

Medicare Pays Doctors To Switch to E-Prescribing

► Medicare incentive adds 2% for e-prescribing in 2009 and 2010, then changes to 1% for 2011

►► **GEO SUMMARY:** *It's a major step on the road to integration of healthcare informatics. During the next few years, the Medicare program is offering financial incentives to encourage office-based physicians to adopt e-prescribing. This is a positive development for local laboratories and hospital lab outreach programs. Early-adopter labs are already taking steps to enable e-prescribing as part of the electronic lab test order/results reporting systems they offer to client physicians.*

MEDICARE'S EFFORT TO ENCOURAGE physician use of electronic prescribing includes a financial incentive during the next few years. That is one reason why laboratory informatics companies are incorporating e-prescribing into their electronic lab test ordering and results reporting systems.

Clinical laboratories are recognizing how this opportunity can create competitive advantage. Early-adopter labs are beginning to offer office-based physicians an e-prescribing capability that is a part of the lab test order/results reporting system they provide to office-based physicians.

However, as with any government program, there are requirements that must be met. Laboratories wanting to incorporate an e-prescribing capability for their office-based physician clients need to understand the parameters of the financial incentives offered by the **Centers for Medicare and Medicaid Services (CMS)**.

"Additional Medicare reimbursement to physicians who prescribe electronically has definitely caught their interest," stated Ravi Sharma, CEO of **4Medica, Inc.**, based

in Culver City, California. "Physicians who adopt e-prescribing will receive a 2% increase for Medicare patients in 2009 and 2010. That bonus will be 1% in 2011.

"Physicians need only take two simple steps to qualify for this Medicare e-prescribing incentive," explained Sharma. "First, at least 10% of the physician's patient population must be Medicare beneficiaries. Second, the physician must report using CMS' new ePrescribing G Codes for at least 50% of Medicare visits or consultations during the year."

► E-Prescribing System

Sharma's firm offers a unique e-prescribing solution that correlates patient lab data when ordering medications and alerts physicians to changes in lab values.

"Lawmakers wanted to help physicians offset the costs of converting patient records to a digital format," said Sharma. "This e-prescribing bonus is designed with both incentives and disincentives.

"In 2009, 2010, and 2011, physicians using e-prescribing will get an added payment from Medicare," he continued. "However, physicians who are not

onboard by 2012 will see their Medicare reimbursement reduced by 1% until 2014, when the penalty rises to 2%.”

In another sign of the progress toward integration of health informatics, Medicare is requiring that any e-prescribing system used by physicians must be certified by **SureScripts**, which operates a national pharmacy information system network. “The e-prescribing system must identify drug-to-drug interactions; access patient medical history for potential contraindications; and provide formulary and benefits information, including availability of less expensive alternatives and generics,” stated Sharma.

About 70,000 community pharmacies are currently connected to the SureScripts network. Anticipating the Medicare e-prescribing bonus, in 2008, the number of physicians using this service doubled, when 74,000 physicians, or 12%, came onboard for electronic prescribing, compared to 36,000 the previous year. In 2008, about 4% of prescription volume was ordered electronically. SureScripts predicts that, by 2012, 30% of the total 2.1 billion Rx volume—or 672 million prescriptions—will be electronically ordered.

► Revisions to Medicare Laws

In Sharma’s view, advances in informatics technology, along with revisions to the Stark Law (the Ethics in Patient Referral Act of 1993) and the Medicare and Medicaid anti-kickback law, are converging. In turn, this convergence is creating new business opportunities for local labs and hospital lab outreach programs to compete more effectively against the national laboratory companies.

“Labs focused on providing competitive outreach must go beyond lab connectivity and offer value added solutions to earn physicians’ loyalty and help improve care,” advised Sharma. “Stark Law exceptions and anti-kickback safe-harbors now allow laboratories to offer technology that physicians can use to not only connect with labs and EMRs, but also offer e-prescribing. This provides physicians with the convenience of

E-Prescribing Can Reduce Medical Errors, Save Costs

“IT WAS THE POTENTIAL TO REDUCE MEDICAL ERRORS that encouraged the Centers for Medicare and Medicaid Services to make e-prescribing a priority project,” stated Ravi Sharma, CEO of 4Medica, Inc., of Culver City, California. “E-prescribing can have a tremendous impact on both patient safety and costs.” Sharma cited numerous studies to make his case.

A study by the **Institute of Medicine** (IOM) found that 1.5 million adverse drug events (ADEs) per year are preventable. Other studies put the number higher. A study commissioned by the **Pharmaceutical Care Management Association** (PCMA), the national association of pharmacy benefit managers, estimated that e-prescribing could prevent about 3.5 million ADEs and 585,000 hospitalizations annually. The **Center for Information Technology Leadership** increased the estimate to 8.8 million ADEs in ambulatory care alone.

A report from the journal *Quality and Safety in Health Care*, in fact, indicates that the rate of prescription errors among physicians is 70%, of which 50% could be prevented with e-prescribing. The study involved 440 physicians. Pharmacists caught 40% of errors, but of those reaching patients, 8% required an intervention and 3% resulted in hospitalization. The PCMA report also estimated \$22 billion yearly in savings for federal insurance plans and \$56 billion for all payers

On the physicians’ side, a report issued by the **Medical Group Management Association** (MGMA) estimated that e-prescribing could save a practice of 10 physicians an average of \$19,444 a year by eliminating staff time needed to handle calls from pharmacists to clarify prescriptions or discuss potential errors.

When Can a Lab Pay For Doctor's IT System?

EXCEPTIONS TO THE STARK LAW and safe harbors under the Medicare and Medicaid anti-kick-back law for ePrescribing and electronic medical record (EMR) allow laboratories and other providers to donate certain software to physicians. These software technologies must connect, have EMR as their primary functionality, and contain e-prescribing capabilities.

Jane Pine Wood, a partner in the Boston-area office of the law firm McDonald Hopkins, offers the following guidelines for compliance with requirements of EMR exceptions:

1. Laboratories and other providers can pay up to 85% of the cost of qualifying EMR software. Physicians must contribute at least 15% of the cost upfront.
2. Donations are limited to purchase of new EMR software. Labs cannot reimburse physicians 85% of the cost for the same or comparable software they already own, nor can software have other primary functionality, such as billing or appointment scheduling.
3. No cost-sharing is permitted for hardware.
4. Software must be "interoperable", and the rules provide that parties can satisfy this requirement by donating EMR software that is certified by the **Certification Commission for Healthcare Information Technology (CCHIT)**. The regulatory definition of interoperable is: able to communicate and exchange data accurately, effectively, securely, and consistently with different information technology systems, software applications, and networks, in various settings; and exchange data such that the clinical or operational purpose and meaning of the data are preserved and unaltered.
5. Labs cannot make their software donation contingent upon physician referrals.
6. The arrangement is set forth in a written agreement that identifies criteria that include: items and services provided, the donor's cost, and the amount of the physician's contribution.

online order entry for both prescriptions and lab tests."

However, before a laboratory offers to pay for such technology, it must comply with several requirements. "Under the rules, labs can donate up to 85% of the cost for EMR software," stated Jane Pine Wood, a partner at McDonald Hopkins. "Physicians must pay 15% up front. The lab can only pay for new software that has EMR capability as its primary functionality, along with the e-prescribing function. Labs cannot reimburse physicians for EMR software they already own, or pay for software that does other primary functions, such as billing or scheduling appointments." (See sidebar on this page.)

► Private Payer Incentives

More evidence of the commitment to e-prescribing are the actions of major health insurers. Several have initiated financial incentives to encourage physicians in their provider networks to adopt e-prescribing. For example, **WellPoint, Inc.**, the nation's largest insurer, pays physicians up to 6% above the regular fee schedule for prescribing electronically. Similarly, **Blue Cross Blue Shield of Massachusetts** subsidizes electronic subscriber costs for one year.

Because e-prescribing systems—when properly designed—can be used by physicians without major changes to their daily work flow and practice patterns, it is likely that adoption will be relatively swift. In turn, widespread physician adoption makes it imperative that all clinical labs be prepared to integrate their informatics offerings with this capability.

Intelligence briefings on the following pages address how two informatics vendors are working to add e-prescribing capabilities to the lab test ordering and results reporting systems they sell to clinical laboratories.

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Informatics Update

E-Prescribing Functions that Labs Can Offer Office-Based Physicians

IN RESPONSE TO MEDICARE AND PRIVATE PAYER efforts to increase physicians' use of e-prescribing, **4Medica, Inc.**, of Culver City, California, was one of the first laboratory informatics vendors to add an effective e-prescribing capability to its lab test order and results reporting system.

"As physicians adopt e-prescribing, it is a timely opportunity that laboratories can leverage to their competitive benefit," stated Ravi Sharma, CEO of 4Medica. "Having a user-friendly e-prescribing service integrated into the lab test order and results reporting system can improve productivity of the physician and his office staff. More importantly, use of e-prescribing plays an important role in reducing prescription errors and negative drug interactions.

"There is another reason why clinical labs and pathology practices should want to offer e-prescribing as part of their electronic interface with referring physicians," continued Sharma. "The build up in e-prescribing is simultaneously expanding physician use of computerized physician order entry (CPOE) and online EMR [electronic medical record] connectivity.

► Fully Integrated Informatics

"This represents important progress toward the goal of fully integrated health-care informatics, particularly as it supports the universal digital health record (DHR)," he stated. "Labs must constantly update their LIS and informatics services to support this ongoing integration."

4Medica's proprietary lab outreach application, LabIHR, interfaces with a contiguous suite of applications. "MedsIHR is our e-prescribing solution," said Sharma. "It is one module that works with our LabIHR,

which allows physicians to send lab orders and receive results electronically. Other integrated applications include specimen labeling, some lab management functions, electronic transfer of imaging test orders and results, and even an application that allows the physician to remotely monitor progress of a hospitalized patient. Our system is designed so the doctor doesn't have to log in and out, but can navigate from application to application with a single click." **TDR**

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E-Prescribe Functions

FOR LABS INTERESTED in providing their client physicians with an e-prescribing solution, Sharma provided a list of functions that can be performed by such a system. They include:

- Eligibility and formulary checking
- Automatic alerts and notifications
- Drug to drug interactions
- Drug to allergy interactions
- Drug to lab interactions—available in real time, both at the time of placing medication orders and when alerting physicians to changes in lab values.
- Graphing—multiple lab analytes and medications are graphed on a single graph indicating the relationship between lab results and medications.
- Create common lists of frequently ordered medications
- Select formulary preferred alternative drugs
- Access patient's historical medications
- Print, fax, or electronically transmit prescriptions
- Route prescriptions to patient-preferred or practice-preferred pharmacies