Healthcare Information Technology (HIT)

Transforming US Healthcare and Pharmaceutical Business

HIT Summit, 10/21/2004

Craig Richardson, Vice President
Johnson & Johnson Health Care Systems

Health Care Connectivity & Alliances

Drivers For Change

External/Environmental Pressure

- Rising healthcare cost
- Re-importation
- Uninsured
- Medical errors

Pharma Internal Pressure

- Pricing
- Diminishing rate of return on marketing and sales
- R&D: high cost & long cycle time

New Healthcare

Outcomes/

Evidence-based

Medicine

Electronic Health

Information/Data

Pressure Is On…

*"The 21st century health care system is using a 19th century paperwork system…. These old methods of keeping records are real threats to patients and their safety and are incredibly costly.... **Within 10 years**, every American must have a personal electronic medical record."*

   --- President George W. Bush, American Association of Community Colleges Annual Convention, 4/26/2004

*"In healthcare, if we adopt a technology that's 20 years old, we call it 'forward thinking'… If we were serious, **in 3 years**, we should have a completely information technology-based medical system… You can't have a free market without information"*

      --- Newt Gingrich, former Speaker of the House

Developing the New Approach
Incentives, Standards, Interoperability

Health Care Connectivity & Alliances
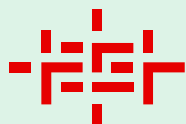
Developing the New Approach:
Incentives

External/Environmental Pressure

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1. Incentives

- Funding for public infrastructure
- Align stakeholder interests

New Healthcare

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2004

2014?

4

Incentives: Unprecedented Progress

July 2004:
The Foundation for eHealth Initiative announces the selection of 9 community awards totaling $2 million to improve connectivity, reduce medical errors, and create more efficient healthcare for patients

April 2004:
Tommy Thompson announces that Medicare disease management fees will be contingent on outcomes and cost savings measurements

January 2004:
WellPoint unveils $40M plan to furnish 19,000 doctors with free computers and handheld PDAs to do electronic prescribing and claims submission

November 2003:
American Academy of Family Physicians (AAFP) forms alliances with major Electronic Medical Record (EMR) vendors to make EMR affordable to their members

November 2003:
AHRQ announced a $41 million grant program, "Transforming Healthcare Through Information Technology"

June 2003:
NAHIT joins HealthTech in urging feds to finance health IT infrastructure via revolving loan fund program

November 2002:
Integrated Healthcare Association of California launches a statewide pay-for-performance initiative that rewards physicians based on clinical quality, patient satisfaction and investment in IT

Developing the New Approach:
Standards

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1. Incentives

- Fund public infrastructure
- Align stakeholder interests

☑ 1

2. Standards

- Building block for common infrastructure
- Facilitate adoption

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1-3 Years

2004

2014?

Standards: Unprecedented Progress

April 2004:
Electronic Health Record Functional Model passes HL7 second ballot only nine months after HHS commissioned IOM and HL7 to develop the standard

December 2003:
AHRQ 2004 budget includes $12 million for data standards development and adoption

November 2003:
IOM publishes its third report that calls for data standards & national health information infrastructure; recommends federal leadership and funding

June 2003:
National Library of Medicine (NLM) licensed SNOMED CT ($32.4 million) for free distribution in the US

July 2004:
Tommy Thompson and CMS commit to accelerating e-prescribing standard (EOY '04 vs. Sept. '05 in MMA)

December 2003:
President Bush signs into law the Medicare Modernization Act, which establishes e-prescribing and chronic care improvement programs, requires the development of a uniform e-prescribing standard and provides grants to physicians to implement related technology

March 2003:
HHS, DoD and VA announces first set of health care standards to be adopted across the federal government

Developing the New Approach:
Interoperability

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☑ **2**

3. Interoperability

- Data sharing and comparability builds evidence and tracks outcomes
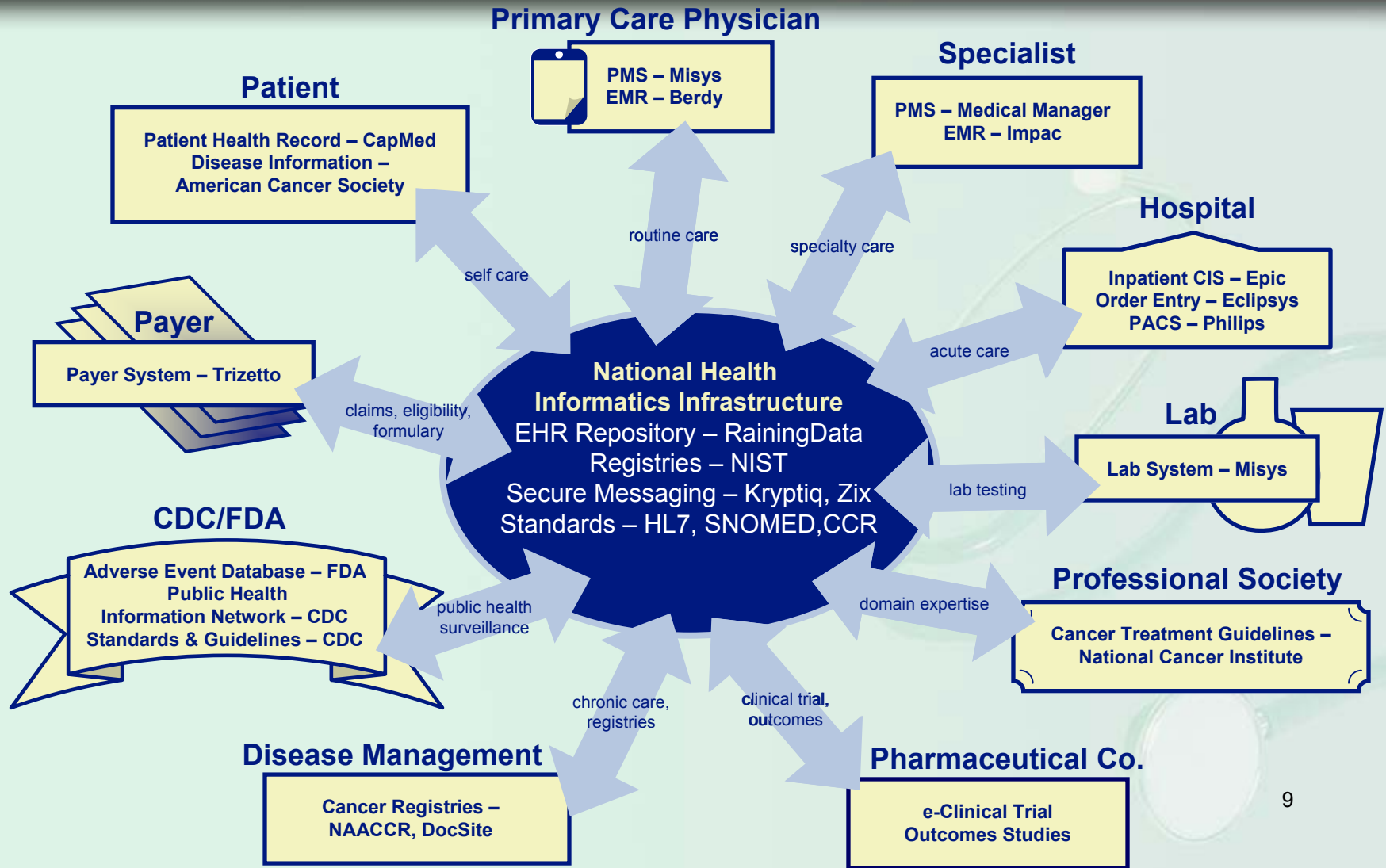
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1-3 Years   **1-5 Years**

2004   **2014?**

Interoperability: Data Sharing

Primary Care Physician
- PMS – Misys
- EMR – Berdy

Specialist
- PMS – Medical Manager
- EMR – Impac

Patient
- Patient Health Record – CapMed
- Disease Information – American Cancer Society

Hospital
- Inpatient CIS – Epic
- Order Entry – Eclipsys
- PACS – Philips

Payer
- Payer System – Trizetto

Lab
- Lab System – Misys

National Health Informatics Infrastructure
- EHR Repository – RainingData
- Registries – NIST
- Secure Messaging – Kryptiq, Zix
- Standards – HL7, SNOMED, CCR

CDC/FDA
- Adverse Event Database – FDA
- Public Health Information Network – CDC
- Standards & Guidelines – CDC

Professional Society
- Cancer Treatment Guidelines – National Cancer Institute

Disease Management
- Cancer Registries – NAACCR, DocSite

Pharmaceutical Co.
- e-Clinical Trial Outcomes Studies

Arrow labels: self care, routine care, specialty care, acute care, claims, eligibility, formulary, lab testing, public health surveillance, domain expertise, chronic care, registries, clinical trial, outcomes

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Developing the New Approach

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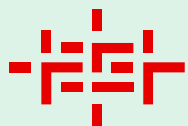| 2004	1-3 Years	1-5 Years	5-10 Years	2014?

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Pharma Implications
R&D, Outcomes, Sales & Marketing

R&D and Outcomes Studies

- **Study Design**
  - Improve study design, site identification and investigator targeting
- **Recruitment**
  - Decision support systems at point of care check patient eligibility for trials and facilitate recruitment
- **Documentation**
  - Better integration with physicians' regular work flow means no separate processes and reduces double entry and errors
- **Data**
  - Access to rich, real-time, standardized, HIPAA-compliant electronic patient data

➡ **Improve quality of trials/studies; reduce cost and cycle time**

Sales & Marketing

- **Access to rich clinical and outcomes data allow pharma to**
  - Support the transition to "value" selling
  - Become more strategic about pricing and more accurate in forecasting
  - Offer new services (product co. $\rightarrow$ service co.)
- **Evidence, outcomes data and guidelines rapidly disseminated to point of care**
  - Reduce dependency on large sales force
  - But require more collaborative approach in developing evidence, guidelines, etc.
- **Electronic connectivity to physicians creates a channel that supplements traditional sales & marketing approaches**

➡️ **Improve efficiency of sales & marketing**

Reaching the Tipping Point
What's Different This Time Around?

Health Care Connectivity & Alliances
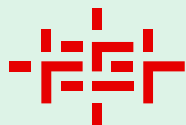
Reaching the Tipping Point:
Big Names! Large Investments!

- **GAO reports that HHS has about 19 major health information technology initiatives, totaling about $228 million**
- **Kaiser Permanente invests $1.8 billion over next 3 years to implement electronic medical records (EMR)**
- Sutter Health Network, a CA health system with 26 hospitals and 9 physician groups, plans to spend $1.2 billion in the next 10 years to create a patient database, an EMR system, electronic systems for prescription and lab information, as well as an electronic archive for digital pictures such as X-rays and CT scans
- **IBM infuses an estimated $250 million of investments into its healthcare business over next 3 years**
- WellPoint, partnering with Microsoft and CGEY, unveils a $40 million plan to furnish 19,000 doctors with free computers and handheld PDAs to do electronic prescribing and claims submission

Reaching the Tipping Point:
Escalating Legislative Interest

- **Medicare Modernization Act (MMA)**
    - Establishes e-prescribing and requires the establishment of a uniform e-prescribing standard by 2008 and provides grants to physicians to implement related technology
    - **Update:** CMS will propose a regulation that requires the first set of e-prescribing standards in the implementation of the Medicare drug benefit in 2006; Plan sponsors (MCOs, PBMs) will be required to offer e-prescribing

- **The Quality, Efficiency, Standards, Technology for Healthcare Transformation Act**
    - Developed by **Patrick Kennedy (D-RI)** and former House Speaker **Newt Gingrich (R-GA)**

- **The Health Information for Quality Improvement Act**
    - Proposed by **Hillary Rodham Clinton (D-NY)**

Reaching the Tipping Point:
Unprecedented Government Leadership

- **President's Support**
  - Every American has a personal EMR in 10 years
  - Creates a new, sub-Cabinet level post at the HHS
 - Doubles demo project funding to $100 mil in his FY-'05 budget

- **John Kerry's Health Plan**
  - All Americans have secure, private EMR by 2008
  - Rewards healthcare providers' investment in HIT
  - Provide economic incentives for e-prescribing

- **Government Agencies**
  - David Brailer, **NHII Coordinator,** developed HIT Strategic Framework in record 76 days and obtained support for the Framework from officials from government agencies (**CMS, CDC, VA, DoD**) and executives of key stakeholders (Cisco, GE, Leapfrog, BCBS, AMA, AAFP, AARP)

Reaching the Tipping Point:
Accelerating Adoption
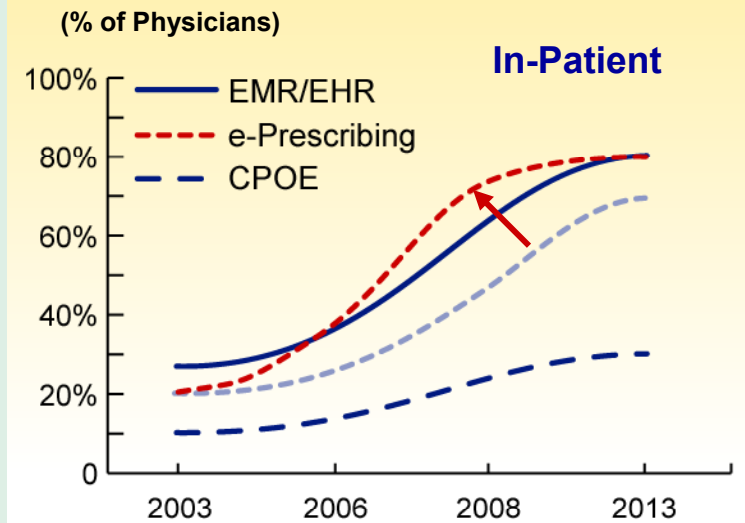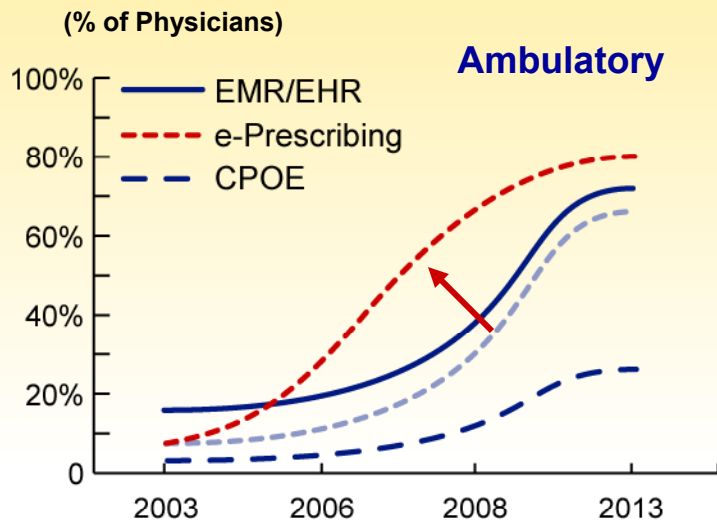
7/21/04: CMS announced its intention to accelerate eRx standard and mandate payors to offer eRx

Source: J&J Proprietary Research

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