

Managed Care Formulary and Pharmaceutical Benefit Management Under E-Prescribing

ePrescribing, MMA and Formulary Standards Overview

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Agenda

- ▶ State of ePrescribing
 - ▶ Adoption
 - ▶ Drivers
 - ▶ Barriers
- ▶ Medicare Prescription Drug Improvement and Modernization Act (MMA)
- ▶ Formulary Standards

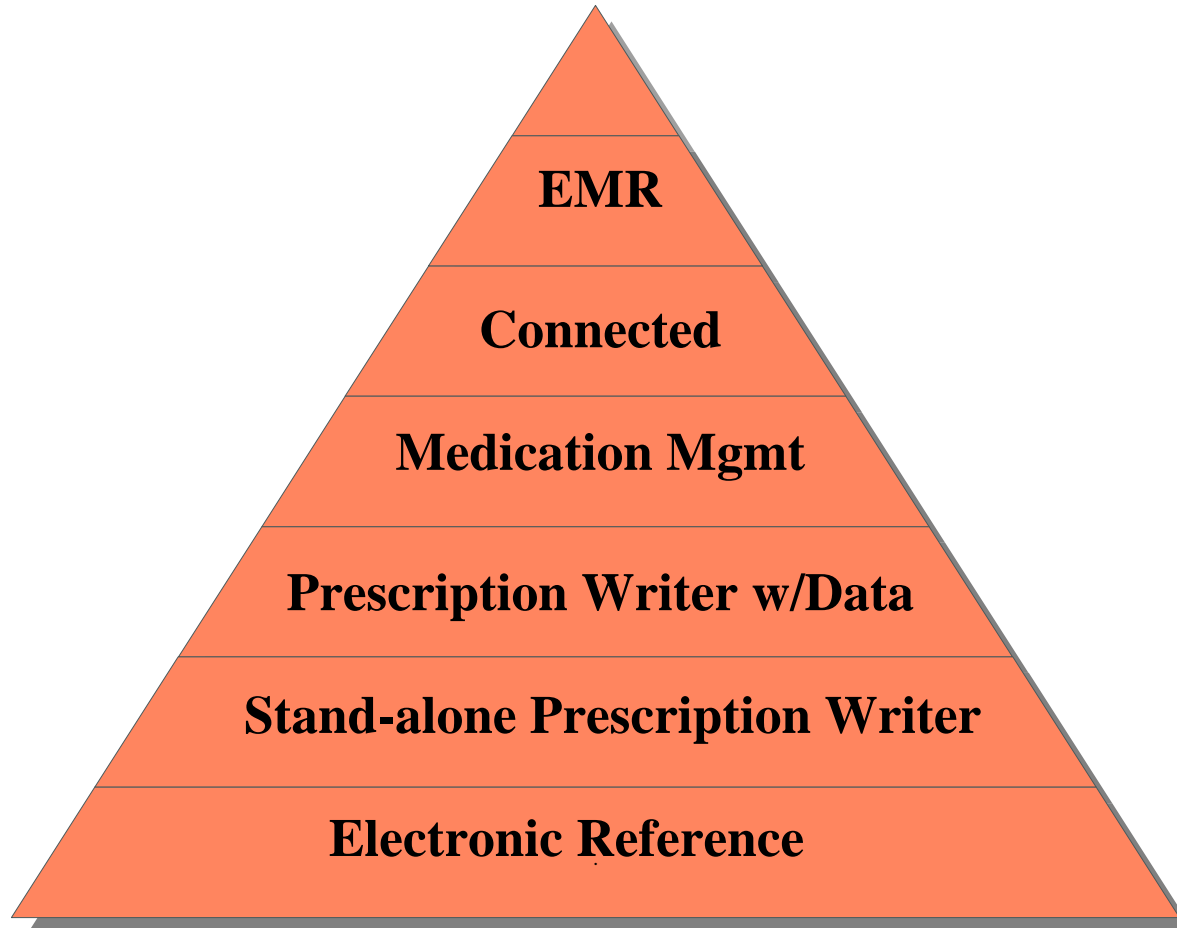


State of ePrescribing



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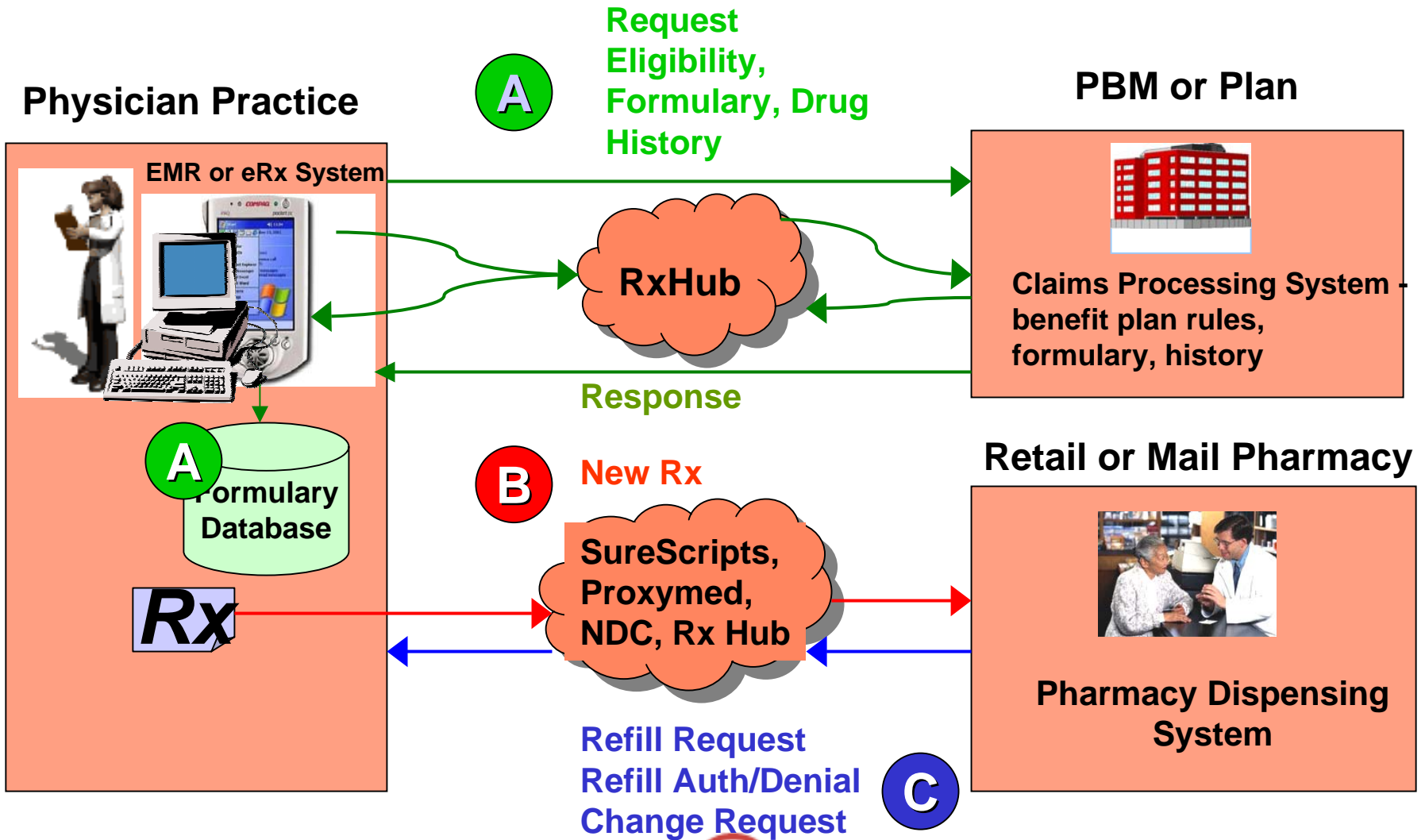
What is ePrescribing?



Source: eHealth Initiative



Data Flow of Interoperable ePrescribing



ePrescribing by the numbers...

5-18% MDs prescribing electronically

(eHealth Initiative, 2004)

80% pharmacies enabled for ePrescribing

(SureScripts, ProxyMed, NDC, WebMD)

2% US hospitals using CPOE

(KLAS, 2004)

14-39% Outpatient EMR use

(California Healthcare Foundation, David Brailer, MD, 2004)

150 million Lives for whom formulary &
benefits are available through RxHub

\$29 billion potential annual ePrescribing savings

(Center for Information Technology Leadership)



“The Stars Are Aligning...”

- ➔ President Bush’s 2004 State of the Union address: “By computerizing health records, we can avoid dangerous medical mistakes, reduce costs and improve care.”
- ➔ Federal government is considering preemption of state board prohibitions of eRx
- ➔ Establishment of office of Healthcare Information Technology
- ➔ FDA and IOM and are calling for eRx for safety
- ➔ Politicians want to be seen as “doing something” about medication errors
- ➔ Medicare Prescription Drug Improvement and Modernization Act of 2003 (MMA)



MDs Are More Comfortable With Technology

- ➔ Nearly all medical students nationwide will be expected/required to use PDA in 2005
- ➔ 40% of physicians use PDAs vs 8% of consumers
- ➔ 14-39 % physicians using CPR today (CHCF)
- ➔ PWC reports that 80% of physicians either already use EMRs or plan to within 24 months
- ➔ Primary care physicians plan to increase IT budgets
- ➔ Forrester predicts EMR market to grow to \$1.2B in '05



The PMS and EMR Vendors Are Not Driving Early Adoption

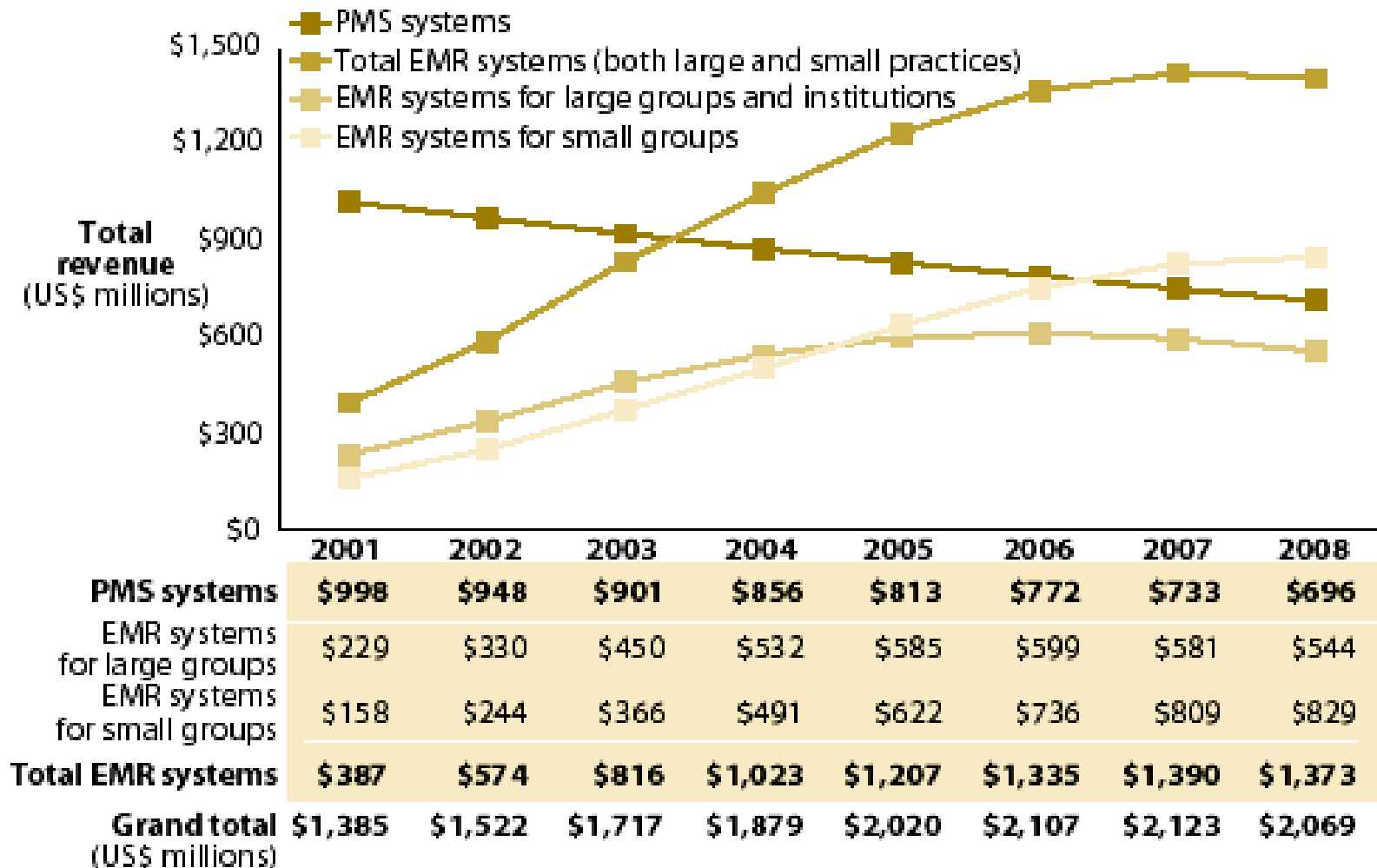
- Smaller, ePrescribing-focused companies are trail-blazing (Allscripts, Dr. First, ZixCorp, Gold Standard, InstantDx)
- Trend toward “EMR-lite” solutions as entry point
- Cerner, McKesson, GE Medical and Misys are dabbling in ePrescribing, but most will not be state-of-the art until there is significant MD demand. (WebMD Medical Manager and IDX/Allscripts are exceptions)
- eRx will eventually become an expected part of EMR

Bottom line: EMR adoption will eventually lead to broader ePrescribing adoption and vice versa



Forrester Forecasts Boost in EMR Revenues

Figure 3 Forecast: US PMS And EMR Adoption, 2003 To 2008



Potential EMR Drivers

- ➔ Definition of NHII, standards, true interoperability
- ➔ CMS sponsored grants
- ➔ Market demand/reward for documentation of quality (Pay for Performance)
- ➔ Bridges To Excellence
- ➔ HIPAA – role-based security requirements, audit logs
- ➔ Better offerings available that are fully integrated with practice management system (PMS)
- ➔ AAFP EMR vendor discount program



Barriers to Widespread Adoption Still Exist

- ➔ Who pays? There are still outstanding questions about the business model for ePrescribing
- ➔ Which vendors will succeed? No one wants to repeat the dot.bomb experience.
- ➔ Standards development takes time
 - ➔ Stakeholder objectives often at odds
 - ➔ Development and approval process is painstaking
- ➔ Adoption/utilization still lagging. Critical mass exists in only a few regions
- ➔ ePrescribing is not yet an expected standard of care



Medicare Prescription Drug Improvement and Modernization Act of 2003 (MMA)



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Medicare Prescription Drug Improvement and Modernization Act of 2003

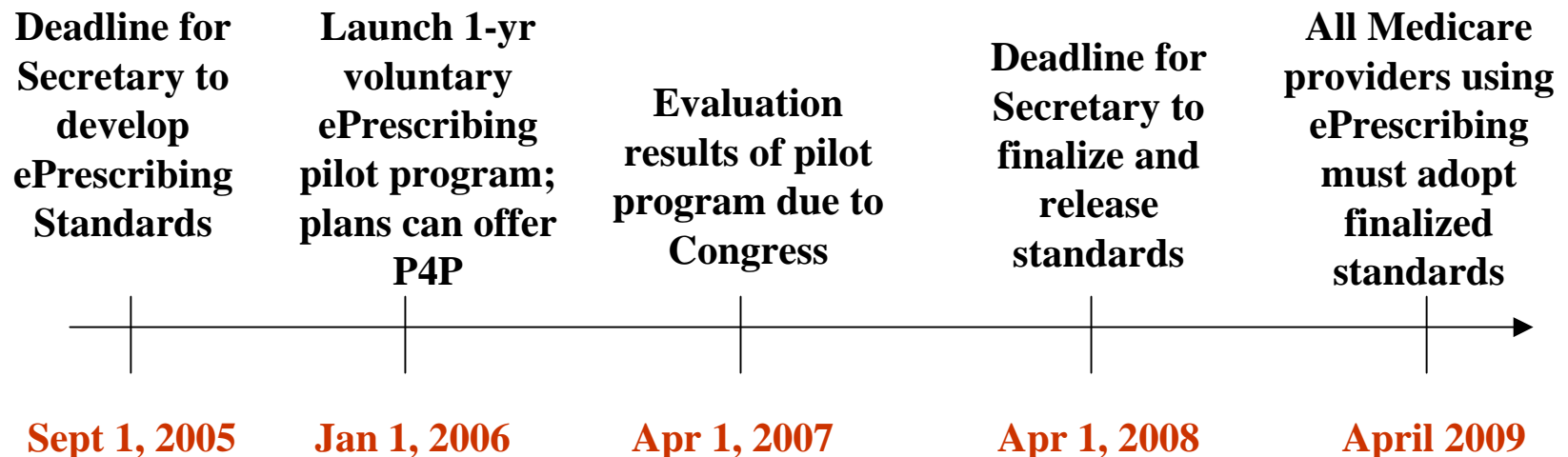
- ▶ Directs HHS to conduct a voluntary electronic prescription pilot project in 2006, unless there is already adequate experience.
- ▶ Establishes a real-time ePrescribing program to be used by prescribers, pharmacies and pharmacists who serve Medicare patients
 - ▶ No mandate, but if used, standards must be followed
 - ▶ Standards via National Committee on Vital and Health Stats
- ▶ Information provided electronically includes:
 - ▶ **Eligibility and benefits, formularies and tiering, coverage limitations**
 - ▶ Information on drug being prescribed, patient's history, DUR
 - ▶ Information on therapeutic alternatives



Medicare Prescription Drug Improvement and Modernization Act of 2003 (cont.)

➤ Other components:

- Discretionary grants to be made available to prescribers
- Plans, hospitals, groups may purchase hardware for MDs
- Plans may pay additional fees for reduced medication errors, improved formulary compliance & fewer adverse drug events



Proposed ePrescribing Rules

- ➔ Published Feb 4 / Responses Due April 5
- ➔ Names 3 foundation standards (asserting they have adequate industry experience):
 - ➔ NCPDP SCRIPT (sans Fill Status)
 - ➔ X12N 270/271 Eligibility (between Provider & PDP)
 - ➔ NCPDP Telecom (between pharmacy & PDP)
- ➔ Plans two formats as foundation standards
 - ➔ Drug History (2nd ballot in NCPDP)
 - ➔ Formulary & Benefits (1st ballot in NCPDP)



Formulary Standard



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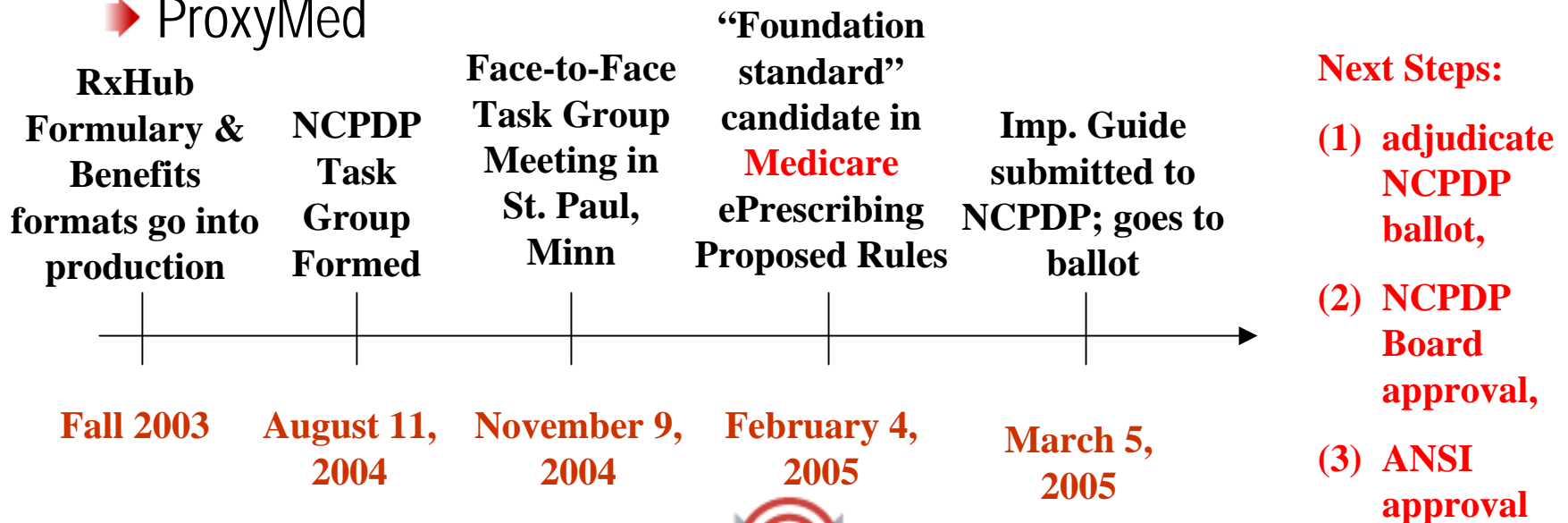
National Committee on Vital and Health Statistics (NCHVS)

- An advisory board for the Health & Human Services (HHS)
- Charged with evaluating and recommending ePrescribing standards to Centers for Medicare & Medicaid (CMS)
- Heard testimony from 30+ ePrescribing experts
 - Practicing Physicians, Pharmacists
 - Hospitals, Pharmacies
 - Pharmacy Benefit Managers
 - State Boards of Pharmacy, Medical Boards
 - ePrescribing Experts
 - Appropriate Federal Agencies
- On September 2, sent letter to Secretary of HHS
- Recommended that RxHub take formulary formats through ANSI-accredited standards development process

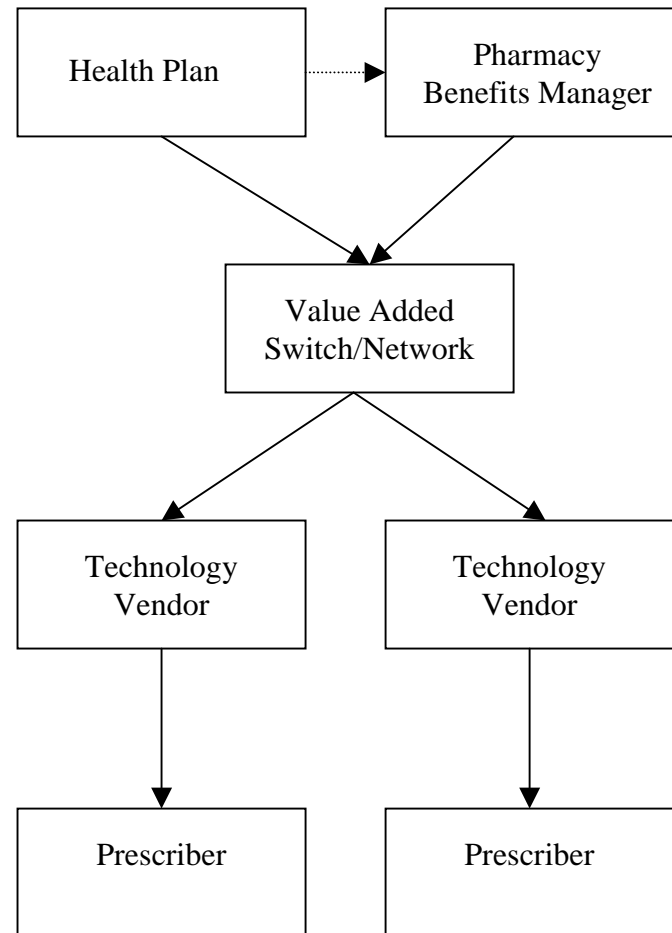
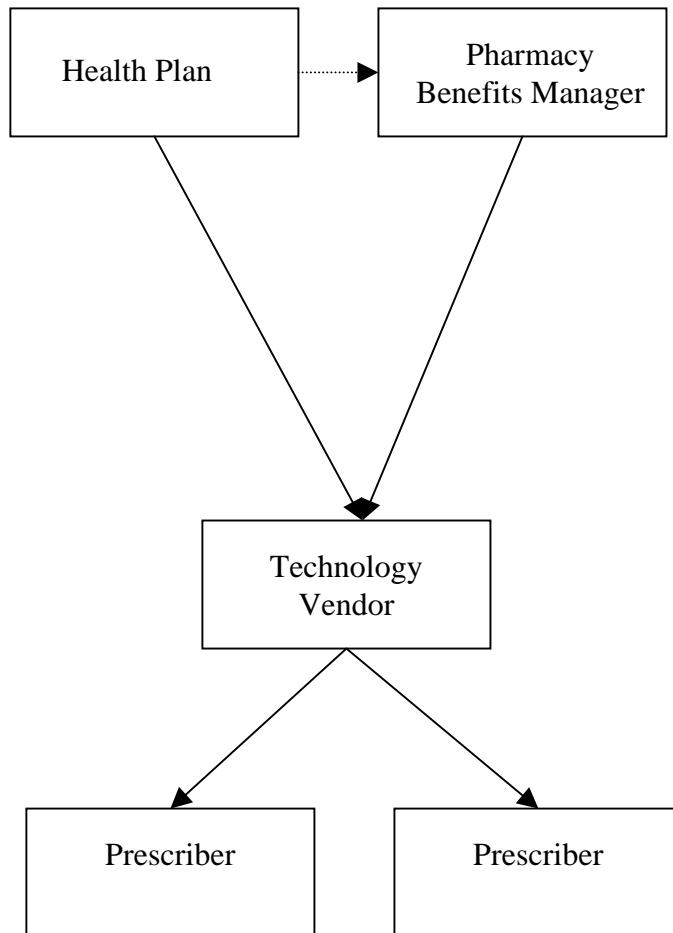


NCPDP Formulary & Benefits Standard

- Based on RxHub formulary & benefits formats
 - As of 1H04, includes CAQH
- Obtained input from other major formulary aggregators
 - MediMedia (Infoscan)
 - EDS (Medicaid)
 - ProxyMed



Participants in proposed Formulary & Benefit Standard



Participant Responsibilities in Proposed Formulary & Benefit Standard

- Sender (Plan or PBM)
 - Maintain updated formulary & benefits information
 - Publish information regularly
 - Provide a means for linking a patient to the information (eligibility trans)
 - Cross-reference file
- Switch (Intermediary)
 - Facilitate distribution of information
 - Document and communicate data load specs
- Receiver (Technology Vendor)
 - Accept or retrieve information
 - Associate information to plan, group or patient, as appropriate
 - Present information during prescribing process



Components of proposed Formulary & Benefit Standard

- Product Name (Health Plan)
- Formulary Status List
- Preferred Alternatives
- Coverage List
 - Product Exclusions
 - Prior Authorization
 - Medical Necessity
 - Step Therapy
 - Age, Quantity, Gender Limits
 - Resource Link
 - Text Messages
- Copay Lists



In Summary

- ➔ Pieces of interoperable data flow exists today
- ➔ Innovators are ePrescribing companies; EMRs are coming along, as well
- ➔ A key driver is the Federal government
- ➔ MMA is presently having a substantial positive impact on the industry
- ➔ Formulary & benefit standards are being adopted by the industry.



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