



# Pharmacy Services Administrative Organizations: What You Need to Know



A Pharmacy Services Administrative Organization (PSAO) interacts with healthcare insurers and pharmacy benefit managers (PBMs) on behalf of independent community pharmacies. Because community pharmacies comprise a small share of the overall retail pharmacy market in the U.S. — approximately 35 percent — the PSAO serves a critical function to help sustain these businesses.

Most of the nearly 20,000 independent community pharmacies in the U.S. voluntarily outsource some administrative services to a PSAO, providing these small business owners and healthcare providers support to allow them to spend more time at the pharmacy counter and, ultimately, on patient care.

The core function of a PSAO is to contract with a group of independent pharmacies, generally for an affordable monthly fee (around \$200, the sole source of revenue for the PSAO). By doing so, PSAOs amplify the voices of independent pharmacies with third-party payers and PBMs and create administrative efficiencies, allowing these small businesses to better use limited resources.

## PSAOs Provide Administrative Services to Independent Pharmacies

While PSAOs are primarily focused on decreasing administrative burdens for community pharmacists, these organizations also support contract negotiation and communication with PBMs or insurers.

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

Local independent pharmacists are some of the most accessible and trusted healthcare professionals in their communities. Supporting, managing and growing these businesses involve multiple full-time jobs, and PSAOs provide pharmacists the value-added services to help them make a difference in the health of their customers and neighbors.

**For more information visit: [HDA.org/psaos](https://HDA.org/psaos)**