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House Insurance Committee
Kansas Legislature
300 SW 10th Ave., Room 218-N
Topeka, KS 66612

Subject: Written Testimony Opposing HB 2551 – Kansas Pharmacy Services Administrative Organization Act

Chairman Sutton and Members of the House Committee on Insurance,

Thank you for the opportunity to submit written testimony regarding House Bill 2551. We appreciate the Committee's interest in addressing challenges facing Kansas pharmacies; however, we respectfully oppose HB 2551 in its current form because it would be detrimental to pharmacy services administrative organizations (PSAOs) and, in turn, to the community pharmacies across Kansas that rely on them on us for critical administrative and contracting support.

Kansas pharmacies have been clear and consistent in their requests to the Legislature. They are seeking meaningful reform of pharmacy benefit manager (PBM) practices. Kansas currently has little to no comprehensive PBM regulation on the books, and community pharmacies are operating in an environment where reimbursement terms, network participation, and audit practices are dictated almost entirely by PBMs. HB 2551 does not address those underlying issues. Instead, it introduces a new regulatory framework for PSAOs - entities that do not set reimbursement, adjudicate claims, or control benefit design.

The use of a PSAO is entirely voluntary. Pharmacies choose to contract with a PSAO for administrative services such as contracting assistance, credentialing, and payment reconciliation. Many community pharmacies rely on these services to participate in third-party networks they could not reasonably manage on their own. PSAOs exist to support pharmacies, not to manage pharmacy benefits. PSAOs do not act as payers, do not determine reimbursement methodologies, and do not retain savings from prescription drug pricing. Their role is fundamentally different from that of a PBM.

HB 2551 would require PSAOs to obtain licensure from the Kansas Department of Insurance and comply with ongoing reporting, disclosure, and compliance obligations.

While these requirements may seem appropriate at first glance, they impose a regulatory burden on entities that are not the source of the pricing or reimbursement problems Kansas pharmacies are experiencing. PSAO licensure is not a widespread regulatory model. Imposing state-specific licensure and compliance requirements would introduce significant operational changes and added costs for PSAOs that operate on transparent, flat monthly fees, often less than a few hundred dollars per pharmacy.

Pharmacies are understandably concerned that these new burdens could force PSAOs to reconsider whether they can continue operating in Kansas. If PSAOs exit the state or limit services, community pharmacies would be left to negotiate and manage PBM contracts on their own, placing them at a severe disadvantage against large national PBMs and chain pharmacies with substantial legal and administrative resources. Rather than empowering pharmacies, HB 2551 risks isolating them. Large chain and PBM-owned pharmacies, which maintain internal administrative departments, would not face these same consequences.

It is also important to emphasize that regulating PSAOs does not address the core problems pharmacies have raised with the Legislature. Issues such as below-cost reimbursements, lack of transparency in pricing, retroactive fees, and unpredictable audit practices originate with PBMs, not PSAOs. Absent direct PBM reform, adding regulatory requirements for PSAOs diverts attention and resources away from the entities that actually control pharmacy reimbursement and network access.

Community pharmacies in Kansas are already under extraordinary financial pressure. Many are operating on thin margins while serving rural and underserved populations. Any legislation that increases administrative costs or reduces access to support services will accelerate pharmacy closures and further reduce patient access to care.

For these reasons, we respectfully urge the Committee to oppose HB 2551 as drafted. If the Legislature's goal is to stabilize the pharmacy marketplace and protect patient access, we encourage the Committee to work with stakeholders on legislation that directly addresses PBM practices and preserves, rather than undermines, the support structures community pharmacies rely on to survive.

Thank you for your time and consideration.

Sincerely,

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