Healthcare Distribution Alliance

HEALTH DELIVERED

April 23, 2025

Representative John Hunt, Chair
Representative John Potucek, Vice Chair
House Commerce and Consumer Affairs Committee
LOB Room 302-304
33 N State St, Concord, NH 03301

Dear Chair Hunt, Vice Chair Potucek, and Honorable Members of the Committee:

On behalf of the Healthcare Distribution Alliance (HDA), the national trade association representing pharmaceutical wholesale distributors, we offer this testimony in respect to the inclusion of Pharmacy Services Administrative Organizations (PSAOs) in SB 247. We respectfully request that PSAOs either be struck entirely from this legislation, or that amendments be made to ensure that the legislation accurately reflects the role and capabilities of PSAOs. Such amendments are critical to ensuring that PSAOs can continue to operate in New Hampshire, providing valuable support to New Hampshire's independent and community pharmacies.

The Healthcare Distribution Alliance (HDA) is the national trade association representing primary pharmaceutical wholesale distributors, the entity in the physical pharmaceutical supply chain which ensures medications are safely and securely delivered from around 1,200 manufacturers to around 330,000 sites of care nationwide- including around 1,300 pharmacies, hospitals, and other healthcare settings across New Hampshire.

PSAOs are one of the many ways that some distributors support their independent pharmacy customers. When a wholesale distributor offers PSAO services, the PSAO is a separate legal entity that operates independently. It is important to note that not all distributors offer PSAO services, and additionally there are PSAOs which are independent. Whether independent or associated with a wholesaler, all PSAOs operate under the same model, and these amendment requests are being made by HDA on behalf of a coalition representing virtually all main PSAOs. You can learn more by reading this report.

PSAOs serve as voluntary administrative organizations that independent pharmacies may elect to hire for a simple monthly contractual fee, typically around $200, to help them manage their back-office duties related to PBMs- such as managing pharmacy benefit manager contracts, submitting reimbursement claims, and handling audits. At any given moment, an independent pharmacy may choose to directly handle PBM contracts themselves, work with their wholesaler's PSAO, or work with an independent PSAOs. Around 80% of independent or community pharmacies across the nation choose to work with a PSAO, including around 23 pharmacies in New Hampshire.

PSAOs do not retain any portion of a pharmacy's reimbursement. PSAOs do not set a drug's list price, they do not receive manufacturer rebates, payments from third-party payers or PBMs, or dictate pharmacy reimbursement rates. Further, PSAOs do not influence what patients pay at the pharmacy counter. Rather, these optional administrative services provide crucial back-office support to independent pharmacies who do not have in-house operations like some larger chains to manage PBM red tape. This ultimately allows independent pharmacies to focus their time on serving and advising their patients.

Because of their affordable rates and limited role, if a state passes legislation which does not reflect a PSAO's role or abilities, PSAOs may be forced to leave the state. This would take away choices and tools from independent pharmacies, potentially impacting their ability to stay open and reducing the time they can spend at the counter providing critical services to communities.

**As SB 247 is currently drafted, the inclusion of PSAOs is not necessary to the primary goal of the legislation, which is to permit a pharmacy to decline to fill a prescription if reimbursement from the PBM is less than the pharmacy's acquisition cost. This is something determined by the PBM, and removing PSAOs would not impact that goal. However, if PSAOs are to remain in the legislation, the language in those provisions incorrectly defines PSAOs and includes some requirements that are not achievable for PSAOs. We hope to work with the Committee to either remove PSAOs from SB 247, or to incorporate friendly but critical amendments to make the legislation more accurate.**

Thank you for your time and consideration, and please reach out to kmemphis@hda.org for further discussion.

Sincerely,

Kelly Memphis

Kelly Memphis
Director, State Government Affairs
Healthcare Distribution Alliance