharmacy owner has a unique business strategy. Regardless of the PSAO ownership model, the primary focus is creating scale, increasing negotiating power, and supporting independent pharmacies.



The PSAO Industry's Influence, Market Changes & Complex Relationships

Most of the nation's 23,353¹² independent pharmacies use PSAOs to interact with PBMs on their behalf¹³ and to obtain assistance with pharmacy business issues. Health Evaluations reported in 2019 that 83% of independent pharmacies used PSAOs,¹⁴ up from 80% reported by GAO in 2013.¹⁵ Given the publicly reported numbers of PSAO member pharmacies (see [Appendix 1](#)), even accounting for possible overlap of membership, it's likely the percentage of independent pharmacies participating in PSAOs is now higher than 83%.

The PSAO market has changed significantly in the last ten years, through mergers and acquisitions, and joint ventures entered into by pharmacy services organizations, group purchasing organizations, and wholesalers. In 2013, GAO reported that there were 22 PSAOs, the largest five PSAOs combined contracted with more than half of all pharmacies represented by PSAOs, and most PSAOs supported fewer than 1,000 pharmacies.¹⁶ Avalere Health (for the Healthcare Distribution Alliance, a trade association for drug wholesalers) reported in 2022 that there are “fewer than 10 PSAOs in operation today,”¹⁷ an estimate that is supported by the small handful of PSAO registrations in Louisiana and Maryland, the two states that have implemented registration requirements for PSAOs (New Jersey's newly enacted law has not yet taken effect). The reduction in the number of PSAOs and the associated increasing number of pharmacies in each PSAO caused by consolidation may be seen as a positive for small pharmacies—an increase in size can be a natural increase in bargaining power.

PSAOs help their member pharmacies with more than just retail pharmacy matters. Specialty drug costs now make up 50 percent of total drug spending, and costs are trending up.¹⁸ As innovative drugs and their steep prices are introduced into the market, there is a need for both (a) specialty pharmacies to provide patients access to these drugs and (b) third party payers to manage the exorbitant costs of providing those drugs. Discussions among these parties will have increasing importance in the coming years. Recently, to address these dynamics, two of the “Big 3” wholesalers created new PSAOs focused on specialty pharmacies.¹⁹ PSAOs focused on serving pharmacies that dispense specialty drugs likely will work to ensure contracts for coverage of specialty drugs remain sufficient to support specialty pharmacies but competitive to ensure cost-effectiveness.

There have been many changes to the PSAO market over the past several years and the landscape will likely continue to change. [Appendix 1](#) outlines the ownership structure, membership, and notes affiliations and ancestry of the major PSAOs in the U.S., based on publicly available information. Not surprisingly, there is an overlapping history among several PSAOs, GPOs, pharmacy cooperatives, and drug wholesalers.

In 2011, there were 22 PSAOs operating in the U.S. There are fewer than 10 in operation today.

PSAOs provide a range of administrative services and tools to independent pharmacies

Types of Services Provided by PSAOs

PSAOs provide a range of administrative services and tools to independent pharmacies. The specific services depend on contract terms between the PSAO and its members, and which PSAO tools pharmacies opt into. Although the details of PSAO contractual relationships are not public, PSAO groups indicate that they provide services for a flat fee.²⁰ An illustration of common services is provided in Figure 1 below. Additional detail is available in [Appendix 2](#).²¹

Figure 1: Typical PSAO Services





PSAOs and PBMs share the goal of helping their clients ensure patients have access to the prescription drugs they need.

PSAO Interactions with PBMs

PSAOs and PBMs interact in a variety of ways that bring the interests of their respective clients—the pharmacies and the health plan sponsors—together, with the shared goal of enabling patients to get the prescription drugs that they need.

The PSAO negotiates directly with the PBM regarding reimbursement, performance metrics, network requirements, and other contract terms, which will allow the PSAO's pharmacies to participate in the plan network and enable plan members to get prescriptions filled at the PSAO's member pharmacies. At times, no deal is reached between a PSAO and a PBM. In these cases, that PSAO's member pharmacies may have the option to contract directly with the PBM or, if their current PSAO or wholesaler arrangement allows it, may be able to join a different PSAO that has a contract with the PBM.

Once a contract is reached, the PSAO and PBM interact during the year, primarily to ensure pharmacies are paid timely and accurately and to deal with any reimbursement disputes or appeals. Sometimes there are financial guarantees or performance benchmarks related to quality or cost that the pharmacy commits to under the contracts it signs with the PSAO, and indirectly, with the PBM. During the year, the PSAO typically will help member pharmacies keep track of where the pharmacies stand in meeting these commitments during the year—whether they are not meeting expectations and how to change the trajectory, or whether they're on track for meeting the commitments. This issue arises mostly in the Medicare pharmacy DIR context.

What Is DIR?

Direct and Indirect Remuneration (DIR) is a term in Medicare Part D that refers to price concessions that cannot reasonably be estimated at the time of patient care or services. (42 CFR §423.308). For pharmacies, DIR relates to contract terms pharmacies have agreed to, which include reimbursement tied to performance on quality measures such as generic dispensing and patient adherence rates, where pharmacies are uniquely positioned to improve patient care. PSAOs are integral in helping pharmacies understand these contract terms and where the pharmacy stands in meeting these commitments during the year. There are significant changes to the price concessions components of DIR being implemented in 2024. We believe PSAOs will continue to be impactful, helping pharmacies understand DIR-related data and performance metrics, and helping ensure safe, cost-effective services for Medicare patients.

PSAOs may also interact with PBMs related to audits that the PBM performs on the PSAO's member pharmacies. Since the PSAO has insight into the claims submitted to the PBM and the payments received, the PSAO can help the pharmacy analyze audit risks or to help prepare for audits.

In recent situations, PSAOs and PBMs have reached agreements to help PSAO member pharmacies participate in innovative programs or pivot the pharmacy's business to respond to significant issues like the COVID-19 pandemic.²²

Ultimately, PSAO—PBM interactions depend on and are responsive to the needs of their respective clients regarding contractual matters that arise during the year. Neither the PSAO nor the PBM has insight into each other's contracts with its clients. Figure 2 provides additional detail on the PSAO-PBM interactions that may arise during the year.

Figure 2: Example of How PSAOs and PBMs Interact

| PSAO | AREA OF INTERACTION | PBM |
|--|--|--|
| PSAO communicates member pharmacies' collective expectations for contract, negotiates for terms that are advantageous to pharmacies. May fail to come to terms with PBM. | Negotiate & Execute Contracts for Pharmacy to Provide Services to Plan Members | PBM communicates the plan sponsors' and PBM contract expectations, reimbursement terms, rights and responsibilities, and any gov't requirements or mandates. May fail to come to terms with PSAO and provide pharmacy other options for participating. |
| Collects information from pharmacies on state and federal licenses and readiness to meet plan requirements and certifies information to PBMs. | Ensuring Readiness/Qualification of Pharmacies to Participate in Network | PBM accepts information on pharmacy licenses, etc. from PSAO re: pharmacies to ensure readiness to provide pharmacy services to plan patients. |
| PSAO may follow pharmacy claims submitted to PBM, reviewing for accuracy. PSAO may receive bulk reimbursements from PBMs and divides money up among member pharmacies according to PSAO-pharmacy contract terms. | Claims Submission and Reimbursements | PBM receives claims from pharmacies and processes reimbursement according to contract terms and plan requirements. May send PSAO bulk payment for all member pharmacies (or pharmacy directly if contract indicates). |
| If member pharmacies or PSAOs seek to challenge reimbursement, PSAO may be able to submit appeal (or a batch of appeals) directly to PBM on behalf of pharmacies. | Appeals | Operates appeals process and sends decision and any additional payment to PSAO (or directly to pharmacy if contract indicates). |
| May communicate with PBM re: performance of PSAO's pharmacy membership on metrics required in contracts. | Performance Metrics Monitoring | Communicates with PSAO re: its member pharmacies' performance on contracted quality or cost performance metrics, such as DIR. |
| May help pharmacies be aware of upcoming routine audits, collect information to respond to PBM routine and non-routine audits, and may communicate directly with PBM regarding these audits. | Audits | Performs routine or non-routine audits to ensure pharmacy is complying with contract terms and other rules. May communicate with PSAO re: audits of its member pharmacies. |

PSAO-PBM interactions are responsive to the needs of their respective clients regarding contract issues.



How GPOs and Buying Groups Support Independent Pharmacies

Group purchasing organizations (GPOs) and buying groups are organizations that pharmacies join to negotiate the prices that pharmacies pay for prescription drugs and other products for stocking or using in drug stores.²³ Although GPOs and buying groups provide different services than PSAOs, their role is similar, in that they both utilize scale and specialize in negotiating and contracting with third party entities. On the GPO/buying group side, the group negotiates and contracts with wholesalers or manufacturers for pharmacy *products and services*,²⁴ and on the PSAO side, the PSAO negotiates and contracts with PBMs for pharmacy *reimbursement contracts*. Like PSAOs, GPOs and buying groups are part of the complicated prescription drug ecosystem and illustrate another example of pharmacies achieving scale to help ensure success.²⁵

GPOs and buying groups are different from PSAOs, but are similar in that they both (1) use scale to increase negotiating power and (2) specialize in contracting with third parties on behalf of independent pharmacies.

Perhaps most importantly, the GPO/buying group's purchasing power allows "smaller pharmacies to get discounts and rebates from preferred suppliers of drugs and other products."²⁶ There are a variety of types of rebates, discounts, and financial incentives available, all of which are all confidential and proprietary; however, public reports indicate that they are tied to metrics such as the dollar volume of products purchased, percentage of generic drugs in relation to overall drug purchases (generic ratio), prompt payment, other program incentives, or other metrics, and can be discounts from list prices.²⁷ The value of these financial incentives can be substantial, and is known only to the pharmacy, its negotiator and its supplier.²⁸ The impact on the cost of pharmaceuticals to payers and patients is unknown.

It's not immediately clear how buying groups and GPOs are funded to operate—whether funding comes from pharmacy membership fees; vendor fees (based on a percentage of purchases made by a GPO, as GPOs do in the hospital world);²⁹ or some other method.³⁰ Funding mechanisms may vary depending on the GPO or buying group's specific programs, relationships with suppliers and vendors (or being a member of an affiliated PSAO), and whether the pharmacy opts into other tools offered by the group.

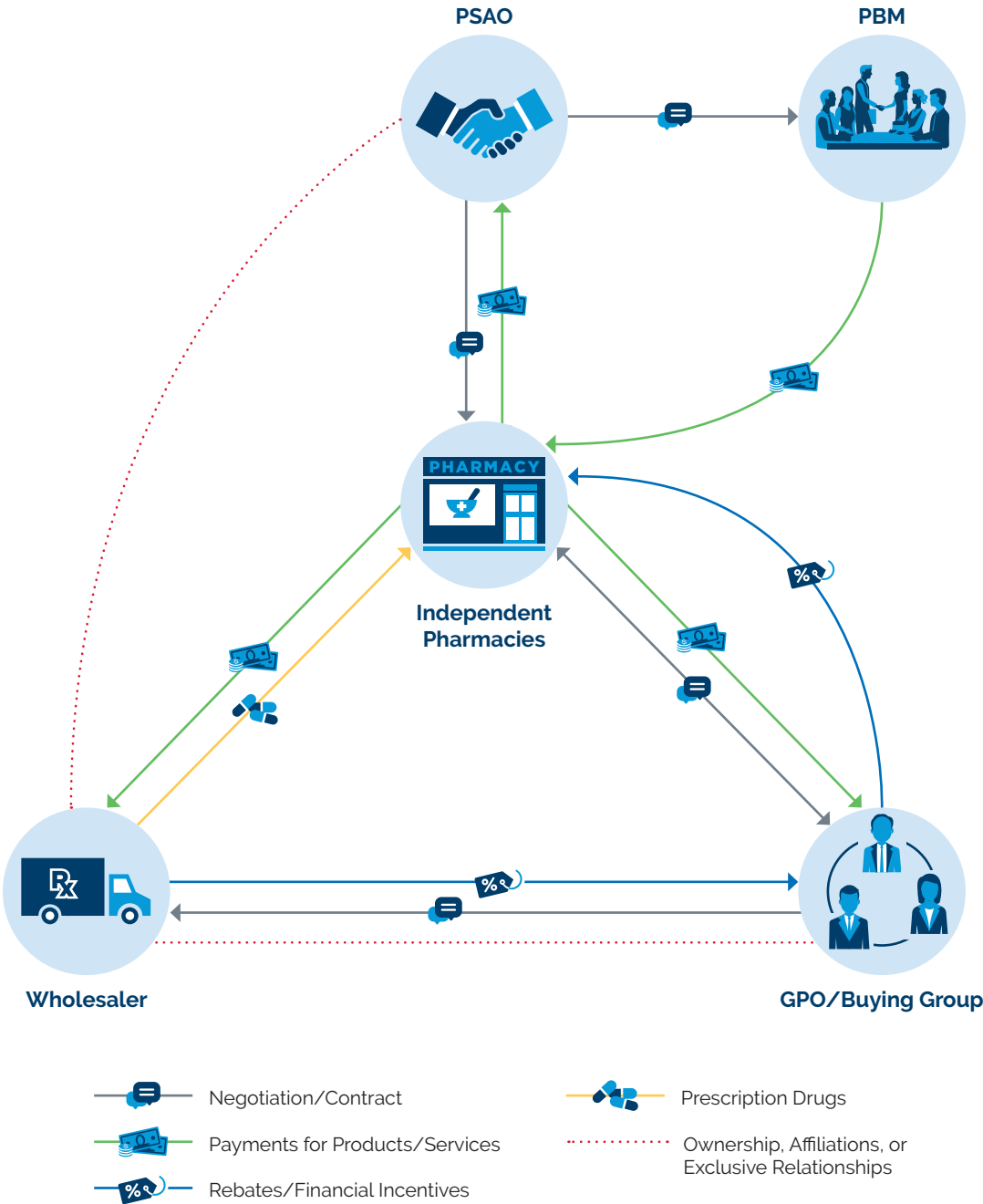
Industry publications indicate that there are over 600 buying groups, but only a few "are a big influence in the independent pharmacy space."³¹ Like some PSAOs, GPOs and buying groups may have special relationships with wholesalers, or in some cases minimum purchase agreements with wholesalers.³² Some wholesalers have a limited list of GPOs or buying groups they'll work with.³³ These relationships can affect pharmacies that belong to those groups, sometimes incentivizing pharmacies to purchase a specific volume of their pharmaceuticals from a specific wholesaler, even if the pharmacy isn't getting the "best" deal for individual items. A wholesaler may not be giving the pharmacy the best price on a particular drug but may offer higher rebates or incentives on their overall contract.³⁴ Some GPOs and PSAOs may work together to offer tools that can see both sides of the pharmacy's transaction on a drug, including what the net cost of the drug was from the wholesaler (including discounts and rebates), and how much the PBM (through the PSAO) reimbursed the pharmacy for the drug, helping the pharmacy stay on track with its business goals.³⁵ There are also some GPOs and PSAOs that differentiate themselves by not having exclusive buying relationships or minimum purchase requirements.³⁶

In addition to providing contract negotiation services, like some PSAOs, many GPOs and buying groups advertise value to pharmacies by providing political, legislative, and regulatory advocacy on behalf of the independent pharmacy community.³⁷

The details of the relationships between pharmacies, GPOs, wholesalers, and PSAOs are varied, complex, often confidential, and not generally regulated. Ultimately, among PSAOs, wholesalers, and GPOs, there's a support structure for independent pharmacies that help keep them competitive. Figure 3 illustrates a few of the tools that pharmacies use to achieve scale.

Many GPOs and buying groups provide political, legislative, and regulatory advocacy, representing independent pharmacy interests.

Figure 3: Tools that Exist to Help Independent Pharmacies Achieve Scale





Maryland, Louisiana, and New Jersey have enacted laws requiring PSAs to register or be licensed before operating in the state, while Washington, Pennsylvania and Texas establish lesser requirements for PSAs.

Regulation, Oversight, and Policy Discussions Relating to PSAs

Most aspects of health care delivery and participants in the prescription drug supply chain are heavily regulated across the country at both the state and federal levels. However, there have been few state or federal discussions about regulating PSAs. The handful of enacted laws related to PSAs range from PSAs simply being defined in statute, to a more robust regulatory scheme requiring licensure and other substantive standards.

Enacted Laws

Maryland³⁸ has the most robust structure for regulation of PSAs, requiring registration with the insurance commissioner and submission of information on its business and ownership structure. PSAs are required to notify member pharmacies and contracting PBMs about ownership affiliations. PSAs are prohibited from requiring pharmacies to purchase pharmaceuticals from the PSA's associated wholesaler as a condition of belonging to the PSA and the PSA must disclose to the commissioner any agreement where a pharmacy purchases prescription drugs from the PSA's owner. The PSAs must submit contracts to the commissioner and pharmacies before those contracts take effect, and the PSA must provide copies of contracts it signs on behalf of pharmacies to those pharmacies. The statute allows the commissioner to adopt a complaint process to address grievances and appeals related to the PSA statute. Finally, the commissioner has authority to deny, suspend, or revoke registration, and issue orders related to the law. Five of the six major PSAs are registered in Maryland, along with a few other lesser-known companies, including what appear to be a handful of GPOs.³⁹ (See [Appendix 3](#)).

Louisiana⁴⁰ requires PSAs to obtain a license to operate in the state and must make available for inspection by the insurance commissioner contracts with pharmacies, PBMs, and others. PSAs must submit to the insurance commissioner information about the number of pharmacies in the PSA, and the insurance commissioner has authority to examine certain documents of PSAs. The insurance commissioner may deny, suspend, or revoke a license if the PSA fails to meet statutory requirements, and the regulation is prescriptive on the scope of both PBM and PSA business activities.⁴¹ There is an exception to the licensure requirement for PSAs that are not based in Louisiana and are not seeking business in the state. Currently there are seven PSAs registered in Louisiana. (See [Appendix 3](#)).

In summer 2023, New Jersey enacted a law that establishes new requirements for PBMs and PSAs.⁴² Related to PSAs, the new law requires PSAs to register with and provide basic corporate and ownership information to the Department of Banking and Insurance. The Department will have authority to issue penalties for failing to register and may require PSAs to file contracts and documents between pharmacies, PBMs, and PSAs. The Department retains authority to suspend, revoke, or place on probation a registered PSA under circumstances of fraud or other illegal activity. The law will go into effect in early 2025, but the Department may draft implementing regulations before that time.

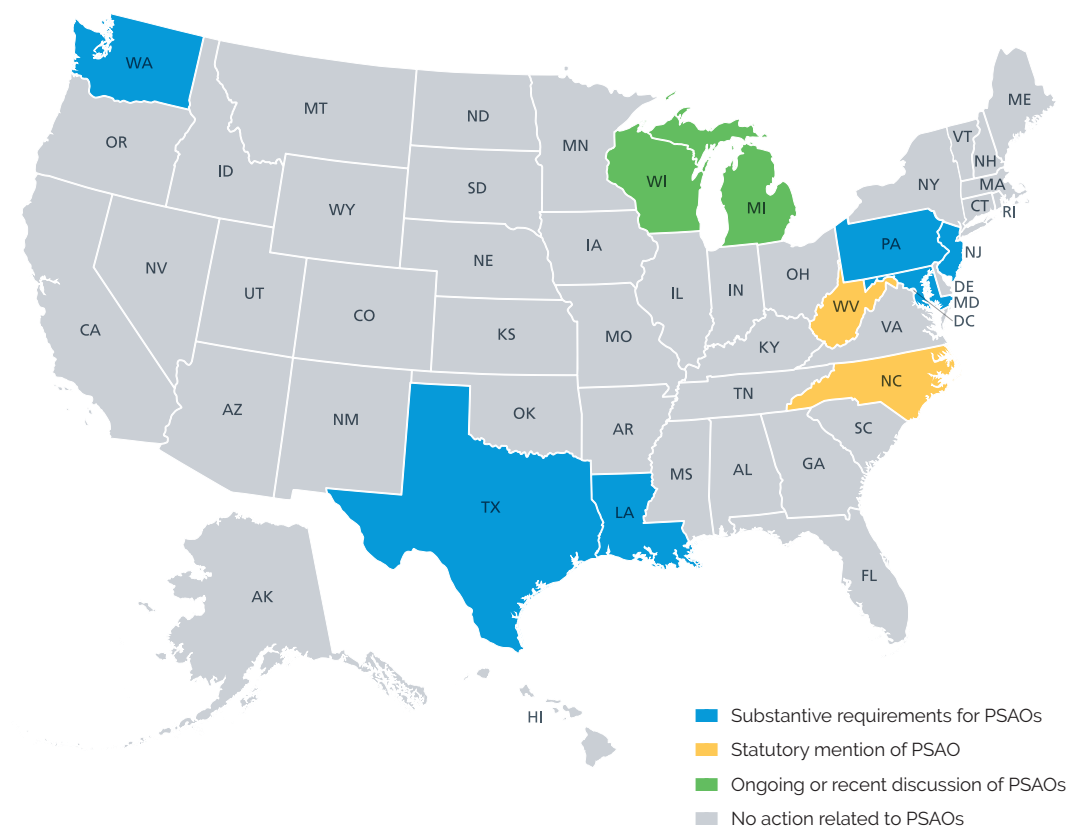
PSAOs are an important part of state policy discussions about the drug supply chain and the broader healthcare ecosystem.

Other states have enacted laws with references to PSAOs. For example, Washington's drug price transparency law requires PSAOs to report data under certain conditions.⁴³ Pennsylvania prohibits PSAOs from employing spread pricing and mandating network participation in Medicaid,⁴⁴ and Texas establishes in statute a PSAO member pharmacy's entitlement to receive a copy of the contract that a PSAO signs on its behalf.⁴⁵

Ongoing State Discussions

While a few states have taken definitive action to regulate PSAOs or have some substantive requirements, other states are still in discussions or have taken minor, non-substantive action. West Virginia⁴⁶ and North Carolina⁴⁷ enacted definitions of PSAOs, but those statutes have no substantive requirements for PSAOs. In Wisconsin, Governor Tony Evers convened a task force on the topic of lowering drug prices and issued a report in 2020, ultimately recommending that PSAOs be required to register with the state's Office of the Insurance Commissioner.⁴⁸ The National Association of Insurance Commissioners has heard from PSAOs in their discussions of the pharmacy supply chain, and Michigan Governor Gretchen Whitmer's Prescription Drug Task Force also examined PSAOs' role in the prescription drug ecosystem.⁴⁹

Figure 4: State Legislative or Executive Branch Action Related to PSAOs





Conclusion

There are multiple, lesser-known companies that play important roles in helping patients obtain prescription drugs. Among these are PSAOs, which provide a suite of contracting and business tools that support independent pharmacies' success in an ever-changing environment. Other companies, in some cases affiliated with PSAOs, such as drug wholesalers and even lesser-known organizations like GPOs and buying groups, complement PSAO services by providing support through discounted pharmaceutical purchasing and other business tools, helping pharmacies remain competitive and profitable. Although the landscape has changed over the last several years, the scale of individual PSAOs has grown and they will continue to play a meaningful role for pharmacies. As policymakers continue to take great interest in how money flows through the pharmaceutical supply chain and how these costs are covered by patients, taxpayers, employers, and others, it is likely that more questions will be asked about PSAOs, GPOs, wholesalers, and their complex, intertwining relationships.

Appendix 1: Evolving PSAO Industry⁵⁰—PSAO Ownership, Affiliations, and Ancestry

| Owner(s) or Operator | PSAO/ Franchise | Estimated Membership ⁵¹ | Affiliations/Ancestry |
|-------------------------------|---|---|--|
| McKesson | Health Mart Atlas | >6,800 ⁵² | McKesson is Fortune 9 wholesaler ⁵⁴ |
| | Pharmacy Franchise: Health Mart | (>5,000 Health Mart) ⁵³ | Health Mart Atlas was joint venture with APCI. MCK's Access Health joined with APCI's APNS. ⁵⁵ "Choice/APCI" now indicates it's the "intermediary to Health Mart Atlas." ⁵⁶ APCI also has a GPO ⁵⁷ |
| | Atlas Specialty PSAO | Not publicly reported | Specialty-focused PSAO (2022) ⁵⁸ |
| AmerisourceBergen | Elevate Pharmacy Network | >5,200 ⁵⁹ | AmerisourceBergen is Fortune 11 wholesaler ⁶¹ |
| | Pharmacy Franchise: Good Neighbor Pharmacy | (>4,381 Good Neighbor Pharmacies) ⁶⁰ | |
| | Accelerate Specialty PSAO ⁶² | >100 | Specialty-focused PSAO (2021) |
| Cardinal Health ⁶³ | LeaderNet (drug distribution clients) | >5,400 | Cardinal is Fortune 14 ⁶⁴ wholesaler |
| | Managed Care Connection (regional chains) | | |
| | Pharmacy Franchises: Medicine Shoppe and Medicap Pharmacy | | |
| PPOK & Arete | AlignRx (2021) | >4,000 ⁶⁵ | <p>Joint venture between UnifyRx's PPOK and AAP's Arete closed in 2021, forming AlignRx, LLC, which is independently owned and wholesaler neutral.⁶⁶</p> <p>PPOK History: UnifyRx ⁶⁷ was merger of PPOK and PBA⁶⁸ (joined buying group & PSAO services).⁶⁹</p> <p>Arete History: HD Smith (wholesaler) and American Associated Pharmacies (an independent pharmacy co-op) created joint venture in 2016 called Arete. Also in 2016, RxPride became part of Arete. In 2018, AAP bought out HD Smith's 50% stake in the Arete joint venture and became the sole owner.⁷⁰</p> <p>AAP was created in 2009 when United Drugs (a wholesaler) and Associated Pharmacies joined forces.⁷¹</p> <p>PPOK also owns MaxCare (a PBM)⁷²</p> |
| Wholesale Alliance, LLC | Pharmacy First | >2,300 ⁷³ | Pharmacy First/Third Party Station PSAO—wholesaler agnostic. ⁷⁴ Wholesale Alliance, LLC is owned by a group of drug wholesalers ⁷⁵ |
| EPIC | EPIC Pharmacy Network | >1,500 ⁷⁶ | <p>Member owned</p> <p>See also EPICRx – GPO⁷⁷ - exclusive wholesaler relationship with McKesson⁷⁸</p> |

Appendix 2: Detailed List of PSAO Services⁷⁹

Contract Negotiation, Execution and Administration

- » **Reviewing contracts**—Pharmacies contract with PSAO to allow the PSAO to enter agreements on their behalf.⁸⁰ PSAOs review, evaluate and agree to (or may reject⁸¹) PBM contracts. Important contract terms include reimbursement rates and dispensing fees, billing requirements, payment frequency, recoupment process/overpayment clauses, appeals processes, audit clauses, value-based/quality payment terms, including Medicare Part D direct and indirect remuneration (DIR), and other items.
- » **Network access**—getting the pharmacy onto the plan's/PBM's list of participating pharmacies, which helps drive patient business to pharmacies.
- » **Credentialing**—verification of pharmacy and pharmacy technician licensure, validation of pharmacy liability insurance, monitoring the Health and Human Services (HHS) Office of Inspector General's (OIG) List of Excluded Individuals/Entities, registration with the Drug Enforcement Administration's (DEA) Diversion Control Division, and validation of compliance with other plan requirements and state and federal regulations.
- » **Engage with member pharmacies**—answer questions regarding claims, payments, and any issues that arise with PBM. Also, depending on how the PSAO is structured, it may get member pharmacy feedback through advisory committees or co-op board participation.

Billing and Reimbursement Support

- » **Prescription drug billing**—claims review and editing tools designed to improve reimbursement accuracy and reduce payer auditing risks. These tools may be in-house at the PSAO or facilitated by a PSAO through a special business relationship with a vendor. PSAOs may manage all other aspects of billing, including receiving payments ("Central Pay") and remittances from PBMs (then sharing with member pharmacies) and manage matching claims with payments. PSAO may also submit reimbursement appeals on behalf of member pharmacies.
- » **Medical services and medication therapy management (MTM) billing**—as pharmacists continue to gain "provider status" some are now billing for clinical services (e.g., blood sugar testing, vaccine administration, and blood pressure checks) and MTM, which often are paid outside the normal pharmacy prescription drug billing systems. PSAOs may facilitate vendor automation of these processes.
- » **Audit support**—helping pharmacy understand rights and responsibilities regarding responding to audits, documentation reviews, consulting, and analytic assistance with payer audit preparation, production of discrepancy reports and filing appeals with payers and government agencies.

Pharmacy Performance Analytics

- » **Quality analytics**—provide pharmacy support for value-based payment arrangements, including trend reports, comparisons with a peer pharmacy group, payer level statistics to monitor opportunities for bonus payments or risks for downward adjustments, and outlier reporting to help identify patients who need extra assistance. Many PSAOs and pharmacies employ the EQuIPP™ performance information management tool, which uses paid prescription drug claims data, medical claims, and member eligibility data to evaluate compliance with performance measures.
- » **Financial analytics**—dashboards and predictive analytics around revenue, profit, cash flow, and administrative expenses.

Affiliated Wholesalers and/or GPO/Buying Groups

- » **Acquisition of prescription drugs from wholesalers**—Most PSAOs are wholesaler-affiliated and may help facilitate business relationships with wholesalers to negotiate for, purchase and deliver prescription drugs to the pharmacy.
- » **Facilitate access to group purchasing organizations or buying groups**—Some PSAOs are affiliated with buying groups that can help pharmacies secure significant off-invoice discounts, rebates, and incentives from wholesalers or manufacturers, reducing the net cost of pharmaceuticals and other products sold or used in the pharmacy.

Other Business Support

- » **“Front store” sales support**—typically an independent pharmacy is also a retail convenience store, selling a wide range of consumer goods and over the counter (OTC) non-prescription drugs and supplements. PSAOs may aid with front store layout, inventory management, marketing, or access to discounted group purchasing or co-branding of consumer products.
- » **Information technology**—PSAOs may provide access to products or access to group purchasing of hardware, software, electronic funds transfers (EFTs), tracking systems, digital support services, telehealth/pharmacy tools to facilitate patient counseling or collaboration with other healthcare providers; electronic tools to assist with patient care plans and records.
- » **Policy advocacy**—Some PSAOs (or their GPO affiliates) engage in state and/or federal political, legislative, or regulatory advocacy, representing independent pharmacy interests and amplifying pharmacy voices.
- » **Other support**—PSAOs may help provide pharmacies access to innovative programs and help pharmacies pivot service offerings and secure reimbursements during times of crisis like the COVID-19 pandemic.

Appendix 3: PSAs Licensed or Registered in States

Maryland: PSAs Registered (Active) (as of Nov. 2023)

| PSA Name | Business Location | Original Registration Date |
|--|--------------------|----------------------------|
| Elevate Provider Network | Orange, CA | 07/20/21 |
| EPIC Provider Network | Mechanicsville, VA | 06/30/21 |
| GeriMed LTC Network | Louisville, KY | 07/20/21 |
| Health Mart Atlas, LLC | New Albany, OH | 06/16/21 |
| Innovatix, LLC | Charlotte, OH | 12/21/21 |
| Integrated Health Systems Outcomes Coalition, LLC | Carrollton, TX | 07/20/21 |
| Leader Drugstores, Inc. DBA LeaderNET | Dublin, OH | 07/20/21 |
| Mark Cuban Cost Plus Benefits LLC | Dallas, TX | 7/25/23 |
| Medicine Shoppe Internet, Inc. | Dublin, OH | 06/30/21 |
| MHA Long Term Care Network, Inc. | Florham Park, NJ | 10/25/21 |
| Strategic Health Alliance II, Inc. dba Atlas Specialty | Columbus, OH | 07/20/22 |
| Wholesale Alliance, LLC | Overland Park, KS | 07/20/21 |

Louisiana: PSAs Licensed (as of Nov. 2023)

| Owner & PSA Name | Business Location | Date Licensed |
|---|-------------------|---------------|
| AlignRx, LLC (ALIGNRX) | Edmond, Oklahoma | 08/21/23 |
| Amerisource Bergen Drug Corp. (Elevate Provider Network) | Orange, CA | 03/08/22 |
| Health Mart Atlas LLC | Columbus, OH | 06/24/22 |
| Integrated Health Systems Coalition, LLC (Accelerate Specialty Network) | Carrollton, TX | 03/15/22 |
| Leader Drugstores, Inc. (LeaderNet, Managed Care Connection) | Dublin, OH | 11/10/22 |
| Medicine Shoppe Internet, Inc. (MSInternet) | Dublin, OH | 11/09/22 |
| Wholesale Alliance (Pharmacy First) | Overland Park, KS | 06/07/22 |

Endnotes

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- 12 PCMA analysis of NCPDP data. In addition, Avalere/HDA Report indicates that the number of independent pharmacies is "over 21,000," but lists membership in the six PSAOs total 24,900 (Table 2). The additional numbers in the PSAOs could be small chain pharmacies, an overlap of PSAO membership or other double counting.
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ABOUT PCMA

PCMA is the national association representing America's pharmacy benefit companies. Pharmacy benefit companies are working every day to secure savings, enable better health outcomes, and support access to quality prescription drug coverage for more than 275 million patients. Learn more at www.pcmanet.org.

