



**CALIFORNIA  
HEALTHCARE  
FOUNDATION**

# The Outlook for Electronic Prescribing

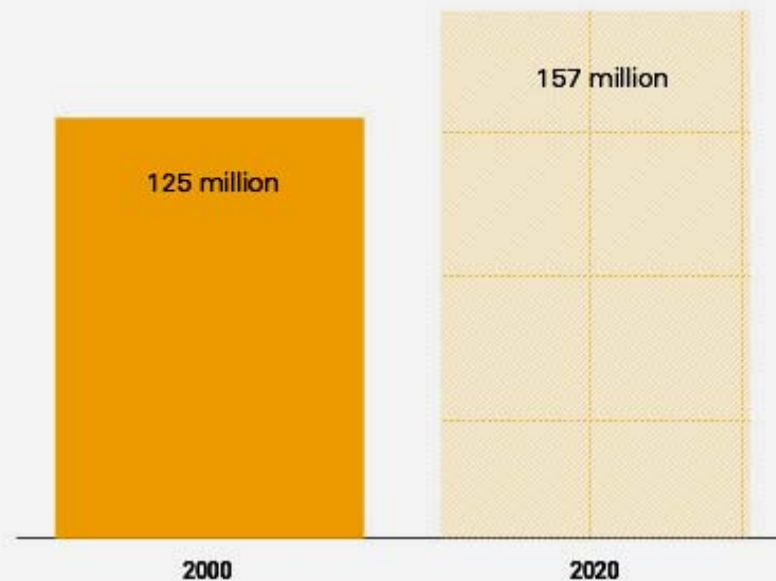
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California HealthCare Foundation

January 23, 2009

# Why We Care About Chronic Disease

## Americans with Chronic Conditions, 2000 vs. 2020 (projection)

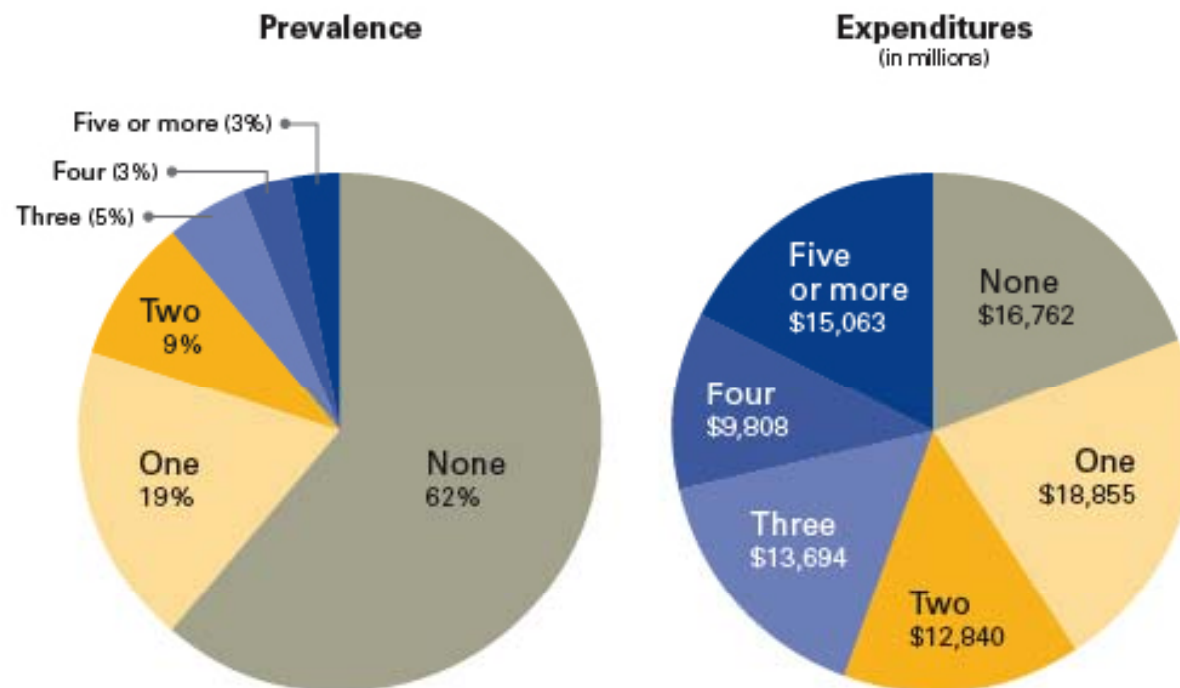


Source: Gerard E. Anderson, PhD., Johns Hopkins Bloomberg School of Public Health, Partnership For Solutions,  
<http://www.partnershipforsolutions.org/statistics/prevalence.html>

- Nearly half of Americans live with a chronic condition
- The number of Americans with chronic conditions will increase 25% over the next 20 years

In 2002, almost 60 percent of California's health care expenditures were for people with multiple chronic conditions, representing approximately 19 percent of the total population.

## Prevalence of Chronic Conditions vs. Expenditures, by Number of Conditions, 2002



Source: Gerard E. Anderson, PhD, Johns Hopkins Bloomberg School of Public Health. Analysis of Medical Expenditure Panel Survey (MEPS) data, 2002.

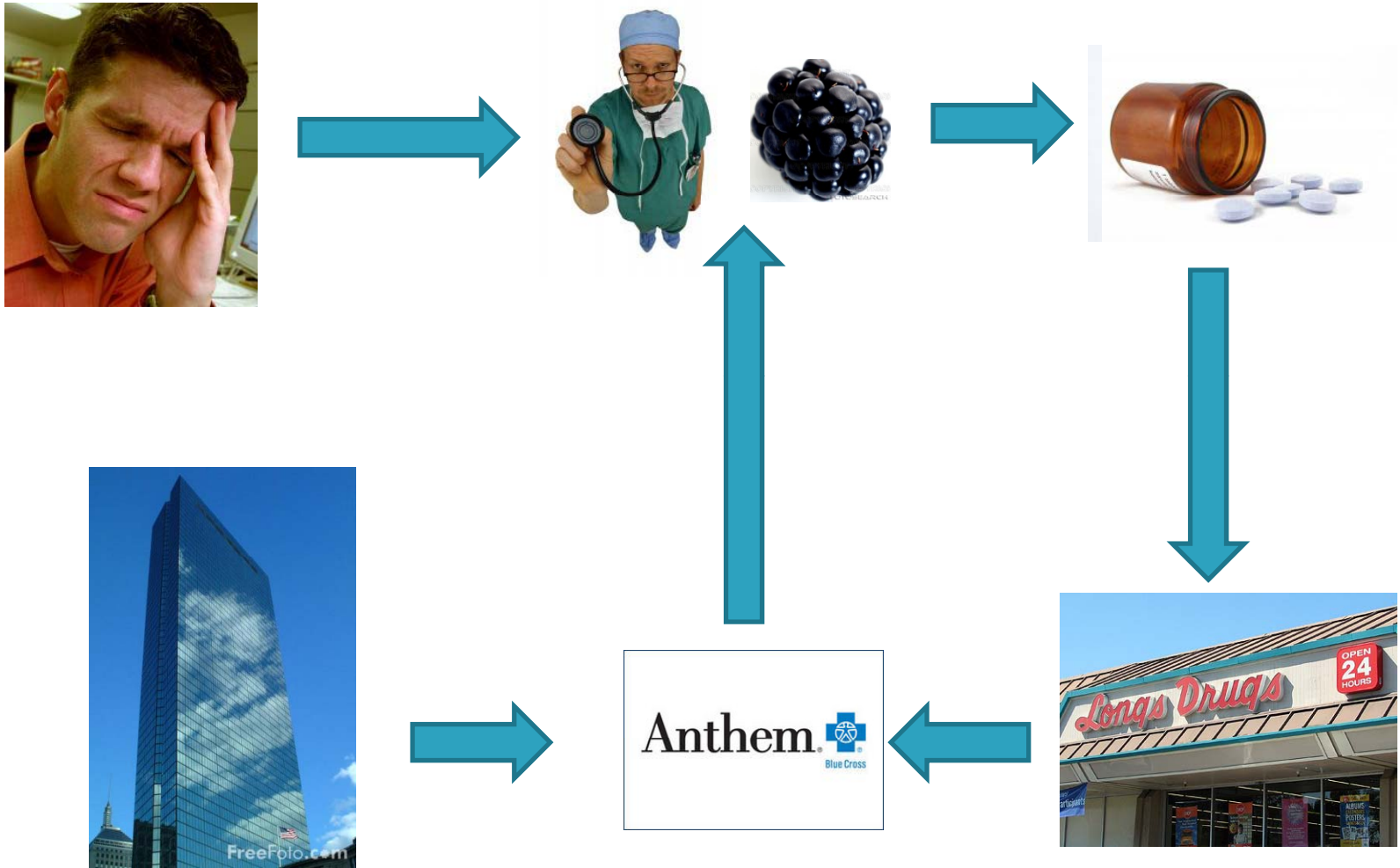
## Implications

- 51% of American children and adults were taking one or more prescription drugs for a chronic condition<sup>1</sup>
- 1-in-4 seniors taking five or more medicines regularly<sup>1</sup>
- As many as 7,000 people die each year from prescription errors in ambulatory care settings<sup>2</sup>

<sup>1</sup> 2008 Merck-Medco

<sup>2</sup> 1999 Institute of Medicine

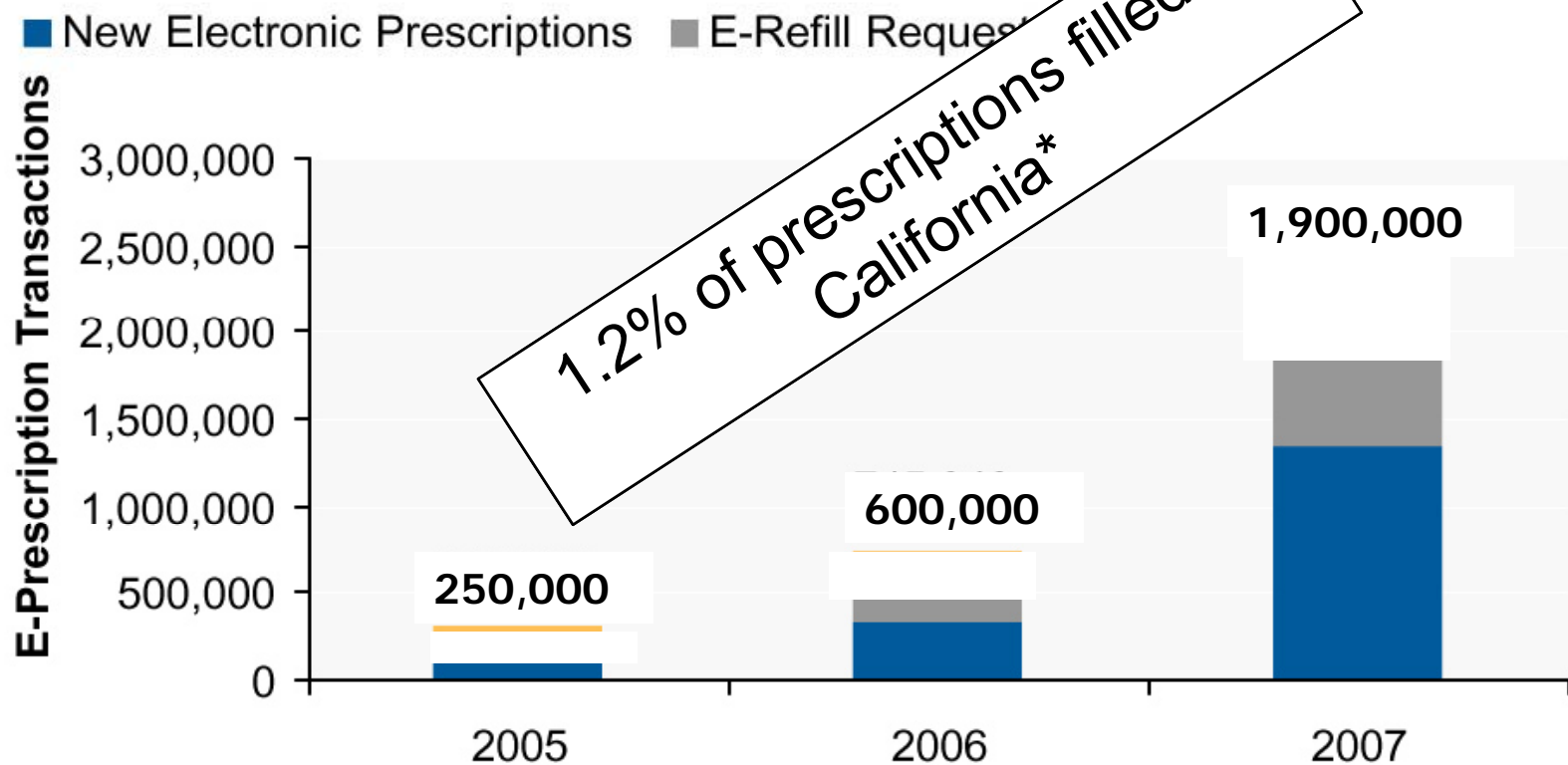
# E-Prescribing



## Provider Adoption

Electronic transactions have tripled in the last year.

### California E-Prescription Transactions — Annual Growth

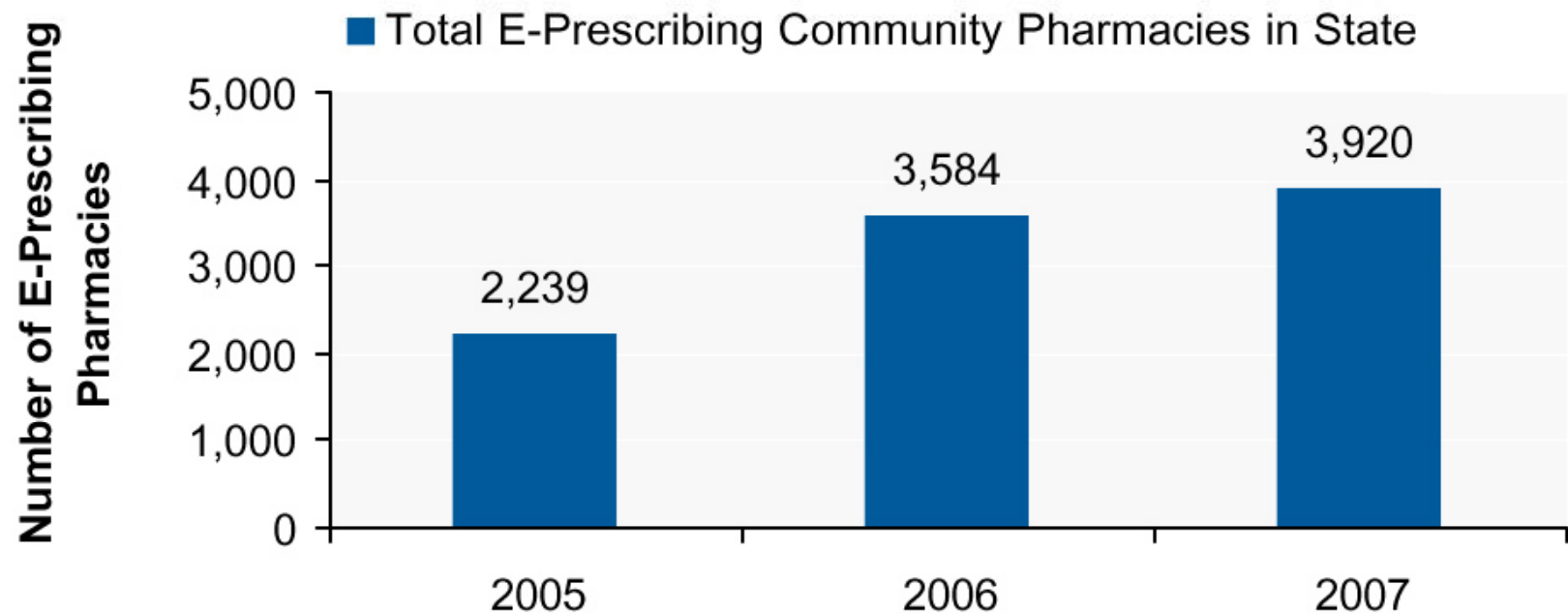


\* Excluding Kaiser and the VA

## Pharmacy Connectivity

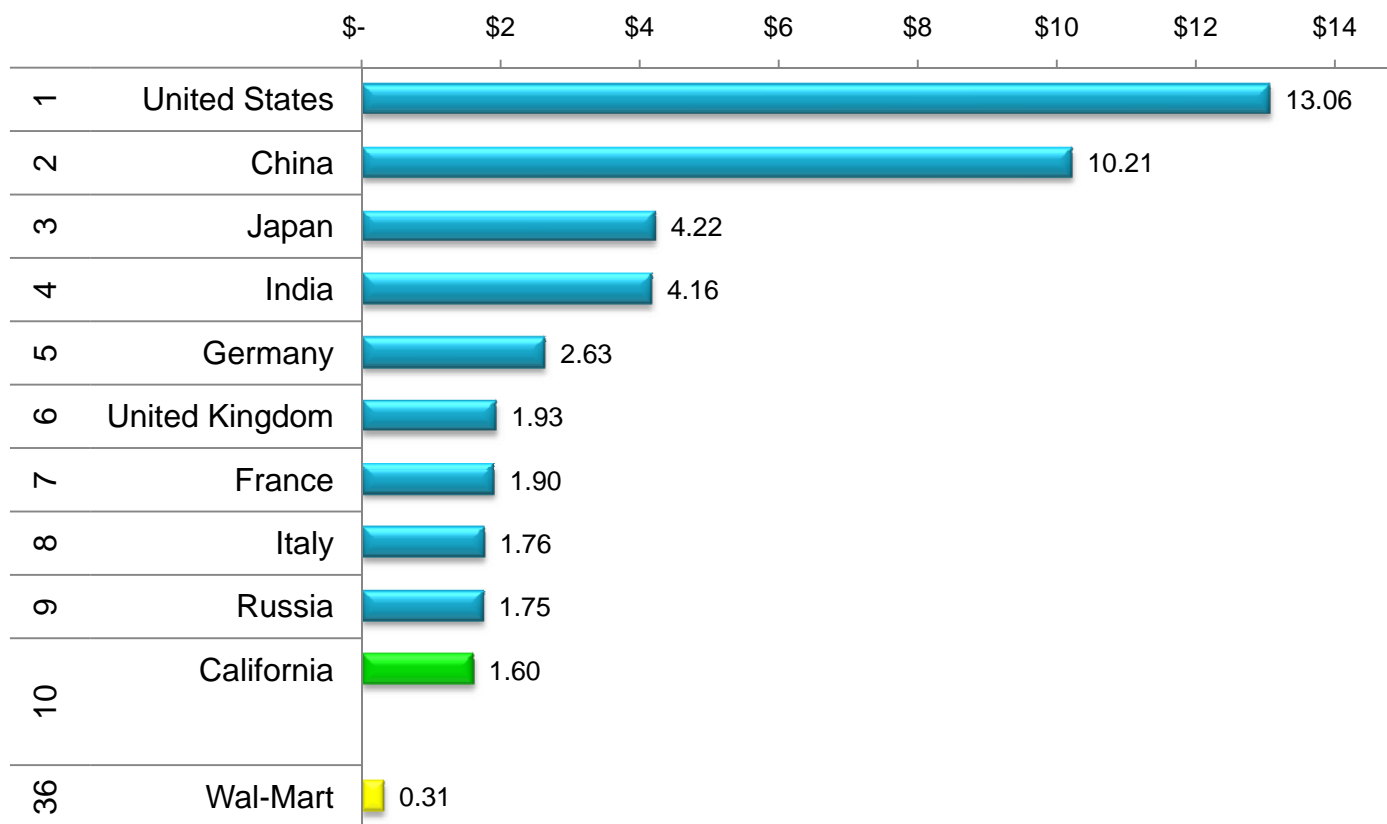
70% of California's 6,557 retail pharmacies are capable of sending and receiving electronic transmissions.

### California E-Prescribing Pharmacies — Annual Growth



# California vs. Wal-Mart

**Economy Comparison (Trillions – 2006)**





## How Are They Different?

- Wal-Mart knows when a 6 oz. can of low-sodium Campbell's tomato soup is sold in Fresno store #1815; how much the customer paid for it; how many more they have in stock; and can instantaneously order more to replace it
- California can't accurately account for the number of people who die or are sickened from a prescribing error:
  - o There is no reporting or detection system
  - o There are no incentives (or penalties) associated with good (or bad) prescribing practices

## A paper-based process is inefficient

- Cost of dispensing a drug for a Medi-Cal beneficiary<sup>1</sup>:
  - \$13.18 per prescription
- Communication between pharmacies and physician offices account for<sup>2</sup>:
  - 25% of pharmacists' time
  - 20% of the workload of physician-office staff
- Meanwhile over at Wal-Mart:
  - Generics drugs are \$4 (and they're making money on it)

Sources: <sup>1</sup>Grant Thornton, LLP, *National Study to Determine the Cost of Dispensing Prescriptions in Community Retail Pharmacies*, January 2007. <sup>2</sup>Jane Sarasohn-Kahn & Matthew Holt, *The Prescription Infrastructure: Are We Ready for ePrescribing?* California HealthCare Foundation, January 2006.

## Federal E-Prescribing Landscape

- Medicare Improvements for Patients and Providers Act (MIPPA) creates e-prescribing incentive bonus payments for providers
  - *Bonus – Providers who meet the standards will receive a*
    - 2% bonus in 2009 and 2010
    - 1% bonus in 2011 and 2012
    - 0.5% bonus in 2013
  - *Penalties - Providers who fail to meet the standards will receive a*
    - 1% payment reduction in 2012
    - 1.5% payment reduction in 2013
    - 2% payment reduction in 2014 and beyond
- DEA prohibits schedule II-V drugs from being prescribed electronically = 10%-20% of prescriptions



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