

Perspectives and Updates on  
Health Care Information Technology

# HIT Perspectives

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#### About the newsletter

*HIT Perspectives* is published by Point-of-Care Partners. Individuals at the leading management consulting firm assist healthcare organizations in the evaluation, development and implementation of winning health information management strategies in a rapidly evolving electronic world. The team of accomplished healthcare consultants, core services and methodologies are focused on positioning organizations for success in the integrated, data-driven world of value-based care.

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Health IT Management Consultants

# 1 Part 1: What's Next for EHR Market Consolidation?

By Tony Schueth, Editor-in-Chief

Conventional business wisdom holds that new segments are fragmented to start and consolidate as they mature. We've seen this pattern apply to electronic health record (EHR) vendors. The rapid emergence and evolution of "one size fits all" EHR products, hastily brought to market for meaningful use (MU), have resulted in a very large and fragmented market. Now that a few years have passed, the market is again ripe for consolidation—and we are seeing some movement toward this, such as the recent mergers of a few of the top 10 players (Greenway-Vitera and Cerner-Siemens). We are often asked about the specifics and timing for EHR market consolidation. Here's our view of where the market's been and where it is going.

**Where we've been.** The EHR landscape has undergone some interesting shifts in the past couple of years for both users and vendors. Let's start with the users. According to recent [data](#) from the Centers for Medicare and Medicaid Services (CMS), there is nearly universal registration in the MU program. Nearly all hospitals are registered, with 92% receiving at least one incentive payment. Similarly, 89% of eligible professionals have signed up for the program, with 75% receiving at least one incentive payment.

However, registration is different than utilization, and 2014 is off to a slow start. According to the CMS [data](#), more than 8,000 eligible professionals attested through August 25, 2014. Of those, 1,479 are new participants and 3,152 attested for MU stage 2. During the same period, 436 eligible hospitals attested, including 136 new participants and 143 attesting for MU stage 2. While this represents a considerable increase from previous months, there's a long way to go during the final few months of 2014 to meet or beat 2013's totals, in which 311,965 eligible professionals and hospitals attested.

We understand there are many reasons why stage 2 is off to such a slow start. We continue to hear about providers who believe that the cost of adopting and using EHRs far outweighs the incentives available from the program and have

dropped out. Many vendors have not yet qualified for stage 2 certification and may not intend to do so.

CMS claims it's a matter of timing and regulation. Historically, most attestations occur toward the end of the year. In addition, CMS believes that providers have been waiting to see if they would get regulatory relief to allow more flexibility in how they use certified electronic health record technology to meet MU's 2014 EHR requirements. CMS has enacted some relief by extending stage 2 through 2016 for certain providers as well as the stage 3 timeline, which begins in 2017 for providers who first became meaningful users in 2011 or 2012. The [final rule](#) was published August 29, 2014.

In terms of vendors, about 3,600 complete EHR vendors and modular products were certified at the end of MU stage 1. Only 1,600 have certified for MU stage 2 so far, according to CMS data.

Based on EHR attestation data, 10 hospital EHR vendors [accounted](#) for roughly 90% of the market at the end of 2013. They are Epic, MEDITECH, CPSI, Cerner, McKesson, Healthland, Siemens, Healthcare Management Systems, Allscripts and NextGen Healthcare. According to a recent [KLAS report](#), just three of these vendors expanded their market share in 2013 — Epic, Cerner and MEDITECH — and together accounted for more than half of the acute care EHR market.

The ambulatory side is even more fragmented. According to one [analysis](#), the top five ambulatory EHR vendors (Epic, Allscripts, eClinicalworks, NextGen and GE Health) account for about half of total market share. The remainder of the market's top 10 vendors boast a market share of less than 3% each.

Smaller vendors remained steady, representing slightly more than a third of total market share in both 2013 and 2014. Nearly 40% of the ambulatory market uses an EHR from a vendor that falls outside of the top 10. Another [KLAS study](#)

indicates that nearly 40% of EHR users are actively seeking to replace their EHR. One reason for this replacement market is that the number of certified EHR systems has declined almost 60% from MU stage 1 (about 3,800) to MU stage 2 (about 1,600) and physicians are leaving these smaller vendors to go to larger, certified vendors.

**Where we are going.** It seems clear that because of the timing and the number of EHR market offerings, consolidation is in the cards sometime soon. Because of their size and market dominance, the top five companies will hang tough, despite the nibbling away at their installed base by the pack of smaller, hungry competitors. Now that they have amassed market share, it won't be as easy to grow simply by selling more systems — the top five will continue to seek growth via consolidation. This means honing their merger and acquisition skills, which are critical to the success of any consolidated company.

As for the rest, there is already significant churn as the myriad of smaller EHR vendors struggle to survive or consolidate.

Important drivers going forward include:

- **Waning influence of MU.** MU has been successful in driving the EHR market—both in terms of vendor offerings and attestations. However, MU-driven EHR sales are now in a downward spiral and the bloom is off the rose for physicians, in particular. In the near future, vendor solutions focusing solely on meeting MU requirements may be unable to attract and retain customers because they have not met the needs of users and cannot continue to satisfy their client base with a lack of user-friendly, customizable tools beyond those satisfying MU. Smaller vendors may not have the resources to create and maintain their products because they are unable to fund the complex, MU-required development needed to support interoperability, decision support and patient engagement.
- **Changing physician needs.** The ambulatory customer base has radically changed. Nearly half of physicians are reportedly planning to replace their systems — either because of obsolescence or because they are dissatisfied with their current systems. Physicians are more sophisticated buyers who have learned from past buying mistakes, which means they will be tougher customers the second time around. Cost will continue to be a decision factor, especially as “free” solutions have become more mainstream. All of this creates a volatile dynamic that will create churning among the smaller vendors, who will need to be responsive to changing physician needs if they are to stay alive and

gain market share. This also creates the opportunity for consolidation as the merger of smaller vendors may create synergistic entities that can more easily respond to the changing physician market.

- **Consolidation in hospital/large group practice markets.** The emergence of value-based reimbursement and other market forces have fostered consolidation in the hospital market and resulted in the acquisition of large group practices. The gamut of individual EHR systems represented by acquired practices will be abandoned or gradually swapped out as these merged entities focus on an enterprise solution. Not surprisingly, enterprise systems favor the large, well-established vendors. The opportunity does exist for small- or medium-sized firms to merge and offer customized, innovative and effective solutions to these new organizations.
- **Market differentiation.** The key to success for smaller vendors is market differentiation. A certain segment will continue to focus on the MU-dominated market, and they will need to find the expertise and capital to differentiate themselves from larger vendors. On the other hand, a certain segment will focus on non-MU EHRs and differentiating strategies will be needed as the influence of MU wanes. Meeting specialists' unmet clinical needs is a strong possibility — the work flow of pediatricians is far different than that of gastroenterologists.
- **Changing platforms.** Locally hosted, server-based EHRs are becoming dinosaurs in favor of cloud-based solutions. In fact, about 75% of MU stage 2 attestations were made with cloud-based EHRs, demonstrating vendors' claim that cloud-based products and companies are more nimble. Frequent updates and ubiquitous access from virtually anywhere are attractive features, although Internet outages and the threat of security breach remain real and significant concerns. Experience in cloud computing favors smaller firms, potentially facilitating their merger.

To be sure, this is only a capsule summary of the EHR market today and tomorrow. Let Point-of-Care Partners provide you a more in-depth analysis and help you find opportunities and synergies in the coming consolidation of the EHR market.

## 2 Part 2: Growing Use of Oral Specialty Medications to Spur ePrescribing Adoption

By Kendra Obrist, Senior Consultant

The increasing use of oral specialty products is an under-the-radar trend that might help spur the rise of electronic prescribing (ePrescribing) of specialty medications. To be sure, ePrescribing of specialty medications is used today but on a limited basis (as compared with ePrescribing of nonspecialty medications). However, stakeholders are looking to increase use of ePrescribing to reduce costs associated with these expensive therapies, improve patient outcomes and lessen the overhead and inefficiencies created by specialty prescribing's antiquated phone-fax-paper processes.

In the recent past, most specialty drugs were injected or infused in a physician's office or other health care setting, covered under the patient's medical benefit and ordered by treating physicians rather than prescribed. However, this is beginning to shift in favor of orals. According to one [analysis](#), more than half of specialty drugs now in the pipeline are high-cost oral medications, which are increasingly being developed to substitute such other treatment as injectable drugs provided in physician offices, outpatient settings or infusion centers. Oncology is one of the nation's predominant therapeutic areas; about a third of today's anti-cancer drugs are oral, and that percentage is expected to grow in the near future.

Several reasons account for the increased use of oral specialty drugs. The convenience of oral, targeted therapies is attractive to many physicians and patients. Many physicians believe that oral therapies make it easier for patients to manage their own care, thus increasing adherence, improving outcomes and reducing costs. Oral medications are also easier to ship and store, making them more amenable to store-based distribution and improving supply chain control by manufacturers.

Increased use of oral specialty medications should help drive ePrescribing in two ways. First, ePrescriptions for oral medications are more easily accommodated in the current ePrescribing work flow than those for specialty drugs with other forms of administration. Second, when patients take specialty medications orally, the pharmacy benefit associated with their health plan generally provides coverage, which also closely fits with current ePrescribing processes. This also falls in line with the general trend of shifting coverage for specialty medications to the pharmacy benefit rather than the medical benefit.

All in all, the time is right for increased ePrescribing of specialty medications. Because ePrescribing now is a standard of care for nonspecialty medications, it is easy to consider it for specialty prescriptions. According to [Surescripts](#), nearly three-quarters (73%) of office-based physicians were ePrescribing in 2013 and nearly all retail pharmacies were wired to receive ePrescriptions. An [analysis](#) by the Congressional Budget Office projects that 90% of physicians are expected to adopt health information technology, including the ability to electronically prescribe, by 2018. In addition, ePrescribing standards are already well established and there is a robust technology infrastructure that ensures a high level of standardization and interoperability.

Prior authorization, a requirement for nearly all specialty medications, can now be done electronically thanks to new electronic prior authorization transactions, which have been developed and are available for use as part of the NCPDP SCRIPT standard.

Despite the progress that continues to be made, modifications will be needed to current ePrescribing practices and ePrescribing systems to accommodate specialty prescribing.

For example, many key pieces of clinical and administrative information are not provided in ePrescriptions for specialty medications that could be communicated through the NCPDP SCRIPT standard. Systematically adding the diagnosis to prescriptions would eliminate the need for manual entry and reduce many opportunities for error, as well as expedite processing of prior authorization (PA) requests. While diagnosis is currently an available field in the NCPDP SCRIPT standard it is not required. Other needed data that could be communicated via NCPDP SCRIPT include the patient's clinical data, such as laboratory values, height, weight, allergies and other indicators; contact information; insurance policy number, which is needed to determine eligibility and coverage/copay information; and the status of a PA request (approved, denied or pending), which is necessary to facilitate billing and delivery of the specialty medication.

Modifications must be made to ePrescribing functionality in electronic health records (EHRs) to accommodate specialty medications. EHRs will need to allow physicians to select from more drugs than may currently be presented for consideration. Not finding the specialty pharmacy in the ePrescribing work flow may cause delays in treatment initiation, resulting in patient dissatisfaction and additional work for the physician.

Resolution of such issues will ensure that ePrescribing of specialty medications will increase, facilitated by ePrescribing of oral specialty medications in particular.

# 3 Part 3: Real-World Evidence Comes to Mainstream Health Care

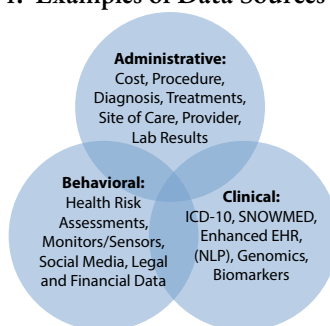
By Craig Richardson, Senior Consultant

Taking a cue from the pharmaceutical industry, real-world evidence (RWE) is a concept that is migrating quickly to mainstream health care. In addition to knowledge gained from the narrow confines and small populations of the gold standard of randomized, controlled clinical trials, drug manufacturers are now using large data sets and sophisticated analytics to understand how their existing drugs actually perform in the real world.

RWE is what happens to the large sets of anonymized, patient-level real-world data (RWD). Using a variety of data sources (such as those as shown in Figure 1, below), pharmaceutical companies, payers, and regulators can assess the real-world effectiveness, risks, safety and cost benefits of a drug, procedure or device by analyzing data from thousands of patients. As a result, RWE provides an unprecedented window into how a product is used: by whom, under what circumstances and for what outcomes.

It's easy to see how RWE will become increasingly important to payers, providers and regulators. Using RWE, they have an accurate and advance assessment of the risks and benefits of treatments and actual health outcomes in large patient populations. RWE can be further translated into safety and other messaging for patients and prescribers.

Figure 1. Examples of Data Sources for RWE



Source: Point-of-Care Partners

RWE adds value to a range of health care stakeholders in specific ways. For example:

- **Payers and regulators are starting to demand RWE before they embrace any treatments.** Expensive specialty medications are a case in point. RWE will create value for payers by helping to identify — as never before — patient cohorts likely to benefit from a particular therapy, based on health assessments, biomarkers, clinical status, risk adjusters, social media and other factors. This, in turn, will feed directly into coverage and payment decisions that help ensure beneficiaries receive the most cost-efficient yet effective, high-quality therapies.
- **RWE can be an effective tool for such regulators as the Food and Drug Administration (FDA) and Centers for Medicare and Medicaid Services (CMS).** RWE does not eliminate the need for randomized clinical trials. However, RWE results in analyses — built off scientifically credible, anonymized patient-level data — of the effectiveness of medicines, which regulators are beginning to require for decisions related to safety, utilization and access. Once drugs come on the market, RWE also can help identify the scope and nature of dangerous side effects and adverse events more quickly.
- **RWE can be a boon to researchers.** It can help them optimize trial designs as well as identify target patient populations, clinical trial sites and investigators. RWE also can inform comparative effectiveness research.
- **RWE creates opportunities for health information technology (health IT) infrastructure vendors to provide the RWD needed for analyses.** Vendors can create value for payers and regulators by aggregating clinical data from electronic health records as well as linking claims and registry data.



- **Pharmaceutical manufacturers already are using RWD and RWE to assist with branding.** For example, these tools can help brand teams assess how physicians and patients are using specific products, such as identifying which patient groups respond most positively to a product and tracking physician message effectiveness through prescribing behavior. Pharma companies also must provide RWD and RWE in a standardized format (aka dossier) to the Academy of Managed Care Pharmacy's eDossier system. This is a centralized, evidenced-based product evaluation portal that payers and providers (such as hospital systems) consult as they determine whether medications are suitable to be added on formulary.

Looking ahead, developing the capability for a systematic approach to delivering high-quality RWD studies will be a requirement. Understanding and developing the right data and analytics approach will become important. Forward planning will be essential to assess when evidence will be required, the feasibility of study options and creation of appropriate partnerships for data availability and analysis.

Point-of-Care Partners is one of the few health IT consulting firms with RWE expertise. Let us bring you up to speed on this coming trend in health care and develop real-world strategies for putting data and analytics into practice in your organization.