UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

R **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2009

OR

£ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number: 0-28740

BioScrip, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**05-0489664**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
100 Clearbrook Road, Elmsford, NY	**10523**
(Address of Principal Executive Offices)	(Zip Code)

(914) 460-1600
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes R No £

Indicate by check mark whether the registrant has submitted electronically and posted to its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes £ No £

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer: £	Accelerated filer: R	Non-accelerated filer: £ (Do not check if a smaller reporting company)	Smaller reporting company: £

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes £ No R

On October 30, 2009, there were 39,316,399 outstanding shares of the registrant's common stock, $.0001 par value per share.

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

BIOSCRIP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except for share and per share amounts)

	September 30, 2009	December 31, 2008
ASSETS	(unaudited)	
Current assets		
Cash and cash equivalents	$ -	$ -
Receivables, less allowance for doubtful accounts of $9,828 and $11,629 at September 30, 2009 and December 31, 2008, respectively	147,326	158,649
Inventory	47,833	45,227
Prepaid expenses and other current assets	3,866	2,766
Total current assets	199,025	206,642
Property and equipment, net	15,674	14,748
Other assets	983	1,069
Goodwill	24,498	24,498
Total assets	$ 240,180	$ 246,957
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Line of credit	$ 39,584	$ 50,411
Accounts payable	62,909	76,936
Claims payable	4,228	5,230
Amounts due to plan sponsors	5,951	5,646
Accrued expenses and other current liabilities	10,200	9,575
Total current liabilities	122,872	147,798
Deferred taxes	1,095	533
Income taxes payable	3,512	3,089
Total liabilities	127,479	151,420
Stockholders' equity		
Preferred stock, $.0001 par value; 5,000,000 shares authorized; no shares issued or outstanding	-	-
Common stock, $.0001 par value; 75,000,000 shares authorized; shares issued: 42,349,728, and 41,622,629, respectively; shares outstanding; 39,272,399 and 38,691,356, respectively	4	4
Treasury stock, shares at cost: 2,653,007 and 2,624,186, respectively	(10,366)	(10,288)
Additional paid-in capital	252,274	248,441
Accumulated deficit	(129,211)	(142,620)
Total stockholders' equity	112,701	95,537
Total liabilities and stockholders' equity	$ 240,180	$ 246,957

See accompanying Notes to the Unaudited Consolidated Financial Statements.

BIOSCRIP, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Revenue	$ 333,476	$ 359,427	$ 987,974	$ 1,035,338
Cost of revenue	291,980	323,346	872,100	931,159
Gross profit	41,496	36,081	115,874	104,179
Selling, general and administrative expenses	32,402	31,859	94,335	95,031
Bad debt expense	2,433	1,413	5,410	2,786
Income from operations	6,661	2,809	16,129	6,362
Interest expense, net	447	669	1,471	1,931
Income before income taxes	6,214	2,140	14,658	4,431
Tax provision	467	730	1,249	1,879
Net income	$ 5,747	$ 1,410	$ 13,409	$ 2,552
Income per common share				
Basic	$ 0.15	$ 0.04	$ 0.35	$ 0.07
Diluted	$ 0.14	$ 0.04	$ 0.34	$ 0.07
Weighted average common shares outstanding				
Basic	38,961	38,403	38,807	38,359
Diluted	40,184	38,934	39,345	39,187

See accompanying Notes to the Unaudited Consolidated Financial Statements.

BIOSCRIP, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Nine Months Ended September 30,	
	2009	**2008**
Cash flows from operating activities:		
Net income	$ 13,409	$ 2,552
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,596	4,685
Change in deferred income tax	562	1,440
Compensation under stock-based compensation plans	2,385	2,859
Bad debt expense	5,410	2,786
Changes in assets and liabilities		
Receivables, net	5,913	(37,351)
Inventory	(2,606)	(2,557)
Prepaid expenses and other assets	(1,014)	(2,116)
Accounts payable	(14,027)	13,829
Claims payable	(1,002)	879
Amounts due to plan sponsors	305	1,237
Accrued expenses and other liabilities	1,048	(3,629)
Net cash provided by (used in) operating activities	13,979	(15,386)
Cash flows from investing activities:		
Purchases of property and equipment, net of disposals	(4,522)	(5,873)
Net cash used in investing activities	(4,522)	(5,873)
Cash flows from financing activities:		
Borrowings on line of credit	997,920	1,042,246
Repayments on line of credit	(1,008,747)	(1,021,001)
Surrender of stock to satisfy minimum tax withholding	(78)	(262)
Net proceeds from exercise of employee stock compensation plans	1,448	276
Net cash (used in) provided by financing activities	(9,457)	21,259
Net change in cash and cash equivalents	-	-
Cash and cash equivalents - beginning of period	-	-
Cash and cash equivalents - end of period	$ -	$ -
DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 1,432	$ 3,092
Cash paid during the period for income taxes	$ 741	$ 236

See accompanying Notes to the Unaudited Consolidated Financial Statements.

BIOSCRIP, INC. AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PRESENTATION

These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements, including the notes thereto, and other information included in the Annual Report on Form 10-K of BioScrip, Inc. and subsidiaries (the "Company") for the year ended December 31, 2008 (the "Form 10-K") filed with the U.S. Securities and Exchange Commission on March 5, 2009. These unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information, and the instructions to Form 10-Q and Article 10 of Regulation S-X promulgated under the Securities Exchange Act of 1934, as amended. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements.

The information furnished in these unaudited consolidated financial statements includes normal recurring adjustments and reflects all adjustments which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. Operating results for the three and nine months ended September 30, 2009 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2009. The accounting policies followed for interim financial reporting are similar to those disclosed in Note 2 of Notes to Consolidated Financial Statements included in the Form 10-K.

Certain prior period amounts have been reclassified to conform to the current year presentation. Such reclassifications have no material effect on the Company's previously reported consolidated financial position, results of operations or cash flows.

The Company has evaluated events that occurred during the period subsequent to the balance sheet date through November 2, 2009, which represents the filing date of this Form 10-Q. As of November 2, 2009, there were no subsequent events that require recognition or disclosure in the financial statements.

NOTE 2 – RECENT ACCOUNTING PRONOUNCEMENTS

In June 2009, FASB issued Accounting Standards Update No. 2009-01, *Generally Accepted Accounting Principles* ("ASC Topic 105") which established the FASB ASC as the official single source of authoritative U.S. generally accepted accounting principles ("GAAP"). All previously existing accounting standards were superseded at that date. All other accounting guidance not included in the Codification will be considered non-authoritative. The Codification also includes relevant SEC guidance organized using the same topical structure in separate sections within the Codification.

Following the Codification, the Board has stated that it will not issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates ("ASU") that will serve to update the Codification, provide background information about the guidance and provide the basis for conclusions on the changes to the Codification.

The Codification is not intended to change GAAP, but will change the way GAAP is organized and presented. The Codification is effective for the Company's third quarter 2009 financial statements and the principal impact is limited to disclosures as all future references to authoritative accounting literature will be referenced in accordance with the Codification. In order to ease the transition to the Codification, the Company is providing the Codification cross-reference alongside the references to the standards issued and adopted prior to the adoption of the Codification.

NOTE 3 – EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted income per common share (in thousands, except for per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Numerator:				
Net income	$ 5,747	$ 1,410	$ 13,409	$ 2,552
Denominator - Basic:				
Weighted average number of common shares outstanding	38,961	38,403	38,807	38,359
Basic income per common share	$ 0.15	$ 0.04	$ 0.35	$ 0.07
Denominator - Diluted:				
Weighted average number of common shares outstanding	38,961	38,403	38,807	38,359
Common share equivalents of outstanding stock options and restricted awards	1,223	531	538	828
Total diluted shares outstanding	40,184	38,934	39,345	39,187
Diluted income per common share	$ 0.14	$ 0.04	$ 0.34	$ 0.07

Excluded from the computation of diluted earnings per share for the three and nine months ended September 30, 2009 were 2,995,497 and 4,530,529 shares, respectively, and for the three and nine months ended September 30, 2008 were 4,716,212 and 3,839,179 shares, respectively, all of which are issuable upon the exercise of outstanding stock options. The inclusion of those shares would have been anti-dilutive as the exercise price of these shares exceeded market value.

NOTE 4 – STOCK-BASED COMPENSATION PLANS

Under the Company's 2008 Equity Incentive Plan (the "2008 Plan") the Company may issue, among other things, incentive stock options ("ISOs"), non-qualified stock options ("NQSOs"), stock appreciation rights, restricted stock, and performance units to employees and directors. Under the 2008 Plan, 3,580,000 shares were authorized for issuance (subject to adjustment for grants made under the Company's 2001 Incentive Stock Plan (the "2001 Plan") after January 1, 2008, as well as for forfeitures, expirations or awards that under the 2001 Plan otherwise settled in cash after the adoption thereof). As of September 30, 2009, 200,670 shares remained available for grant under the 2008 Plan. Upon effectiveness of the 2008 Plan in April 2008, the Company ceased making grants under the 2001 Plan. The 2008 Plan and the 2001 Plan are administered by the Company's Management Development and Compensation Committee (the "Compensation Committee"), a standing committee of the Board of Directors (the "Board").

Under the terms of the 2008 Plan and the 2001 Plan, plan participants may use shares to cover tax withholding on income earned as a result of appreciation of equity-based instruments upon exercise, vesting and/or lapsing of restrictions thereon. Upon the exercise of stock options and the vesting of other equity awards granted under the Plans, participants will generally have taxable income subject to statutory withholding requirements. The number of shares that may be issued to participants upon the exercise of stock options and the vesting of equity awards may be reduced by the number of shares having a market value equal to the amount of tax required to be withheld by the Company to satisfy Federal, state and local tax obligations as a result of such exercise or vesting.

Stock Options

Options granted under the Plan: (a) typically vest over a three-year period and, in certain instances, fully vest upon a change in control of the Company, (b) have an exercise price that may not be less than 100% of its fair market value on the date of grant (110% for ISOs granted to a stockholder who holds more than 10% of the outstanding stock of the Company), and (c) are generally exercisable for ten years (five years for ISOs granted to a stockholder holding more than 10% of the outstanding stock of the Company) after the date of grant, subject to earlier termination in certain circumstances.

The Company recognized compensation expense related to stock options of $0.6 million and $0.4 million for the three months ended September 30, 2009 and 2008, respectively, and $1.5 million and $1.7 million for the nine months ended September 30, 2009 and 2008, respectively.

The fair value of each stock option award on the date of the grant was calculated using a binomial option-pricing model. Option expense is amortized on a straight-line basis over the requisite service period and was calculated with the following weighted average assumptions:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Expected volatility	66.0%	-	66.5%	51.2%
Risk-free interest rate	3.55%	-	2.97%	3.86%
Expected life of options	5.1 years	-	5.6 years	5.7 years
Dividend rate	-	-	-	-
Fair value of options	$ 3.37	-	$ 1.60	$ 3.50

No stock options or other equity-based incentive grants were made during the three months ended September 30, 2008 and as such, no binomial pricing model assumptions for new grants were established.

At September 30, 2009, there was $3.5 million of unrecognized compensation expense related to unvested option grants. That expense is expected to be recognized over a weighted-average period of 2.0 years.

Restricted Stock

Under the 2008 Plan, stock grants subject solely to an employee's or director's continued service with the Company will not become fully vested less than (a) three years from the date of grant to employees and, in certain instances, may fully vest upon a change in control of the Company, and (b) one year from the date of grant for directors. Stock grants subject to the achievement of performance conditions will not vest less than one year from the date of grant where the vesting of stock grants is subject to performance measures. Such performance shares may vest after one year from grant. No such time restrictions applied to stock grants made under the Company's prior equity compensation plans.

The Company recognized compensation expense related to restricted stock awards of $0.3 million and $0.5 million for the three months ended September 30, 2009 and 2008, respectively, and $0.9 million and $1.2 million for the nine months ended September 30, 2009 and 2008, respectively.

As of September 30, 2009, there was $1.0 million of unrecognized compensation expense related to unvested restricted stock awards. That expense is expected to be recognized over a weighted-average period of 1.4 years.

Since the Company records compensation expense for restricted stock awards based on the vesting requirements, which generally includes time elapsed, market conditions and/or performance conditions, the weighted average period over which the expense is recognized may vary from quarter to quarter. Also, future equity-based compensation expense may be greater if additional restricted stock awards are made.

Performance Units

Under the 2008 Plan, the Compensation Committee may grant performance units to key employees. The Compensation Committee will establish the terms and conditions of any performance units granted, including the performance goals, the performance period and the value for each performance unit. If the performance goals are satisfied, the Company would pay the key employee an amount in cash equal to the value of each performance unit at the time of payment. In no event may a key employee receive an amount in excess of $1.0 million with respect to performance units for any given year. To date, no performance units have been granted under the 2008 Plan.

NOTE 5 – OPERATING SEGMENTS

In accordance with ASC 280 *Segment Reporting*, ("ASC 280"), (formerly SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information* ("SFAS 131")), and based on the nature of the Company's services, the Company has two reportable segments: Specialty Pharmacy Services and Traditional Pharmacy Services. ASC 280 requires an enterprise to report segment information in the same way that management internally organizes its business for assessing performance and making decisions regarding allocation of resources. The Company evaluates the performance of operating segments and allocates resources based on income from operations.

Revenues from Specialty Pharmacy Services and Traditional Pharmacy Services are derived from the Company's relationships with healthcare payors, including managed care organizations, government funded and/or operated programs, third party administrators ("TPAs") and self-funded employer groups (collectively, "Plan Sponsors") as well as from our relationship with pharmaceutical manufacturers, patients and physicians.

The Specialty Pharmacy Services segment consists of the Company's specialty pharmacy distribution and therapy management services. Specialty Pharmacy Services distribution occurs locally through community pharmacies, centrally through mail order facilities and through our infusion pharmacies for patients requiring infused medications in the home or infused at a variety of sites including the Company's ambulatory infusion sites. All Specialty Pharmacy Services target certain specialty medications that are used to treat patients living with chronic and other complex healthcare conditions.

The Traditional Pharmacy Services segment consists mainly of traditional mail order pharmacy fulfillment, and to a lesser extent, prescription discount card programs and integrated pharmacy benefit management services. These Traditional Pharmacy Services are designed to offer Plan Sponsors cost-effective delivery of pharmacy benefit plans including the low cost distribution of mail services for plan members who receive traditional maintenance medications.

In the quarter ended September 30, 2009, the Company renamed the reportable segment formerly known as "PBM Services" to "Traditional Pharmacy Services". The new title reflects a shift in the nature of the business included in this segment which has become substantially more weighted towards services other than fully funded pharmacy benefit management including traditional mail service pharmacy fulfillment and prescription discount card programs.

Segment Reporting Information
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	**2008**	**2009**	**2008**
Results of Operations:				
Revenue:				
Specialty Pharmacy Services	$ 279,006	$ 307,135	$ 828,790	$ 882,590
Traditional Pharmacy Services	54,470	52,292	159,184	152,748
Total	$ 333,476	$ 359,427	$ 987,974	$ 1,035,338
Income (loss) from operations:				
Specialty Pharmacy Services	$ 2,007	$ 153	$ 5,265	$ (1,728)
Traditional Pharmacy Services	4,654	2,656	10,864	8,090
Total	6,661	2,809	16,129	6,362
Interest expense, net	447	669	1,471	1,931
Tax provision	467	730	1,249	1,879
Net income:	$ 5,747	$ 1,410	$ 13,409	$ 2,552
Capital expenditures:				
Specialty Pharmacy Services	$ 456	$ 1,844	$ 4,018	$ 4,820
Traditional Pharmacy Services	137	327	504	1,053
Total	$ 593	$ 2,171	$ 4,522	$ 5,873
Depreciation Expense:				
Specialty Pharmacy Services	$ 1,136	$ 1,008	$ 3,003	$ 2,870
Traditional Pharmacy Services	220	128	593	364
Total	$ 1,356	$ 1,136	$ 3,596	$ 3,234
Total Assets				
Specialty Pharmacy Services			$ 172,726	$ 269,201
Traditional Pharmacy Services			67,454	67,762
Total			$ 240,180	$ 336,963

Certain prior period segment data has been reclassified to conform to the current year's presentation. These reclassifications had no material impact on previously reported segment data.

NOTE 6 – LINE OF CREDIT

At September 30, 2009, there was $39.6 million in outstanding borrowings under the Company's revolving credit facility (the "Facility") with an affiliate of Healthcare Finance Group, Inc. ("HFG"), as compared to $50.4 million at December 31, 2008. The Facility provides for borrowings of up to $85.0 million, at the London Inter-Bank Offered Rate ("LIBOR") or a pre-determined minimum rate plus the applicable margin and other associated fees, provided that a sufficient level of receivable assets are available as collateral. The term of the Facility runs through November 1, 2010. Under the terms of the Facility, the Company may request to increase the amount available for borrowing up to $100.0 million and convert a portion of any outstanding borrowings from a Revolving Loan into a Term Loan. The borrowing base utilizes receivable balances and proceeds thereof as security under the Facility. At September 30, 2009, the Company had $45.4 million of credit available under the Facility on a borrowing basis of $85.0 million. The weighted average interest rate on the Facility during the quarter ended September 30, 2009 was 4.4% compared to 5.4% for the quarter ended December 31, 2008.

The Facility contains various covenants that, among other things, require the Company to maintain certain financial ratios as defined in the agreements governing the Facility. The Company was in compliance with all the covenants contained in the agreements as of September 30, 2009.

NOTE 7 – INCOME TAXES

The Company uses an estimated annual effective tax rate in determining its quarterly provision for income taxes. The methodology employed is based on the Company's expected annual income, statutory tax rates and tax strategies utilized in the various jurisdictions in which it operates.

Since December 31, 2006, the Company has fully reserved its deferred tax assets as it has concluded that it was more likely than not that its deferred tax assets would not be utilized. The Company continually assesses the necessity of maintaining a valuation allowance for its deferred tax assets. If the Company determines in a future period that it is more likely than not that the deferred tax assets will be utilized based upon application of the criteria required per the accounting literature, the Company will reverse all or part of the valuation allowance for its deferred tax assets.

For the quarter ended September 30, 2009, the Company's provision for income taxes was $0.5 million with an effective tax rate of 7.5%. For the quarter ended September 30, 2008, the Company's provision for income taxes was $0.7 million with an effective rate of 34.1%. The lower effective tax rate of 7.5% for the current quarter compared to the statutory rate is primarily a result of a reduction in the valuation allowance due to the expected utilization of a portion of the Company's net operating losses in 2009. The effective tax rate for the quarter ended September 30, 2008 differs from the statutory rate primarily due to amortization of indefinite lived assets.

For the nine months ended September 30, 2009, the Company's provision for income taxes was $1.2 million with an effective tax rate of 8.5%. For the nine months ended September 30, 2008, the Company's provision for income taxes was $1.9 million with an effective tax rate of 42.4%. The lower effective tax rate of 8.5% for the nine months ended September 30, 2009 compared to the statutory rate is primarily a result of a reduction in the valuation allowance due to the expected utilization of a portion of the net operating losses in 2009. The effective tax rate for the nine months ended September 30, 2008 differs from the statutory rate primarily due to amortization of indefinite lived assets.

The Company files income tax returns with Federal, state and local jurisdictions. The Company's uncertain tax positions are related to tax years that remain subject to examination. As of September 30, 2009, U.S. tax returns for the years 2005 through 2008 remain subject to examination by Federal tax authorities. Tax returns for the years 2004 through 2008 remain subject to examination by state and local tax authorities for a majority of the Company's state and local filings.

NOTE 8 – SECURITY INTEREST AND LETTERS OF CREDIT

Under the terms of the prime vendor agreement with AmerisourceBergen Drug Company ("ABDC"), the Company granted ABDC a secured, first priority lien in all of its inventory as well as the proceeds thereof. In the ordinary course of business, the Company obtained certain letters of credit ("LC") from commercial banks in favor of various parties. At September 30, 2009, there was $1.1 million on deposit as collateral for these LCs.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the audited consolidated financial statements, including the notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 (the "Form 10-K") filed with the U.S. Securities and Exchange Commission, as well as our unaudited consolidated interim financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009 (this "Report").

This Report contains statements not purely historical and which may be considered forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including statements regarding our expectations, hopes, beliefs, intentions or strategies regarding the future. These forward looking statements may include, but are not limited to:

- Statements relating to our business development activities;
- Sales and marketing efforts;
- Status of material contractual arrangements, including the negotiation or re-negotiation of such arrangements;
- Future capital expenditures;
- Effects of regulation and competition in our business; and
- Future operation performance.

Investors are cautioned that any such forward-looking statements are not guarantees of future performance, involve risks and uncertainties and that actual results may differ materially from those possible results discussed in the forward-looking statements as a result of various factors. These factors include, among other things:

- Risks associated with increased government regulation related to the health care and insurance industries in general, and more specifically, pharmacy benefit management and specialty pharmaceutical distribution organizations;
- Unfavorable economic and market conditions, including governmental budget constraints;
- Reductions in Federal and state reimbursement rates;
- Delays or suspensions of Federal and state payments for services provided;
- Existence of complex laws and regulations relating to our business;
- Compliance with financial covenants required under our revolving credit facility;
- Availability of financing sources;
- Declines and other changes in revenue due to expiration of short-term contracts;
- Network lock-outs and decisions to in-source by health insurers;
- Unforeseen problems arising from contract terminations;
- Increases or other changes in our acquisition cost for our products; and
- Changes in industry pricing benchmarks such as average wholesale price ("AWP"), wholesale acquisition cost ("WAC") and average manufacturer price ("AMP"), including the impact of the AWP Class Action Litigation Settlement and/or state Medicaid Agencies failure to adjust reimbursement rates;
- Increased competition from our competitors, including competitors with greater financial, technical, marketing and other resources, could have the effect of reducing prices and margins.

You should not place undue reliance on such forward-looking statements as they speak only as of the date they are made. Except as required by law, we assume no obligation to publicly update or revise any forward-looking statement even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

Business Overview

We are a specialty pharmaceutical healthcare organization that partners with patients, physicians, healthcare payors and pharmaceutical manufacturers to provide access to medications and management solutions to optimize outcomes for chronic and other complex healthcare conditions.

Our business is reported under two operating segments: (i) Specialty Pharmacy Services, and (ii) Traditional Pharmacy Services. Our Specialty Pharmacy Services segment includes comprehensive support, dispensing and distribution, patient care management, data reporting, as well as a range of other complex therapy management services for certain chronic health conditions. The medications we dispense include oral, injectable and infusible medications used to treat patients living with chronic and other complex health conditions and are provided to patients and physicians. Our Traditional Pharmacy Services segment consists mainly of traditional mail service pharmacy fulfillment, and to a lesser extent, prescription discount card programs and fully funded pharmacy benefit management services.

In the quarter ended September 30, 2009, we renamed the reportable segment formerly known as “PBM Services” to “Traditional Pharmacy Services”. The new title reflects a shift in the nature of the business included in this segment which has become substantially more weighted towards services other than fully funded pharmacy benefit management including traditional mail service pharmacy fulfillment and prescription discount card programs.

Revenues from Specialty Pharmacy Services and Traditional Pharmacy Services are derived from our relationships with healthcare payors including managed care organizations, government-funded and/or operated programs, third party administrators (“TPAs”) and self-funded employer groups (collectively, “Plan Sponsors”), as well as from our relationship with pharmaceutical manufacturers, patients and physicians.

Our Specialty Pharmacy Services are marketed and/or sold to Plan Sponsors, pharmaceutical manufacturers, physicians, and patients, and target certain specialty medications that are used to treat patients living with chronic and other complex health conditions. These services include the distribution of biotech and other high cost injectable, oral and infusible prescription medications and the provision of therapy management services.

We experienced a reduction in revenue in 2009 due to the termination of the Centers for Medicare and Medicaid Services’ (“CMS”) Competitive Acquisition Program (“CAP”), and certain United HealthCare (“UHC”) contracts. As expected, our gross profit as a percentage of revenue increased as a result of these contract terminations, as they operated at margin rates below the average for Specialty Pharmacy Services.

On September 26, 2009, First DataBank and Medi-Span reduced the markup factor applied to WAC to determine the AWP for over 20,000 drug codes as a result of the settlement of a class action lawsuit involving First DataBank and Medi-Span. A majority of our Third Party Payor customers agreed to adjust reimbursement rates payable to us following the implementation of the AWP change and our net reimbursement remained the same. However, certain state governmental agencies have declined to make any adjustment to their reimbursement following the implementation of the AWP change and accordingly our reimbursement, as well as those of our peers, for services provided to government funded and/or operated programs will be reduced. The impact of the AWP settlement will be to reduce our gross margins beginning in the fourth quarter of 2009. We estimate the annual impact will be approximately $5.0 million. In 2010, we expect the margin impact will be offset by overall organic growth as well as an emphasis on higher margin business mix.

Our Traditional Pharmacy Services are marketed to Plan Sponsors and are designed to promote a broad range of cost-effective, clinically appropriate pharmacy services through our own mail service distribution facility and national pharmacy retail network. We also administer prescription discount card programs on behalf of commercial Plan Sponsors, most typically TPAs. Under such programs we derive revenue on a per claim basis from the dispensing network pharmacy.

Critical Accounting Estimates

Our consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). In preparing our financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We evaluate our estimates and judgments on an ongoing basis. We base those estimates and judgments on historical experience and on various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our actual results may differ from these estimates, and different assumptions or conditions may yield different estimates. There have been no changes to critical accounting estimates in the quarter ended September 30, 2009.

For a full description of our accounting policies please refer to Note 2 of Notes to Consolidated Financial Statements included in the Form 10-K.

Results of Operations

In the following Management's Discussion and Analysis we provide a discussion of reported results for the three and nine month periods ended September 30, 2009 as compared to the same periods a year earlier.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2009		2008		2009		2008	
Revenue	$ 333,476	100.0%	$ 359,427	100.0%	$ 987,974	100.0%	$ 1,035,338	100.0%
Gross profit	$ 41,496	12.4%	$ 36,081	10.0%	$ 115,874	11.7%	$ 104,179	10.1%
Income from operations	$ 6,661	2.0%	$ 2,809	0.8%	$ 16,129	1.6%	$ 6,362	0.6%
Interest expense, net	$ 447	0.1%	$ 669	0.2%	$ 1,471	0.1%	$ 1,931	0.2%
Income before income taxes	$ 6,214	1.9%	$ 2,140	0.6%	$ 14,658	1.5%	$ 4,431	0.4%
Net income	$ 5,747	1.7%	$ 1,410	0.4%	$ 13,409	1.4%	$ 2,552	0.2%

Revenue. Revenue for the third quarter of 2009 was $333.5 million as compared to revenue of $359.4 million in the third quarter of 2008, a decrease of $25.9 million, or 7.2%. Specialty Pharmacy Services revenue for the third quarter of 2009 was $279.0 million as compared to revenue of $307.1 million for the same period a year ago, a decrease of $28.1 million, or 9.2%. The decrease was primarily due to the termination of the CAP and certain UHC contracts offset by revenue generated under new contracts and drug inflation. Traditional Pharmacy Services revenue for the third quarter of 2009 was $54.5 million, as compared to revenue of $52.3 million for the same period a year ago, an increase of $2.2 million, or 4.2%. The increase was primarily attributable to growth in our discount cash card programs.

Revenue for the nine months ended September 30, 2009 was $988.0 million as compared to revenue of $1,035.3 million for the nine months ended September 30, 2008, a decrease of $47.3 million, or 4.6%. Specialty Pharmacy Services revenue for the nine months ended September 30, 2009 was $828.8 million as compared to revenue of $882.6 million for the same period a year ago, a decrease of $53.8 million, or 6.1%. The decrease was primarily due to the termination of the CAP and certain UHC contracts offset by revenue generated under new contracts and drug inflation. Traditional Pharmacy Services revenue for the nine months ended September 30, 2009 was $159.2 million, as compared to revenue of $152.7 million for the same period a year ago, an increase of $6.5 million, or 4.3%. The increase was primarily attributable to growth in our discount cash card programs.

Cost of Revenue and Gross Profit. Cost of revenue for the third quarter of 2009 was $292.0 million as compared to $323.3 million for the same period in 2008. Gross margin dollars were $41.5 million for the third quarter of 2009 as compared to $36.1 million for the same period a year ago, an increase of $5.4 million, or 15.0%. Gross margin as a percentage of revenue increased to 12.4% in the third quarter of 2009 from 10.0% in the third quarter of 2008. The increase in gross margin percentage from 2008 to 2009 was primarily the result of the termination of the CAP and certain UHC contracts which, as expected, reduced volume and increased Specialty Pharmacy Services' overall margin percentage. In addition to a more favorable business mix, supply chain programs and reduced shipping costs also contributed to the increase of the gross margin percentage and dollars.

Cost of revenue for the nine months ended September 30, 2009 was $872.1 million as compared to $931.2 million for the same period in 2008. Gross margin dollars were $115.9 million for the nine months ended September 30, 2009 as compared to $104.2 million for the same period a year ago, an increase of $11.7 million, or 11.2%. Gross margin as a percentage of revenue increased to 11.7% in the nine months ended September 30, 2009 from 10.1% in the nine months ended September 30, 2008. The increase in gross margin percentage from 2008 to 2009 was primarily the result of the termination of the CAP and certain UHC contracts which, as expected, reduced volumes and increased Specialty Pharmacy Services' overall margin percentage. In addition to a more favorable business mix, supply chain programs and reduced shipping costs also contributed to the increase of the gross margin percentage and dollars. We also experienced an increase in gross margin dollars in 2009 due to action taken to purchase drugs during the fourth quarter of 2008 in anticipation of drug cost increases to take effect during the first quarter of 2009. In early 2008, there was a longer than usual delay in updating the industry price lists used by us and our peers to charge customers for reimbursement, which caused a reduction in gross margin in the three months ended March 31, 2008.

Selling, General and Administrative Expenses. Selling, general and administrative expenses ("SG&A") for the three months ended September 30, 2009 were $32.4 million, or 9.7% of total revenue, as compared to $31.9 million, or 8.9% of total revenue, for the quarter ended September 30, 2008. SG&A expenses were up slightly due to several offsetting factors. First, variable broker costs to market discount card programs increased $0.7 million due to revenue growth. Offsetting this volume-based growth in SG&A was the $0.8 million reduction in cost due to the absence of the one-time settlement with the Office of the Inspector General ("OIG") in the third quarter of 2008. In addition, investments in our sales force and information technology increased salaries and consulting costs. These costs were partially offset by continued cost control measures in our operating units and reduction in Corporate overhead costs such as employee benefits. Legal and Compliance costs also increased due to refreshing our compliance programs.

SG&A for the nine months ended September 30, 2009 was $94.3 million, or 9.5% of total revenue, as compared to $95.0 million, or 9.2% of total revenue, for the same period in 2008. SG&A expenses were down slightly due to several offsetting factors. First, variable broker costs to market discount card programs increased $2.3 million due to revenue growth. These costs and costs to strengthen our sales force and information technology were more than offset by continued cost control measures which reduced certain salaries and benefits and by the absence of the one-time settlement with the Office of the Inspector General ("OIG") in the third quarter of 2008.

Bad Debt Expense. For the third quarter of 2009, bad debt expense was $2.4 million, or 0.7% of revenue, as compared to $1.4 million, or 0.4% of revenue, in the third quarter of 2008. Prior year results include recoveries on previously reserved amounts. Our overall methodology used for determining our provision for bad debt remains essentially unchanged.

For the nine months ended September 30, 2009, bad debt expense was $5.4 million, or 0.5% of revenue, as compared to $2.8 million, or 0.3% of revenue, in the nine months ended September 30, 2008. Prior year results include recoveries on previously reserved amounts. Our overall methodology used for determining our provision for bad debt remains essentially unchanged.

Net Interest Expense. Net interest expense was $0.4 million for the third quarter of 2009 as compared to $0.7 million for the same period a year ago, due to reduced borrowing levels.

Net interest expense was $1.5 million for the nine months ended 2009 as compared to $1.9 million for the same period a year ago, due to reduced borrowing levels as well as a reduced borrowing rate.

Provision for Income Taxes. For the quarter ended September 30, 2009, our provision for income taxes was $0.5 million with an effective tax rate of 7.5%. For the quarter ended September 30, 2008, our provision for income taxes was $0.7 million with an effective rate of 34.1%. The lower effective tax rate of 7.5% for the current quarter compared to the statutory rate is primarily a result of a reduction in the valuation allowance due to the expected utilization of a portion of the net operating losses in 2009. The effective tax rate for the quarter ended September 30, 2008 differs from the statutory rate primarily due to amortization of indefinite lived assets.

For the nine months ended September 30, 2009, our provision for income taxes was $1.2 million with an effective tax rate of 8.5%. For the nine months ended September 30, 2008, our provision for income taxes was $1.9 million with an effective tax rate of 42.4%. The lower effective tax rate of 8.5% for the nine months ended September 30, 2009 compared to the statutory rate is primarily a result of a reduction in the valuation allowance due to the expected utilization of a portion of the net operating losses in 2009. The effective tax rate for the nine months ended September 30, 2008 differs from the statutory rate primarily due to amortization of indefinite lived assets.

Net Income and Income Per Share. Net income for the third quarter of 2009 was $5.7 million, or $0.14 per diluted share, as compared to net income of $1.4 million, or $0.04 per diluted share, for the same period last year.

Net income for the nine months ended September 30, 2009 was $13.4 million, or $0.34 per diluted share, as compared to net income of $2.6 million, or $0.07 per diluted share, for the same period last year.

Liquidity and Capital Resources

We utilize both funds generated from operations and available credit under our Facility (as defined below) for general working capital needs, capital expenditures and acquisitions.

Net cash provided by operating activities totaled $14.0 million during the first nine months of 2009, as compared to $15.4 million of cash used in operating activities during the first nine months of 2008. The increase in cash provided by operating activities was primarily the result of net income of $13.4 million, as well as a decrease in accounts receivable, which was offset by an increase in inventory and by a reduction in accounts payable. The $11.3 million reduction in accounts receivable was due to termination of the CAP and certain UHC contracts. The increase of $2.6 million in inventory was a result of supply chain programs. The decrease of $14.0 million in accounts payable is primarily related to the timing of strategic inventory purchases.

Net cash used in investing activities during the first nine months of 2009 was $4.5 million compared to $5.9 million for the same period in 2008. The cash used was driven primarily by the investment in our information technology infrastructure during the first nine months of 2009 and 2008.

Net cash used in financing activities during the first nine months of 2009 was $9.5 million compared to $21.3 million of cash provided by financing activities for the same period a year ago. The cash used in financing activities to pay down the line of credit was generated from higher net income and lower working capital requirements. We also received $1.4 million from the exercise of employee stock compensation plans in 2009.

At September 30, 2009, there was $39.6 million in outstanding borrowings under our revolving credit facility (the “Facility”) with an affiliate of Healthcare Finance Group, Inc. (“HFG”), as compared to $50.4 million at December 31, 2008. The Facility provides for borrowing up to $85.0 million at the London Inter-Bank Offered Rate (“LIBOR”) or a pre-determined minimum rate plus the applicable margin and other associated fees, provided a sufficient level of receivable assets are available as collateral. The term of the Facility runs through November 1, 2010. Under the terms of the Facility, we may request to increase the amount available for borrowing up to $100.0 million, and convert a portion of any outstanding borrowings from a Revolving Loan into a Term Loan. The borrowing base utilizes receivable balances and proceeds thereof as security under the Facility. At September 30, 2009 we had $45.4 million of credit available on a borrowing basis of $85.0 million under the Facility.

The Facility contains various covenants that, among other things, require us to maintain certain financial ratios as defined in the agreements governing the Facility. We were in compliance with all the covenants contained in the agreements as of September 30, 2009

At September 30, 2009, we had working capital of $76.2 million compared to $58.8 million at December 31, 2008. We made substantial information technology (“IT”) systems investments during 2008 and will continue to invest in 2009 to improve efficiencies, internals controls, and data reporting and management. We believe that our cash on hand, together with funds available under the Facility and cash expected to be generated from operating activities, will be sufficient to fund our anticipated working capital, IT systems investments and other cash needs for at least the next twelve months.

We may also pursue joint venture arrangements, business acquisitions and other transactions designed to expand our business, which we would expect to fund from borrowings under the Facility, other future indebtedness or, if appropriate, the private and/or public sale or exchange of our debt or equity securities.

At September 30, 2009, we had Federal net operating loss carryforwards available to us of approximately $29.0 million, of which $5.9 million is subject to an annual limitation, all of which will begin expiring in 2017 and later. We have state net operating loss carryforwards remaining of approximately $15.3 million, the majority of which will begin expiring in 2017 and later.

In the ordinary course of business, we also obtained certain letters of credit (“LC”) from commercial banks in favor of various parties. At September 30, 2009, there was $1.1 million on deposit as collateral for these LCs.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Exposure to market risk for changes in interest rates relates to our outstanding debt. At September 30, 2009 we did not have any long-term debt. We are exposed to interest rate risk primarily through our borrowing activities under our line of credit discussed in Item 2 of this Report. Based on our line of credit balance at September 30, 2009, a 1% increase in current market interest rates would have an impact of approximately $0.4 million, pre-tax, on an annual basis. We do not use financial instruments for trading or other speculative purposes and are not a party to any derivative financial instruments.

At September 30, 2009, the carrying values of cash and cash equivalents, accounts receivable, accounts payable, claims payable, payables to Plan Sponsors and others, debt and line of credit approximate fair value due to their short-term nature.

Because management does not believe that our exposure to interest rate market risk is material at this time, we have not developed or implemented a strategy to manage this market risk through the use of derivative financial instruments or otherwise. We will assess the significance of interest rate market risk from time to time and will develop and implement strategies to manage that market risk as appropriate.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to reasonably assure that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported on a timely basis and that such information is accumulated and communicated to management, including the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”) as appropriate, to allow for timely decisions regarding required disclosures.

Based on their evaluation as of September 30, 2009, pursuant to Exchange Act Rule 13a-15(b), the Company’s management, including its CEO and CFO, believe that our disclosure controls and procedures are effective.

Changes in Internal Controls

Throughout 2009 we have been implementing a new pharmacy dispensing, clinical management and accounts receivable management system. The implementation of this system resulted in changes to our system of internal control over financial reporting that we believe enhance our system of internal controls and was not made in response to any material deficiency in internal control.

Other than the implementation of this new system, there have been no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

Without admitting liability for any matters alleged in the complaint, on August 6, 2009, the Company agreed to settle all claims in the Eufaula action without any admission of liability. This settlement was preliminarily approved by the court on August 27, 2009, and the final court approval is scheduled to be heard on November 4, 2009. If approved by the court at the hearing scheduled for November 4, 2009, members of a settlement class of pharmacies would receive $0.065 for each branded prescription filled during the class period properly presented to the administrator, a fee for their attorneys and incentive fee for the named plaintiff, and costs of administration. In exchange, the Company would be released from all class members' claims. The settlement is fully covered by insurance and will not ahve any adverse impact on the Company's business, financial position or results of operations.

Item 6. Exhibits

(a) Exhibits.

Exhibit 3.1	Second Amended and Restated Certificate of Incorporation of BioScrip, Inc. (Incorporated by reference to Exhibit 3.2 to the Company’s Registration Statement on Form S-4 (File No. 333-119098), as amended, which became effective on January 26, 2005)
Exhibit 3.2	Amended and Restated By-Laws of BioScrip, Inc. (Incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K filed with the SEC on July 30, 2009, accession No. 0001014739-09-000029)
Exhibit 10.1	Prime Vendor Agreement dates as of July 1, 2009 between AmerisourceBergen Drug Corporation and the Company.*
Exhibit 31.1	Certification of Richard H. Friedman pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Certification of Stanley G. Rosenbaum pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1	Certification of Richard H. Friedman pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32.2	Certification of Stanley G. Rosenbaum pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

*The Registrant has requested confidential treatment with respect to certain information contained in this exhibit. In the event that the Commission should deny such request in whole or in part, the Company shall file the exhibit by amendment to this Quarterly Report on Form 10-Q (which shall include those portions of the exhibit not deemed Confidential by the Commissions).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 2, 2009

BIOSCRIP, INC

/s/ Stanley G. Rosenbaum

Stanley G. Rosenbaum, Chief Financial Officer,
Treasurer and Principal Accounting Officer

EXHIBIT 10.1

Note: Certain material has been omitted from this Prime Vendor Agreement in accordance with a request for confidential treatment submitted to the Securities and Exchange Commission. [*****] indicates omitted material. The omitted material has been filed separately with the Securities and Exchange Commission.

PRIME VENDOR AGREEMENT

This Prime Vendor Agreement ("Agreement") is made as of July 1, 2009 ("Agreement Date") by AmerisourceBergen Drug Corporation, a Delaware corporation ("ABDC"), and BioScrip, Inc., a Delaware corporation, on behalf of itself and its subsidiaries (collectively, "Customer").

A. ABDC is a national distributor of pharmaceutical and other products, including prescription (“Rx”) and over-the-counter (“OTC”) pharmaceuticals, nutritional, health and beauty care (“HBC”) and home health care (“DME”) products (collectively, "Products"), and services (“Services”);

B. Customer owns and/or operates one or more pharmacies and distribution centers ("Facilities") at each location in Exhibit A, as updated from time to time to include other facilities Customer opens, closes, acquires, is affiliated with or otherwise operates during the Term in the United States; and

C. The parties agree to the following obligations to each other under which ABDC will provide Products and Services to Customer (“Program”).

1. PRICING AND PAYMENT TERMS

ABDC will be Customer’s Primary Vendor for all of Customer's Facilities for Products and ABDC agrees to sell to Customer as Customer’s Primary Vendor, all in accordance with the terms and conditions of this Agreement. Customer will pay Product costs and Program fees pursuant to the payment terms in Exhibit "1" ("Pricing/Payment Terms"). As Customer’s "Primary Vendor" Customer agrees to purchase from ABDC and ABDC agrees to sell to Customer, [*****], measured on a dollar basis, of all prescription pharmaceutical Products it purchases that are available through pharmaceutical wholesaler distributors, generally**,** but excluding purchases of therapeutic plasma products (i.e., IVIG, Albumin and Hemophilia clotting Factors)**,** as verified quarterly. ABDC agrees that any Customer purchases of such therapeutic plasma products that are purchased from ABDC's affiliate, AmerisourceBergen Specialty Group, will be included in the calculation of “Net Purchases” (as defined in Paragraph 1(A)(4) of Exhibit 1. In addition, Customer will purchase, at a minimum, the minimum aggregate annual purchase amount in Paragraph 5(A) of Exhibit 1. Orders for Products, including controlled substances (CSOS for Schedule IIs) will be electronically transmitted and will describe Products that ABDC will provide to Customer, the quantity and designated delivery location. Payment (except pre-pay) must be by automated clearinghouse electronic funds transfer (ACH/EFT). If Customer is unable to transmit Orders for Products electronically due to system failure (whether Customer’s or ABDC’s) or otherwise, Customer may transmit orders manually by telephone, fax or other available method.

2. PRxO GENERICS PROGRAM PARTICIPATION

Customer must participate in ABDC's preferred generic formulary program ("Preferred Rx Options” or “PRxO Generics”) pursuant to Paragraph 3 of the Pricing/Payment Terms.

3. CUSTOMER LOCATIONS & DELIVERIES

ABDC will deliver Products (i) twice a day, five (5) days a week (or 10 deliveries per week) except ABDC holidays and warehouse physical inventory days to Customer’s primary distribution Facility (located in Columbus, Ohio); and (ii) once a day to Customer’s other Facilities, five days a week (Monday – Friday). ABDC will provide Customer with a copy of its holiday list and inventory dates at such time as the list becomes generally available to ABDC employees, but in any event, no later than December 15 of the prior year. [*****] Customer will be charged [*****] for each additional emergency order to a Facility (plus ABDC's actual out-of-pocket expense for courier or other non-standard or expediited deliver service). Newly acquired facilities with existing agreements with other distributors will become Facilities under this Agreement upon the first date that Customer may terminate such

existing agreement in accordance with its terms, with or without cause, without breaching it or paying an early termination penalty. Service to Facilities outside of the continental United States may be subject to a delivery surcharge. Customer may order Products for which it needs pedigree service pursuant to Paragraph 6 of Exhibit 2 (Additional Value Added Services).

4. FILL RATES.

ABDC commits to a [*****] "Adjusted Fill Rate" on a chain-wide basis measured quarterly. The "Adjusted Fill Rate" is calculated as follows: (a) An item shorted on an original order will not be counted as a short for the second time until 72 hours from the initial receipt of the short order have passed. (b) Where only a partial quantity is received of an individual line item, it will be a short only if fifty percent (50%) or less of the quantity ordered is shipped. (c) On any new item, or an item previously not ordered by Customer, a period of thirty (30) days will be given to add the item to ABDC's inventory. This period is computed from the date Customer places the original order and provides estimates on usage. (d) The quantity of an item ordered in a week by a facility that is [*****] of Customer's average weekly volume during the preceding month for such item will not be considered short. (e) Manufacturers' legitimate back orders, unavailability or shortages are not computed as a short order in determining the Adjusted Fill Rate. Achievement of the [*****] Adjusted Fill Rate will be deemed a material term of this Agreement.

5. CUSTOMER SERVICE

ABDC will provide Customer with a [*****] customer support representative. [*****].

6. RETURNED GOODS POLICY

In returning Product to ABDC, Customer will comply with ABDC's standard policy ("Returned Goods Policy"), as amended from time to time by ABDC. If Customer returns more than 3% of its Rx Net Purchases or 3% of its non-Rx Net Purchases in any month, ABDC may assess Customer an additional restocking fee. Customer may only return Product purchased from ABDC and for which Customer provides the invoice number and purchase date. ABDC may reject returns that do not have an invoice number or purchase date or that exceed in amount either 3% return limit or the amount on the referenced invoice. ABDC may refuse all future returns from Customer if Customer submits any counterfeit Product for return; provided, however, Customer may return to ABDC any counterfeit, adulterated, mislabeled or otherwise suspicious product purchased from ABDC if Customer identifies it as such so as to help minimize the risk such product will be re-sold or otherwise placed back into the stream of commerce.

7. ADDITIONAL SERVICES & PROVISIONS.

Services to be provided by ABDC are listed in Exhibit "2". Terms, conditions and other provisions are set forth in Exhibit "3" ("Provisions"). ABDC may, from time to time, develop policies and procedures related to new or existing Services offered to customers, on an interim or as-needed basis. If ABDC develops such policies or procedures or changes current ones, ABDC will notify Customer in writing at least thirty (30) days before such changes are effective. [*****]

8. TERM OF AGREEMENT

Subject to Provisions Paragraph 5, the Term will be from August 26, 2009 ("Effective Date") until August 31, 2012. The parties may extend this Agreement up to two (2) additional years upon mutual written consent. If not terminated, the Term will thereafter extend on a month-to-month basis until either party gives 90 days' prior written notice to the other of its intention to have this Agreement terminate.

9. EARLY TERMINATION

If (1) Customer terminates the Agreement prior to the expiration of the Term under any circumstances other than a default by ABDC; or (2) ABDC terminates the Agreement prior to the expiration of the Term as a result of a default by Customer, Customer will pay ABDC as an early termination payment and not as a penalty: [*****]. Any such amount is in addition to other amounts, lost profits or other actual damages caused by Customer's breach of this Agreement. This Section 9 does not grant Customer any right to terminate this Agreement except as otherwise expressly provided in this Agreement.

10. RECORDS

To the extent required by 42 U.S.C. §1395x(v)(1), until four years after the Term, ABDC will make available to the U.S. Department of Health & Human Services Secretary, the Comptroller General, or their respective authorized representatives, upon their written request, a copy of this Agreement and all records required to certify the nature and extent of pricing for Products and Services from ABDC under this Agreement. ABDC will ensure, to the extent it carries out its duties through a subcontract with a value or cost of $10,000 or more in a 12 month period with a related organization, such subcontract will contain similar provisions. Notwithstanding the foregoing, ABDC has no duty to make public attorney-client privileged documents.

11. NOTICES

Notices must be in writing and sent certified mail, prepaid, return receipt requested, or sent by facsimile to the address or facsimile number below. Parties may change this information by written notice to the other party. Pursuant to the Telephone Consumer Protection Act of 1991, 47 U.S.C. §227, Customer consents to receiving notices, including product updates, recalls, new product launches and programs, advertisements and other marketing materials by telephone facsimile ("fax") machine from ABDC, its affiliates and their related companies, to its fax numbers.

To Customer:	BioScrip, Inc. 100 Clearbrook Road Elmsford, NY 10523 Attn: Chief Procurement Officer Fax: (914) 460-1661
With a copy to:	BioScrip, Inc. 100 Clearbrook Road Elmsford, NY 10523 Attn: General Counsel Fax: (914) 460-1670
To ABDC:	AmerisourceBergen Drug Corporation 1300 Morris Drive Chesterbrook, PA 19087-5594 Attn: Group Vice President, Alternate Care Fax: (610) 727-3601
with a copy to:	AmerisourceBergen Corporation 1300 Morris Drive Chesterbrook, Pennsylvania 19087-5594 Attn: General Counsel Fax: (610) 727-3612

12. EXHIBITS

The following exhibits to this Agreement are incorporated by this reference.

1	Pricing/Payment Terms
2	Value-Added Services
3	Provisions

IN WITNESS WHEREOF, the parties have had a duly authorized officer, partner or principal execute this Prime Vendor Agreement as of its Agreement Date.

CUSTOMER:	**ABDC:**
BioScrip, Inc., on behalf of itself and its subsidiaries	AmerisourceBergen Drug Corporation
By: /s/ Rick Smith	By: /s/ John Palumbo
Name: Rick Smith	Name: John Palumbo
Title: President and Chief Operating Officer	Title: Senior Vice President, Health Systems Solutions

EXHIBIT 1 TO
PRIME VENDOR AGREEMENT
PRICING / PAYMENT TERMS

In addition to payment for Products, Customer will pay ABDC the following Program and other fees for ABDC's Product distribution and Services for Customer. Pricing does not reflect any administrative or other fee to a buying group or group purchasing organization ("GPO"). If Customer contracts with a GPO, Customer will pay any such fees required to be paid by ABDC as a result of Customer's business under this Agreement to the applicable GPO. In any event, ABDC shall not pay a GPO fee until a GPO designation form signed by Customer is filed with ABDC. Customer will pay any increase in GPO administrative fees during the Term that are required to be paid by ABDC as a result of Customer's business under this Agreement.

1. PROGRAM FEES

A. (1) Customer will pay the following Price of Goods based upon the definition of "Cost" below, subject to the following adjustments for Customer's Total Combined Monthly Net Purchases and its average monthly purchases of PRxO Generic Purchases as a percentage of Customer's total Rx Purchases ("PRxO Generics Compliance") under this Agreement, for Products other than Products and Services designated as ABDC Special Price Products. ABDC will add to the billed amount any applicable sales, use, business and occupation, gross receipts or other taxes that ABDC is required to collect and pay. Customer will promptly return to ABDC non-disposable equipment and material (e.g., totes, padding, pallets, packs/coolers/insulation, monitors/loggers, etc.) or pay replacement cost of items not made available for pickup at the later to occur of (i) the next scheduled delivery; or (ii) five business days thereafter. Tiers will be adjusted once per quarter, with any change effective on the 15th day of the quarter and based on Net Purchases for the prior calendar quarter.

	Extended Semi-Monthly Pay (EFT) – [*****]			
			[*****]	
Monthly Net Purchases	*[*****]*	*[*****]*	*[*****]*	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]

Notes: (1) The Price of Goods for OTC will be [*****].
(2) The Price of Goods for Drop shipments will be [*****].
(3) The Price of Goods for [*****].

(2) "Cost" with respect to any Product means the lower of (i) the price of the Product on a supplier's price list on the date the Product is allocated to Customer or (ii) any applicable Customer/GPO contract price for the Product authorized by a supplier and maintained in an ABDC bid file, in each case exclusive of discounts for prompt payment given to ABDC by its manufacturers. Cost outside the continental U.S. may be higher than manufacturer's/supplier's normal price list.

(3) Selected Products ("ABDC Special Price Products") including but not limited to food, gift items, HBC items, home healthcare (DME), items deemed operationally difficult to manage, items purchased from suppliers not offering cash discounts of [*****] or better, deliveries FOB destination or other standard terms, generics, nutritionals, private label, school and office items, slow-moving items, supplies (bottles & vials) and Services will not be billed based upon Cost (as defined above), but will instead be billed in accordance with the terms and conditions established by ABDC from time to time for such Products and Services. Purchases of ABDC Special Price Products count toward total Monthly Net Purchases.

(4) The above Price of Goods is conditioned upon Customer's PRxO Generics Net Purchases being at least (i) [*****] of its total Net Purchases from ABDC or (ii) [*****] of its total generic Rx Net Purchases from all sources. Customer will still qualify for the Cost of Goods applicable to [*****] PRxO Generic compliance even if its Net Purchase volume is less than [*****] as long as its PRxO Generics purchases from ABDC are at least [*****] of its total generic Rx purchases from all sources; provided, however, if Customer's generic Rx Net Purchases meet the [*****] level but is less than [*****] of its total Net Purchases, ABDC may reasonably adjust brand Rx Price of Goods to reflect lower profitability pursuant to Paragraph 5. Customer's generic Rx purchases will be evaluated quarterly for compliance with this condition, with any Price of Goods adjustments made accordingly.

B. [*****]

CONFIDENTIAL
Customer will delete this Exhibit "1" (or request confidential treatment)
if it discloses this Agreement for any reason, including in any SEC filing.

;

C. Additional Value-Added Services. The additional value-added Services in Exhibit "2" will be provided to Customer by ABDC for [*****] for Facilities that meet minimum Net Purchase levels.

D. Ordering Hardware/Software. In addition to the foregoing value-added Services fee, Customer will pay to ABDC the per-month fees in Exhibit "2" for ordering and reporting software and hardware selected by Customer for each installation on system hardware at Customer's Facilities and other locations. The parties will coordinate to ensure C-II controlled substance electronic ordering systems (CSOS) interface correctly.

E. Contract Administration. In administering Customer's GPO/supplier contracts, Customer must (i) provide a copy of new contracts, (ii) comply with supplier's terms, (iii) use all products for its "own use" (as defined in judicial and legislative interpretations), (iv) notify ABDC at least forty-five (45) days before it changes suppliers, and (v) upon changing suppliers, assist ABDC in disposing of any excess inventory acquired for Customer. Additionally, Customer will notify ABDC before discontinuing purchases of any special inventory that it has requested that ABDC stock (whether or not pursuant to a contract) and, provided ABDC's inventory levels are commercially reasonable relative to Customer's historic purchase orders of such Products, assist ABDC in disposing of any excess of such inventory. When invoiced, Customer will promptly reimburse ABDC for any unpaid chargebacks that are (x) denied by a GPO or manufacturer/supplier or (y) not paid within forty-five (45) days and, in either case, Customer will look solely to such GPO or manufacturer/supplier for redress.

3. PRxO GENERICS PROGRAM

A. PRxO Generics. Customer must participate in PRxO Generics Program pursuant to requirements as amended from time to time by ABDC and must purchase from ABDC no less than [*****] of its total generic Rx purchases or [*****] of its total Net Purchases from ABDC in the PRxO Generic Program; provided, however, Customer's total generic Rx Net Purchases may be less than [*****] (but at least [*****]) as provided in Paragraph 1(A)(4) of this Exhibit 1. A GCN is the number assigned to one strength of one Product in the multiple sizes offered of that Product (e.g. Atenolol 25mg, in unit sizes of 100, 500 and 1000 are one GCN). GCN counts are subject to change with new Product launches. The Top 100 is a list of more than one hundred commonly used generic Rx Products set by ABDC from time to time.

B. Custom Price File. ABDC created a custom PRxO Generics price file for Customer that is based on an analysis of Customer's top generic purchases, [*****] and representing [*****] of Customer's generic spending prior to the Agreement Date. [*****] ABDC will assign a generic specialist to participate in a monthly call with Customer to evaluate generic purchases, monitor the competitive landscape for generic Rx, present opportunities and drive additional generic Rx savings. In addition ABDC will conduct quarterly business reviews to benchmark Customer's PRxO Generics performance and pricing.

C. [*****]

D. Compliance & Price Adjustment. ABDC may audit Customer's total generic Rx purchases from all sources other than ABDC. Purchase rebates are not cumulative, with calculations quarterly and no carryover from one quarter to the next. Pending rebates will be noted in Customer's invoices and statements. Customer indemnifies ABDC pursuant to Paragraph 6 of Exhibit 3 for any inappropriate use of such invoices and statements. ABDC will issue any credit to Customer within 30 days of the end of each calendar quarter.

4. PAYMENT TERMS

A. Payment. Customer agrees to [*****] payment terms for Product purchases.

Payments for invoices dated between the [*****] and the [*****] of the month are due on or before the [*****] of the same month [*****] and invoices dated from the [*****] to the end of the month are due and payable on the [*****] of the following month.

B. Terms. All payments must be received for deposit to ABDC's account by the due date by ACH/EFT. Payment term changes may affect Price of Goods.

5. MINIMUM ORDER VOLUME

A. Annual Purchases. Customer must comply with (i) Primary Vendor obligations under Section 1 of the Agreement, with Net Purchases [*****] during each Contract Year, and (ii) minimum Net Purchases of PRxO Generics under Paragraph 1(A)(4) of this Exhibit 1. "Net Purchases" during a period means total purchases less returns, credits, rebates, late payment fees and similar items, with no carryover from one period to the next and with any minimums prorated for any partial period, including Contract Year 1. Contract Year 1 is from the Effective Date until August 31, 2010. Subsequent Contract Years are the following 12 calendar-month periods. Customer's Net Purchases during subsequent Contract Years are projected (but not obligated) to increase at a rate of [*****] per Contract Year.

B. Small Order Charge. If a Facility purchases less than [*****] per month, a delivery charge of [*****] per delivery will be assessed during the following month for each order that is less than [*****] until at least [*****] per month is purchased by such Facility.

C. Price of Goods Adjustments. Customer acknowledges that Price of Goods and Program fees available under this Agreement are based upon Customer's meeting such minimum annual, PRxO Generics and other Net Purchases and, if Customer fails to do so, in addition to any other remedies, including Paragraph 1(A)(4), ABDC may reasonably adjust Price of Goods and Program fees on 10 days' notice to reflect Net Purchases that average less than [*****] per month in any three (3) consecutive months.

CONFIDENTIAL
Customer will delete this Exhibit "1" (or request confidential treatment)
if it discloses this Agreement for any reason, including in any SEC filing.

;

EXHIBIT 2 TO
PRIME VENDOR AGREEMENT
ADDITIONAL VALUE-ADDED SERVICES

1. Services

A. ABDC offers Customer the following Services for the monthly fees in Paragraph 1(C) of Pricing/Payment Terms.

- Bar-Coded Shelf Labels
- DEA Scheduled Pharmaceuticals Purchased Report
- Monthly Usage and 80/20 Report
- Price stickers – Rx and OTC

B. Other than pedigree services required by applicable law, ABDC may discontinue any Services as it deems appropriate, in which case ABDC will make a reasonable proportionate reduction in the monthly fee based upon the value of the discontinued Services. In addition, from time to time ABDC may offer such new Services, at such additional fees as it determines.

2. Ordering & Reporting Software and Hardware

A. ABDC offers Customer the following ordering and reporting software and hardware.

- Custom Reporting software for [*****].
- Internet ordering software (Catalog and Order Entry (COE), *iECHO* or similar software, as appropriate) [*****].
- iScan PPC hardware technology for a [*****] per unit covering hardware, software and maintenance.
- UltraPhase/Telxon handheld electronic order entry terminal ([*****] per pharmacy) [*****].
- Ordering hardware will be included for Customer at no additional monthly charge per installation. Any such hardware may be used solely with ABDC's ordering and reporting software. Customer is responsible for hardware maintenance and repair.

B. ABDC retains title to all ordering and reporting hardware and software and, pursuant to Provisions Paragraph 5.2, Customer must return them upon termination of this Agreement.

C. Computer consulting and related services will be offered at ABDC's then-current standard charges for such services.

3. Monthly Select Special Price Product Report

Each month, ABDC will provide to Customer the list of current ABDC Special Price Products.

4. Recalls

ABDC will notify Customer of all recalls as instructed in the supplier's notification.

5. Drop Ship Service

From time to time upon Customer's or a supplier's request, ABDC may provide drop shipment billing service as a convenience where Products are shipped directly to Customer by the supplier and the supplier bills Customer through ABDC. Suppliers must meet ABDC's liability insurance and other requirements. Customer's ability to return such Products through ABDC may be subject to different terms orotherwise restricted.

Drop shipments may be subject to an additional charge. Other terms, including title, insurance and risk of loss, are set by each supplier and ABDC disclaims all liability in connection with drop shipments.

6. Pedigree Services

A. If Customer plans to resell Product, Customer may choose to receive pedigree service under the following terms and conditions by choosing one of the following options to receive pedigree services.

o Retrieve PDF Version of Pedigree via ABC Portal

o Electronic Pedigree File That Complies With the 04182006 EPC Global Standard

B. Customer will be responsible for paying all shipments expenses going outside the state of Florida.

C. Customer understands any damage to Product during shipment is to be handled through Customer's carrier. Customer is responsible for providing adequate insurance on its deliveries.

D. Customer understands that returns are allowed within seven (7) days of the sale. If ABDC makes a mistake in order fulfillment, ABDC will pay freight for the return and for the shipment to correct the mistake. Otherwise, Customer must pay freight for the return.

E. Customer will pay a monthly pedigree service fee of [*****]. ABDC reserves the right to increase monthly fees with [*****] notice if overall distributor customer Rx volume significantly increases over time.

F. Customer will be invoiced for pedigree service charges, including freight, on the first day of each calendar month. Payment is due under the payment terms in this Agreement.

EXHIBIT 3 TO
PRIME VENDOR AGREEMENT
PROVISIONS

1. DUTIES OF ABDC

1.1 Orders. Orders may be subject to minimum order size requirements. Other than supplier back-ordered Products, ABDC will make reasonable efforts to deliver orders placed by ABDC's normal order cut-off time by the next delivery day. Hawaii, Alaska, U.S. territories and foreign deliveries may be subject to a delivery surcharge.

1.2 Emergency Orders. ABDC will use commercially reasonable efforts to meet a requested delivery time for emergency orders, which may be subject to an additional charge. If ABDC cannot do so, Customer may fill emergency orders outside the Program on such occasions using another provider notwithstanding minimum purchase commitments in this Agreement.

1.3 Records, Audits. ABDC will maintain records of transactions for one year during the Term and after. Such audits may be conducted only during ordinary business hours and upon reasonable notice. No audit may cover any period previously audited for the same issue. All costs will be borne by Customer, including costs to produce records. If an audit establishes net overcharges or undercharges, ABDC will credit or charge Customer within thirty (30) days of receipt of written notice of the net overcharge (or, if later, within thirty (30) days of receiving an applicable supplier's credit) or undercharge.

2. DUTIES OF CUSTOMER

2.1 Primary Vendor Orders. For Products required by Facilities, Customer will submit an order for all Products (electronic or as otherwise provided).

2.2 Disclosure. Customer will comply with all laws, including reporting or reflecting discounts, rebates and other price reductions pursuant to 42 U.S.C. §1320a-7b(b)(3)(A) on cost reports or claims submitted to federal or state healthcare programs, retaining invoices and related pricing documentation and making them available on request to healthcare program representatives.

2.3 Notice of Changes. Customer will promptly notify ABDC of changes in ownership, name, business form (e.g., sole proprietorship, partnership or corporation) or state of incorporation or formation, or any intent to sell, close, move or modify its operations.

2.4 No Set-Off. Customer's obligation to pay for Products will be absolute, unconditional and not subject to reduction, set-off, counterclaim or delay.

2.5 Billing Statements. Billing disputes must be brought promptly to attention of ABDC's accounts receivable department or Customer will be deemed to accept the accuracy of statements and waive its right to dispute any amounts 12 months after receipt of the first statement containing the disputed amount.

2.6 Late Payment. All payments must be received in ABDC's account during normal business hours on the date due. Drivers and other ABDC employees cannot accept cash. Price of Goods reflects a prompt payment discount. If payment is not received by the due date, ABDC will invoice Customer such unearned discount by recalculating Price of Goods based on Cost + 2% (or, if greater, 2% more than the invoiced Price of Goods) effective as of the due date. Thereafter, if payment is delinquent, ABDC may withhold any payments to Customer and will assess a per-day late payment fee of the lower of 0.05% (18%/360) or the maximum rate permitted by law on the outstanding balance until paid, beginning on the first business day after such due date. Additionally, ABDC may adjust future Price of Goods to reflect Customer's payment history. Such rights are in addition to ABDC's other remedies and will not relieve Customer of its obligation to pay promptly.

2.7 Title And Risk Of Loss. All goods are F.O.B. Customer’s location, with freight prepaid for normal delivery. Expedited delivery is extra. Title and risk of loss pass upon delivery to Customer.

2.8 Extension Of Credit. Payment terms are an extension of credit based upon an evaluation of Customer's financial condition upon commencement of this Agreement as reflected in written information from Customer. Customer will abide by ABDC's standard credit terms as amended from time to time by ABDC. Customer will promptly notify ABDC in writing of any Claim that, with an unfavorable result, would have a material adverse effect on Customer's financial condition or operation. Upon request, Customer will furnish ABDC complete annual and quarterly financial statements and other evidence of its financial condition necessary to establish, in ABDC's opinion, Customer's ability to perform its obligations. If ABDC reasonably believes Customer's ability to make payments is materially impaired or its financial condition has materially deteriorated, ABDC may from time to time amend Customer's payment terms, require past due amounts to be paid and/or require posting of adequate security or such other documents as ABDC may require. Pending receipt of requested items, ABDC may withhold delivery of Products and providing Services; place Customer on a C.O.D. basis if ABDC has not received payment when due after giving notice by 10:00 a.m. and giving Customer until 2:00 p.m. the same day for ABDC to receive payment; and/or require Customer to pay part or all of any past due amount as a condition to continued service.

3. NO WARRANTIES

Customer acknowledges that ABDC is not the manufacturer of any Products and ABDC DISCLAIMS ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING THOSE OF MERCHANTABILITY, NON-INFRINGEMENT AND FITNESS FOR A PARTICULAR PURPOSE, FOR PRODUCTS AND SERVICES. No oral or written information provided by ABDC, its employees or other representatives will create any such warranty. In no event will ABDC be liable for any special, incidental or consequential damages in connection with or related to Products, hardware, Software, including ordering software, or Services. [*****]

4. CONFIDENTIALITY

The Confidentiality Agreement between the parties, dated February 22, 2007, is incorporated by this reference and its term is hereby extended to the Term of this Agreement. Pursuant to the Confidentiality Agreement, each party and its employees or representatives ("Receiving Party") is obligated to protect all proprietary and confidential information ("Confidential Information") disclosed by the other ("Disclosing Party") and to not use or disclose it except in connection with the Program or as otherwise agreed; provided, however, either party may make such disclosure as is required by applicable securities laws and rules of NASDAQ or another stock exchange, with any such disclosure subject to the other party's reasonable prior review and approval. Confidential Information does not include information (i) available on a non-confidential basis, (ii) known or able to be formulated by Receiving Party, or (iii) required to be disclosed by law. Pricing and payment terms are confidential and may not be shared with any third party. Customer will remove Exhibit "1" (or request confidential treatment) if it discloses this Agreement for any reason, including in a Securities and Exchange Commission filing.

5. TERMINATION OF AGREEMENT

5.1 Default. In addition to other available remedies, either party may immediately terminate this Agreement for cause upon written notice to the other party upon:

(a) The other party's (i) filing an application for or consenting to appointment of a trustee, receiver or custodian of its assets; (ii) having an order for relief entered in Bankruptcy Code proceedings; (iii) making a general assignment for the benefit of creditors; (iv) having a trustee, receiver or custodian of its assets appointed unless proceedings and the person appointed are dismissed within thirty (30) days; (v) insolvency within the meaning of Uniform Commercial Code Section 1-201 or failing generally to pay its debts as they become due within the meaning of Bankruptcy Code Title 11, Section 303(h)(1) (11 U.S.C. §303(h)(1)), as amended; or (vi) certification in writing of its inability to pay its debts as they become due (and either party may periodically require the other to certify its

ability to pay its debts as they become due) (collectively, "Bankruptcy");

(b) The other party's failure to pay any amount due or failure to deliver Product and such failure continues five (5) days after written notice;

(c) The other party's failure to perform any other material obligation of this Agreement or any other agreement now or hereafter entered into between the parties and such failure continues for thirty (30) days after it receives notice of such breach from the non-breaching party; provided, however, if the other party has commenced to cure such breach within such thirty (30) days, but such cure is not completed within such thirty (30) days, it will have a reasonable time to complete its cure if it diligently pursues the cure until completion; and further provided that if such breach occurs more than three times during any twelve (12) month period, the non-breaching party may terminate this Agreement upon thirty (30) days written notice. "For cause" does not include Customer's receiving a more favorable offer from an ABDC competitor.

5.2 Survival Upon Termination. Within five (5) days of expiration or earlier termination of this Agreement for any reason, all amounts owed by Customer will be immediately due and payable, Customer will (i) pay ABDC any amount owed and (ii) return to ABDC all hardware, Software and other equipment, including ordering devices and totes, or pay to ABDC the replacement cost of such items that are not returned. Obligations in Provisions Paragraphs 4, 5.2, 6 and 9 and any provision the context of which shows the parties intended it to survive will remain in effect after the Term.

6. INDEMNIFICATION

Each party ("Indemnifying Party") will indemnify and defend the other, its employees and representatives ("Indemnified Party") against all claims and damages (including expenses and attorneys' fees) ("Claim") to the extent arising out of Indemnifying Party's obligations under this Agreement. Failure to give prompt written notice of a Claim will not relieve Indemnifying Party of liability except to the extent caused by such failure. Indemnifying Party will defend a Claim with counsel reasonably satisfactory to Indemnified Party and Indemnified Party will cooperate fully in such defense.

7. CUSTOMER'S INSURANCE

Customer will maintain sufficient insurance to cover all unpaid inventory in its possession. Customer will maintain professional liability insurance with limits of no less than $2,000,000 per incident and $10,000,000 aggregate. ABDC will be named on such policies as an additional insured. ABDC may reasonably increase such required limits from time to time.

8. SOFTWARE LICENSE

8.1 License. ABDC grants Customer a non-exclusive, nontransferable and revocable license to use software and related documentation ABDC provides for use in the Program ("Software"). Customer may not make, or allow others to make, copies except one backup copy. Customer must include all proprietary notices in permitted copies. Customer may not modify Software or create derivative works and may not translate, reverse engineer, disassemble or decompile Software.

8.2 Limited Warranty. ABDC warrants that, during the Term, (i) Software will perform substantially in accordance with its documentation if operated as directed and (ii) hardware provided by ABDC and diskettes, CD-ROMs or other media on which the Software is provided will be free from defects under normal use. ABDC DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING THOSE OF MERCHANTABILITY, NON-INFRINGEMENT AND FITNESS FOR A PARTICULAR PURPOSE, FOR HARDWARE AND SOFTWARE, AND ACCURACY OF ANY DATA. ALL DATA IS PROVIDED "AS IS." DUE TO THE NATURE OF SOFTWARE, HARDWARE AND DATA, ERRORS AND INTERRUPTIONS MAY OCCUR AND CUSTOMER HAS ALL RISKS FOR QUALITY AND PERFORMANCE. No oral or written information provided by ABDC, its employees or other representatives will create any warranty.

8.3 Remedy. ABDC's liability and Customer’s exclusive remedy for breach of warranties in Paragraph 8.2 will be, at ABDC's option, to (i) repair or replace Software or hardware so it performs substantially in accordance with its documentation; (ii) advise Customer how to achieve substantially the same functionality using different procedures, or (iii) replace defective media returned within ninety (90) days of the Effective Date. Such replacement will not extend such ninety (90) day period.

9. MISCELLANEOUS

9.1 Force Majeure. If ABDC's performance is prevented or delayed by labor disputes, fire, terrorism, acts of God or any other cause beyond its control, including unavailability of Products, transportation, materials or fuel, delays by suppliers, internet, telecommunication or electrical system failures or interruptions, compliance with any law or any other cause beyond its control ("Force Majeure"), ABDC may reduce or eliminate Products without liability or obligation during the Force Majeure period. In addition, if Force Majeure affects ABDC's cost of operations, ABDC may, at its discretion, add to the cost of Products its increased fuel costs, including taxes, and other costs associated with Product handling or operations, so long as Force Majeure affects its costs if such costs rise more than [*****].

9.2 Security Interest. In addition to any security interest previously or hereafter provided by Customer to ABDC, Customer hereby grants to ABDC a security interest which may be a purchase money security interest in inventory of Products until all amounts owed to ABDC are paid. ABDC may do such things as are necessary to achieve the purposes of this Paragraph.

9.3 Assignment. This Agreement inures to the benefit of and is binding upon the heirs, successors and assigns of each party; provided, however that Customer may only assign its rights or delegate its duties under this Agreement with ABDC's written consent, including the sale, transfer or assignment of the business of Customer, in whole or in part, whether by merger, change of control, asset sale, operation of law or otherwise, including any change of 25% or more of the voting equity in Customer or in the power to vote 25% or more of the voting interest in Customer in connection with an acquisition. Customer hereby consents to ABDC's assigning part or all of its obligations to any affiliate and to assigning or granting a security interest in this Agreement in connection with any financing or securitization by ABDC or any affiliate.

9.4 Legal Requirements. ABDC warrants it does not and will not discriminate against any employee or applicant for employment because of race, creed, color, national origin, religion, gender, sexual preference, veteran status, handicap or as otherwise may be prohibited by law and will meet affirmative action obligations as are imposed by law. ABDC agrees to comply with the provisions of 29 CFR Part 470.

9.5 Miscellaneous. The successful party in any legal action, including in a Bankruptcy proceeding, may recover all costs, including reasonable attorneys’ fees. Pennsylvania law will govern this Agreement without reference to conflict of laws provisions. Any waiver or delay in enforcing this Agreement will not deprive a party of the right to act at another time or due to another breach. All provisions are severable. In the event of a conflict between a prior document between the parties and this Agreement, this Agreement will control. This Agreement supersedes prior oral or written representations by the parties that relate to its subject matter other than the security interest, which is in addition to and not in lieu of any security interest created in other agreements. Captions are intended for convenience of reference only. The parties may not modify this Agreement other than by a subsequent writing signed by each party. This Agreement will be interpreted as if written jointly by the parties. The parties are independent contractors.

EXHIBIT 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Richard H. Friedman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of BioScrip, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2009

/s/ Richard H. Friedman
Richard H. Friedman,
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Stanley G. Rosenbaum, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of BioScrip, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2009

/s/ Stanley G. Rosenbaum
Stanley G. Rosenbaum, Chief Financial Officer
Treasurer and Principal Accounting Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of BioScrip, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard H. Friedman, Chief Executive Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 2, 2009

/s/ Richard H. Friedman
Richard H. Friedman,
Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of BioScrip, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stanley G. Rosenbaum, Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 2, 2009

/s/ Stanley G. Rosenbaum
Stanley G. Rosenbaum, Chief Financial Officer
Treasurer and Principal Accounting Officer