

Voluntary Principles & Best Practices

Retail pharmacies are a critical healthcare access point for Americans. Nearly **90% of the U.S. population lives within five miles of a community pharmacy**, underscoring the important role pharmacies play in supporting medication access, preventive care, and broader public health services.¹

At the same time, access remains uneven. Recent research found that approximately 15.8 million people — nearly 5% of the U.S. population — live in pharmacy deserts, and nearly 46% of U.S. counties have at least one pharmacy desert. These access gaps are closely associated with broader public health indicators, including higher social vulnerability and fewer available healthcare providers.² Together, these data reinforce the essential role pharmacies play in advancing patient access and community health.³

Over the past decade, the pharmacy sector has faced a range of financial and operational challenges, driven in part by declining reimbursement rates and reduced “front-of-store” retail traffic. Independent community pharmacies have been especially affected by these pressures. A 2025 Avalere Health white paper found that drug reimbursement — particularly reimbursement for brand drugs below acquisition cost — was the top-ranked business concern among independent pharmacy owners surveyed. Independent pharmacies remain a critical part of the healthcare landscape: roughly **20,000 independent community pharmacy locations operate across the United States**, representing approximately **35% of the retail pharmacy sector**.⁴

*Pharmacy Services Administrative Organizations, or PSAOs, were developed as a **low-cost, voluntary option to help independent pharmacies manage core administrative functions**, most notably the complex contractual relationships with Pharmacy Benefit Managers, or PBMs.*

PSAOs support independent pharmacies by interacting with health plans and PBMs, assisting with contract administration, and helping reduce operational burden so pharmacy owners can focus on patient care.⁵ Participation in a PSAO is voluntary, and some independent pharmacies choose not to use PSAO services.⁶ However, PSAOs play an important role in the independent pharmacy sector, with approximately **83% of independent pharmacies utilizing a PSAO to support administrative and contracting functions**.⁴

~90%

of Americans live within **five miles** of a community pharmacy¹

~20K

independent community pharmacy locations across the U.S.⁴

~35%

of the U.S. retail pharmacy sector is independent⁴

~83%

of independent pharmacies use a PSAO for support⁴

Five Voluntary Principles PSAOs Adhere To

The following best practices reflect voluntary principles to which PSAOs adhere. Consistent with the PSAO model, these principles recognize that the PSAO function is administrative in nature and designed to support, not replace, the independent operation and decision-making of community pharmacies.

1 Expanding market access for independent pharmacies

Pharmacy Services Administrative Organizations (PSAOs) support networks of independent and small-chain pharmacies, enabling them to participate more effectively in the healthcare marketplace and gain access to payer and pharmacy network opportunities that may be difficult to secure individually.

2 Strengthening viability & preserving patient access

PSAOs help address regulatory, contractual, and reimbursement challenges thereby strengthening the financial and operational viability of independent pharmacies, particularly in rural and underserved communities, helping preserve patient access to local pharmacy services and healthcare resources.

3 A clear, administrative role — *not* a pricing role

PSAOs do not establish drug prices, determine patient benefits, create formularies, or dictate reimbursement methodologies. These decisions are determined by the PBM. This is evidenced by the fact that payer contracts with PSAOs are on the payer's paper and are not PSAO originated. Rather, PSAOs serve as administrative and contracting partners that help pharmacies navigate relationships with payers while supporting efficient participation in the healthcare system.

4 A full range of complementary administrative services

PSAOs deliver a range of administrative services complementary to payer contracting, which may include claims payment administration, data analysis and reporting, pharmacy audit response and compliance support, credentialing, and other operational resources that help pharmacies navigate an increasingly complex reimbursement environment.

5 A transparent, nominal fee structure

PSAOs are entities that contract with independent and community pharmacies, generally for a nominal established monthly fee based on the PSAO and scope of services to perform administrative, operational, and contracting functions on their behalf, allowing pharmacies to focus on patient care and day-to-day operations.

1. A nationwide analysis published in the Journal of the American Pharmacists Association found that 88.9% of the U.S. population lives within five miles of a community pharmacy. [Journal of the American Pharmacists Association — nationwide analysis finding 88.9% of the U.S. population lives within five miles of a community pharmacy.](#)
2. A 2024 JAMA Network Open study, summarized by NCPA and other outlets, found that 15.8 million people live in pharmacy deserts and that nearly 46% of U.S. counties have at least one pharmacy desert; the study also linked higher pharmacy desert density with higher social vulnerability and fewer primary care providers. <https://ncpa.org/newsroom/qam/2024/08/28/study-finds-46-percent-us-counties-have-pharmacy-deserts>.
3. Avalere Health's 2025 analysis found that drug reimbursement was the greatest concern among surveyed independent pharmacy owners, with one-third ranking it as their highest concern and 62% ranking it in their top three. <https://advisory.avalerehealth.com/insights/independent-pharmacy-challenges-and-adaptive-strategies>
4. NCPA's 2025 Digest reported that independent community pharmacies represented nearly 36% of all U.S. retail pharmacies; a trade summary of the Digest reported 18,960 locations as of July 2025. <https://ncpa.org/newsroom/news-releases/2025/10/19/ncpa-releases-2025-digest-report>
5. Pharmacy Services Administrative Organizations: What You Need to Know. https://www.hda.org/getmedia/76be7ce3-acd3-4250-8bcd-ad1c75f74dc0/PSAOs_What-you-need-to-know_Oct2025.pdf
6. The Role of PSAOs in the Pharmaceutical Supply Chain. <https://www.hda.org/getmedia/f4afb5dd-0f71-42d2-9240-e32e11038b52/TheRoleofPSAOsinthePharmaceuticalSupplyChain.pdf>