

Pharmacy Services Administrative Organization (PSAO) Coalition  
124 W. Capitol Ave, Ste 1886  
Little Rock, AR. 72201

March 3, 2020

Senator Delores Kelley  
Chair, Senate Finance Committee  
3 East  
Miller Senate Office Building  
Annapolis, MD 21401

Re: Concern over SB915 – Pharmacy Services Administrative Organization (PSAO) Bill

Dear Chairman Kelley:

I am writing on behalf of the Pharmacy Services Administrative Organization (PSAO) Coalition, to voice our concern over SB915. The PSAO Coalition is comprised of Elevate (AmerisourceBergen), LeaderNET (Cardinal Health), and HealthMart Atlas (McKesson), PSAOs that collectively represent approximately 17,000 of the nation's 22,000 independent pharmacies, including some locally owned regional chain pharmacies.

The PSAOs execute contracts with payors and pharmacy benefits managers (PBMs) on behalf of the pharmacies they serve. The PSAOs bring administrative efficiency to the table for the PBMs by allowing them to contract with thousands of pharmacies at a time.

PSAOs also bring administrative efficiency to their pharmacy members by allowing the back office contracting functions to be performed by the PSAO, thereby allowing the pharmacists more time to focus on their patients and the operation of their businesses. Additionally, PSAOs help pharmacies get into pharmacy networks that they otherwise could not get into as an individual pharmacy location. The end result is that the pharmacies have the ability to cut through the complexity of contracting, which help make contracts easier to understand for the pharmacies. It is important to note that no pharmacies are required to use a PSAO. If pharmacies wish to pursue direct contracts with PBMs, they are able to do so.

It is also important to understand what PSAOs *do not* do. PSAOs do not dictate reimbursement rates. It is the PBMs who determine what drugs are on formulary drug lists and how much pharmacies will be paid for them. PSAOs do not set Maximum Allowable Costs (MACs) for generic drugs. MACs are set by the PBMs. PSAOs do not provide access to pooled purchasing of prescription medications. Additionally, despite suggestions to the contrary, the members of the PSAO Coalition do not retain *any* portion of pharmacy reimbursement (including any dispensing fees or DIR fees); instead, the PSAOs are paid a transparent, flat fee for their services.

Further, PSAOs do not have an improved negotiation position based on the affiliation with their parent companies. The members of the PSAO Coalition are all owned by large pharmaceutical wholesalers that are all Fortune 20 companies. But despite their respective parent organization's size, the PSAO Coalition collectively only represent about 12 percent of the total retail prescription volume. Compare this to the big three PBMs who control upwards of 80 percent of the insured lives, and you can see why the negotiations are not amongst equally positioned parties.

Now, turning to the text of SB915, which attempts to put a regulatory framework around PSAOs, the PSAO Coalition feels that the bill does not understand the role of PSAOs and attempts to cast an ultrawide net in the definition of PSAO which will have unintended consequences reaching far beyond the handful of organizations that execute contracts on behalf of pharmacies.

For example, companies that come into pharmacies to assist with layout and design (i.e. front-end merchandisers) are defined as PSAOs, meaning that any entity that performs layout service is defined as a PSAO. Companies who help with marketing for a pharmacy are defined as a PSAO, meaning every ad agency, newspaper, radio station, Facebook and more would have to register under this bill. Computer vendors and accountants who assist with data management and analysis would be forced to register as a PSAO. State and national pharmacy associations who provide continuing education programs for special care, like immunizations, would be forced to register as a PSAO as well. Even lawyers who assist their pharmacy clients with compliance would be considered PSAOs under the bill.

Additionally, the bill requires disclosure to the insurance commissioner of contracts between the PSAO and PBM, without protecting against public disclosure under Maryland's Public Information Act. It also gives the PBMs the ability to collect data from the PSAOs in the event of an audit of a pharmacy. This section does not make sense because PSAOs do not possess the information that would be required for an audit, which is all contained at the pharmacy level and therefore may require community pharmacies to incur additional financial and operational burdens.

In short, we believe that the proposed legislation merits additional discussion and study to prevent the myriad of unintended consequences that the current bill is certain to create. The PSAO Coalition is happy to be a part of a dialogue with the legislature to assist in the process.

Respectfully submitted,

A handwritten signature in blue ink that reads "Scott Pace". The signature is written in a cursive, flowing style.

Scott Pace, Pharm.D., J.D.

PSAO Coalition Representative