



Partnerships for Better Business

The role of a Pharmacy Services Administration Organization in providing operational support that allows independent pharmacies to focus on patient care excellence



Three Common Challenges in the Business of Pharmacy

- **Frequent reimbursement below cost (RBC)**

Maximum allowable cost (MAC) pricing and RBCs are not new to independent pharmacy. And yet, research continues to show that the MAC-based reimbursement system frequently results in inadequate payments from PBMs to pharmacies for generics.

- **Fluctuating payments based on effective rates**

Though “effective rates” on generic and brand name drugs as well as dispensing fees, PBMs can adjust reimbursements over time so the overall reimbursement averages out to the contracted rate. Claims adjudicated below the effective rate lead to “overpayments” that trigger PBM recoupment strategies, which can negatively impact pharmacy cash flow.

- **Direct and Indirect Remuneration (DIR) fees**

Without meticulous oversight, it is difficult for a pharmacy to know how much will be charged in a DIR clawback until the fee is collected. This lack of transparency can make it very challenging for a pharmacy owner or manager to determine whether money was made or lost until weeks or even months after a prescription was filled.

The need to offer more time, and more services, has never been greater

In an increasingly complex healthcare market, many independent pharmacies find themselves in a continuous battle for the sustained health of their businesses. Common business and financial challenges can significantly impact the bottom line (see sidebar). A strong market position requires access to preferred networks, buying and negotiating power, improved operational efficiency, and adaptability to market changes. But equally critical — and becoming ever more complicated — is the relationship with the customer.

For decades, independently owned pharmacies have maintained a reputation for locally rooted, personalized service that couldn't be matched by large chain pharmacies. In recent years, however, national chains have begun to put a premium on spending more time with patients to enhance care delivery, consumer experiences and patient outcomes. For today's community pharmacist, dedicating more face-to-face time with patients is no longer just a service ideal — it is now an operational necessity to stay competitive in market, even against national chain rivals.

How does an independent pharmacist balance the many tasks of running a business on the back end with the need to provide even deeper levels of customer care on the front end? The challenge will seem herculean, unless the pharmacy partners with a high-functioning Pharmacy Services Administrative Organization (PSAO) that solves pharmacy issues and streamlines pharmacy operations.

But beware: Not all PSAOs are created equal. The right PSAO partner will demonstrate its value by offering the highest level of service to the pharmacy. That means supporting the day-to-day operations of each pharmacy member and offering network strength that benefits all parties involved, including PBMs that prefer to contract with PSAOs representing a strong network of high-quality, high-functioning pharmacies. In the next few pages, we will explore the link between PSAOs and pharmacy customer service.



PSAO customer service: How back end support improves front end service

Independent pharmacies need the right tools and resources to protect their business health and stay competitive. By freeing pharmacy owners from such time-consuming administrative tasks as contracting, claims reconciliation, quality monitoring and more, a service-focused PSAO becomes a dedicated “extension” of the pharmacy’s business. In addition to serving as an advocate for independent pharmacies — both individually and collectively — PSAO professionals give independent pharmacies enhanced power to grow the business, nurture customer relationships, and strengthen their impact on individual and community health.

Independent pharmacies are well-positioned to spend more time with patients and offer more services when they choose a PSAO partner that provides a comprehensive range of services, including:

- **Third-Party Contracting:** To meet the needs of every patient, pharmacies need access to thousands of regional and national plans with favorable reimbursement terms and conditions.
- **Central Payment Reconciliation:** Manual claims reconciliation takes too much time away from other business functions.
- **Daily Deposits:** ACH transfers up to five times per week improve and/or protect cash flow.
- **MAC Appeal Support:** To dispute RBCs, pharmacies need an automated, streamlined process for MAC appeals.
- **Credentialing:** This time-consuming task can be streamlined with the right tools for managing licensure information, maintaining contract access, and accessing support for various policies, procedures and training (such as HIPAA, OSHA, FWA and PSE).
- **Secure Online Reporting:** PSAOs can provide a robust member portal for program-related support and ongoing communications.
- **Quality Monitoring and Performance Management:** When the PSAO staff includes licensed clinical pharmacists that analyze the pharmacy’s quality metrics, the result is greater insight that drives quality improvements.
- **Medication Therapy Management Platform Support:** Expert support from a PSAO can make it easier to document interventions and drive revenue.
- **Cash Claims Management:** By taking control of cash pricing, pharmacies can offer patients competitively, consistently priced medications — as well as a \$4 generic program — to compete with larger chains.
- **Rebate Programs:** Manufacturer-sponsored rebate checks improve the bottom line with no disruption to daily workflow.
- **Patient Engagement Platforms:** PSAOs that support patient engagement assist pharmacies in implementing new/improved services and preparing for an eventual value-based care model.



There is no question that pharmacists can greatly improve patient outcomes. Pharmacists are well positioned to provide a range of services to patients including medication adherence counseling, drug safety monitoring, medication therapy management, immunizations, screenings, and wellness education.

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PSAO third-party contracting: How advanced expertise protects pharmacies

To receive more favorable reimbursement terms and conditions, independent pharmacies need access to preferred and restricted networks that include thousands of regional and national plans. They benefit from the contracting strength of a healthy collective of independent pharmacies, with members located in both rural and urban areas.

Access to multiple payer contracts and a stronger position in buying and negotiating helps to ensure improved reimbursements, lower drug acquisition costs, better cash flow and greater profitability. These gains in turn allow independent pharmacies to offer more

affordable prescription drugs, which saves customers money and helps establish loyalty and trust. However, it is equally important that PSAO third-party professionals use discretion because not every contract on the table is good for the pharmacy. Pharmacy owners need to choose a PSAO they can trust to keep their best interests top of mind at all decision points.



Pharmacy First will challenge third-party contracts and fight for our best interests. They have proven they would rather decline a contract than subject my business to reimbursement terms that would be detrimental to our bottom line.

*Richard Pinckney, RPh
Owner of Rx City Pharmacy, Inc. (Auburn, N.Y.)*

Quality matters: How data drives clinical improvement

High quality is essential for customer retention, positive patient outcomes and business growth. The top priority is to provide the utmost in overall patient care, while also maximizing medication adherence and reducing gaps in therapy. This requires meaningful insights into the pharmacy's clinical performance and productivity.

A PSAO offering a variety of data-based performance management platforms will give independent pharmacies tools to drive continuous quality improvement. When a PSAO provides quality monitoring and support services that include analytics-based quality review sessions by licensed clinical pharmacists, the path to enhanced quality is clearer and easier to follow.

High rankings in quality metrics are a key indicator of top performance and remain an integral part of any network of independent pharmacies that aims to capitalize on its collective strength. Quality in business operations means quality offerings and service for customers. The result is improved business growth, profitability and customer loyalty.



Supporting the independence of community pharmacy

Independent pharmacists are in an excellent position to take advantage of face-to-face interaction with customers and make their patient experience better. They also want to remain independent and operate as they choose while staying competitive.

An effective PSAO will stand alongside the pharmacies to serve, support and consult without directly or indirectly taking any autonomy away from the pharmacy owner. This approach should include a no-pressure, wholesale-agnostic service philosophy.

Ultimately, a partnership allows the shift of business management responsibilities to the PSAO, giving pharmacists the time and access they need to serve their customers — so they can play a more active role in patient care to ensure better outcomes and greater retention.



When choosing a PSAO, you're looking to check a lot of boxes. Pharmacy First met all our requirements and consistently exceeds our expectations. We consider the relationship to be a partnership to improve the services we offer and provide better patient care.

*Richard Pinckney, RPh
Owner of Rx City Pharmacy, Inc. (Auburn, N.Y.)*

About the author



With nearly 20 years in the pharmacy industry, Candace Sullivan is the Vice President of Customer Experience for Pharmacy First. Candace's expertise, which ranges from assisting pharmacists behind the pharmacy counter to ensuring patients' insurance needs are met, provides valuable perspective in her efforts to provide top-notch service to our PSAO network members.



With a network of more than 2,300 independent pharmacies across the country, Pharmacy First is committed to providing the right tools, resources and support to keep our customers competitive and sustainable.

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