




**ON DEMAND BUSINESS**

# RHIO Case Study

Employer Opportunities to Influence Technology Adoption in Healthcare



**Bruno Nardone, Healthcare Interoperability Solution Manager**  
IBM Business Consulting Services, Healthcare and Life Sciences  
[bnardone@us.ibm.com](mailto:bnardone@us.ibm.com)

## About IBM

**Global Company**



**\$96 Billion in Revenue**

**Primary Business Units**

- Hardware
- Software
- Services

**Research**

**Over 325,000 Employees**

**Self Insured**

**Spend \$3 Billion/yr on healthcare**

**\$1.7B in the US**



## Issues facing any large employer are certainly felt at IBM too

- ❖ Double digit inflation rates in health premium
- ❖ Concern over aging work force and increased incidence of chronic disease
- ❖ Cost of healthcare eroding profits
- ❖ Commitment to helping employees maintain a healthy lifestyle
- ❖ Importance of productivity to maintaining global competitiveness



## Our options to positively influence the healthcare system fall into three main categories



- ❖ Be a voice in support of change by raising awareness for the need to reform
  - Participate in national forums, debates, organizations, and working groups to advance the standards and policies needed in the marketplace
  - Lobby government to make decisions that enable healthcare to achieve goals for improved quality and productivity



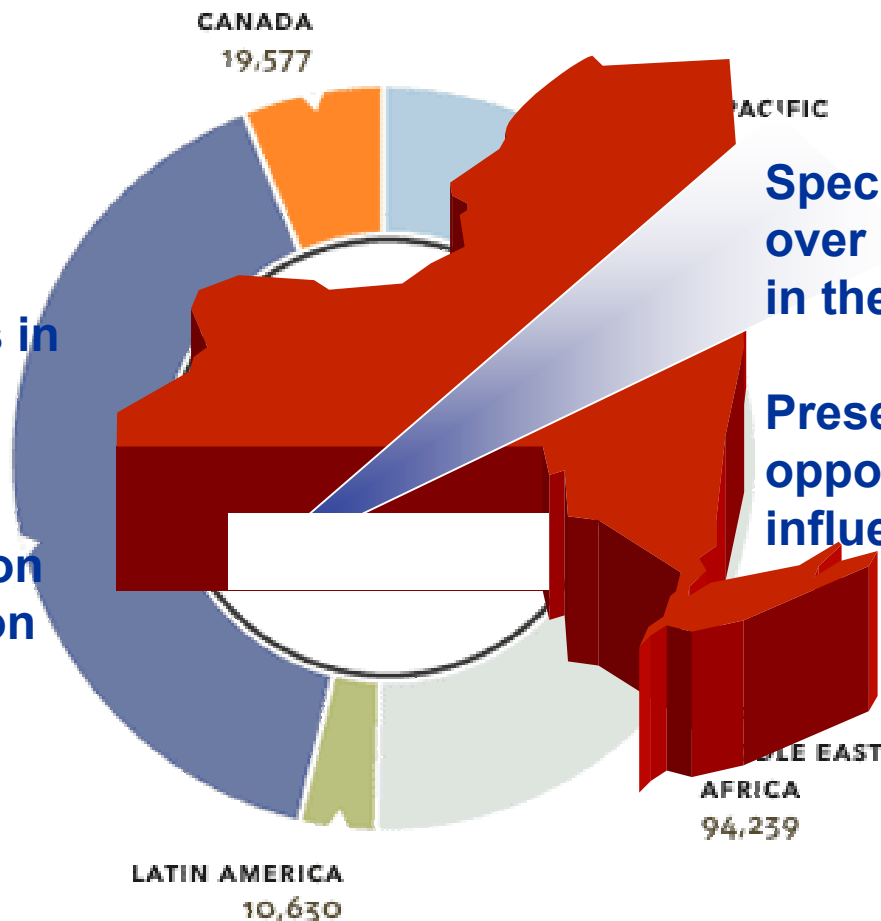
- ❖ Provide tools to enable community's to achieve their collaboration goals
  - Create and sell products and solutions that facilitate community achievement of quality/productivity goals
  - Invest in research/demonstrations to find solutions for raising investment value in health



- ❖ Be an active catalyst for change where we can directly influence the market
  - Buy smart
  - Lead by example

World wide our employees do cover the globe, but the largest concentration is in the United States

With our world headquarters and many other facilities in New York State, we have a high concentration of employees in a region known as the Hudson Valley



Specifically we have over 60,000 employees in the area

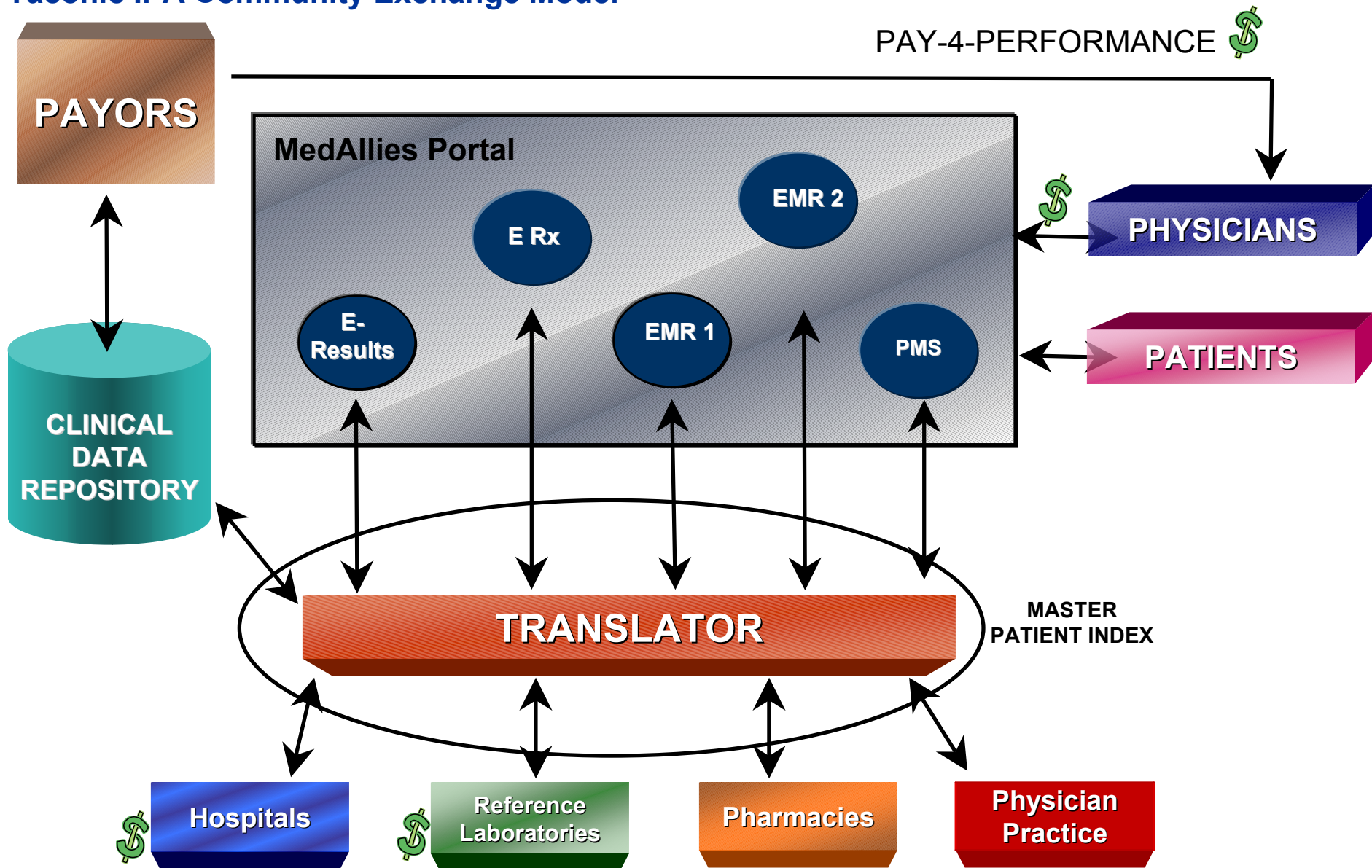
Presenting a real opportunity to influence the market



## Being active in the community has presented opportunities to enable interoperability

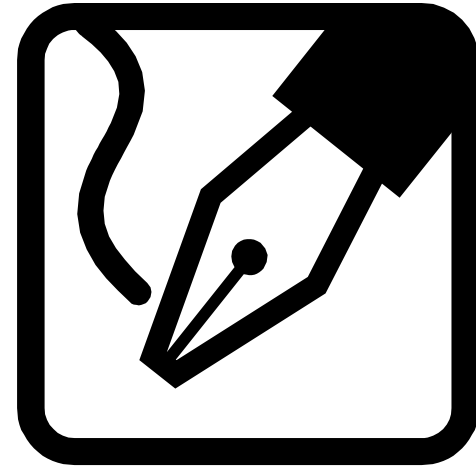
- ❖ In the same region the 2300 Physician Taconic IPA launched an ambitious project to encourage adoption of EHRs within their membership. What we saw was:
  - Alignment of goals and philosophies
  - Solid strategic plan and financial model
  - Service organization, MedAllies, in place to support physicians in the field
  
- ❖ An incentive model was developed to encourage physician adoption
  - NOT by doling out free technology, but rather
  - By creating a mechanism to increase physician reimbursement for adopting collaborative technology and demonstrating improvements in quality
  
- ❖ IBM took a leadership role in the market by
  - Chairing a Payer Committee and leading discussions to join incentive model
  - Committing to reimbursement incentives for achievement of progressive milestones

# Taconic IPA Community Exchange Model



## What we've agreed to and why

- ❖ IBM has committed to pay an additional \$.50 PMPM to Physicians who use the eRX capabilities through the MedAllies portal (includes meds Hx)
  
- ❖ Impact
  - Easy start of cultural shift to use of portal in normal practice pattern
  - Qualitative benefits from more accurate information on medication history, and legibility of scripts (improved meds mgmt, reduced medication errors)
  - Qualitative benefits from reminders of generic meds availability on formulary
  - A positive Return on Investment





## Expected return in four county pilot area

- ❖ 18,000 Covered IBM lives
  - ❖ IBM contribution if physicians participate with 100% of covered lives  
(\$6 PMPY \* 18,000 lives) \$110,000
- 
- ❖ Avg cost per Rx      Brand \$127      Generic \$25      Difference \$102
  - ❖ Experience in pilot area      183,000 pharmacy claims per year
  - ❖ Opportunity for dispensing shift from Brand to Generic based on current practice 1 to 20%  
(best case 60% current 40%)
  - ❖ Potential savings of      \$.2 to \$3.7 Million  
Reflects potential PMPY savings of      \$10.20 to \$204
- 
- ❖ At just a 1% dispensing shift our ROI is almost 2 to 1

## Next Steps

- ❖ Build experience
  - Understanding of adoption rates: Docs (100 today → 250 year end), Payers
  - Quantification of “other” benefits (ADEs, Duplication, Avoided Procedures, etc)
- ❖ Build similar models for Lab and Radiology
- ❖ Invest in other communities



***Phoenix-HRPA***

**HUMAN RESOURCES POLICY ASSOCIATION**

# Thank You

Bruno Nardone  
646-213-0128  
[bnardone@us.ibm.com](mailto:bnardone@us.ibm.com)

