

**REPORT OF THE VIRGINIA DEPARTMENT OF  
MEDICAL ASSISTANCE SERVICES**

**Report on Programs and  
Incentives to Encourage  
E-Prescribing by Medicaid  
Providers - December 1, 2009**

**TO THE GOVERNOR AND  
THE GENERAL ASSEMBLY OF VIRGINIA**



**HOUSE DOCUMENT NO. 15**

**COMMONWEALTH OF VIRGINIA  
RICHMOND 2009**



COMMONWEALTH of VIRGINIA  
*Department of Medical Assistance Services*

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October 23, 2009

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**MEMORANDUM**

TO: The Honorable Timothy M. Kaine  
Governor

The Honorable Charles J. Colgan  
Chairman, Senate Finance Committee

The Honorable Lacey E. Putney  
Chairman, House Appropriations Committee

FROM: Patrick W. Finnerty

A handwritten signature in black ink, appearing to read "P. Finnerty", written over the printed name.

SUBJECT: Report on Programs and Incentives to Encourage E-Prescribing by Medicaid  
Providers

House Bill 2453 (HB 2453) of the 2009 General Assembly Session requires the Department of Medical Assistance Services to provide to the Governor and the General Assembly a report by December 1 on developing a plan for programs and incentives to encourage Medicaid providers in the Commonwealth to adopt and utilize electronic prescribing (e-prescribing). HB 2453 also requires that this plan of programs and incentives consider the advantages of electronic prescribing in improved patient safety, as well as the efficiencies and cost savings that may be recognized by the Commonwealth in encouraging the adoption of electronic prescribing.

I have enclosed for your review the report for 2009. Should you have any questions or need additional information, please feel free to contact me at (804) 786-8099.

Enclosure

Cc: The Honorable Marilyn B. Tavenner, Secretary of Health and Human Resources

# **Report on Programs and Incentives to Encourage E-Prescribing by Medicaid Providers**



**Department of Medical Assistance Services**

**December 1, 2009**



## **I. INTRODUCTION**

House Bill 2453 (HB 2453) of the 2009 General Assembly Session requires that the Department of Medical Assistance Services (DMAS) develop a plan for programs and incentives to encourage Medicaid providers in the Commonwealth to adopt and utilize electronic prescribing (e-prescribing). HB 2453 also requires that this plan of programs and incentives consider the advantages of electronic prescribing in improved patient safety, as well as the efficiencies and cost savings that may be recognized by the Commonwealth in encouraging the adoption of electronic prescribing. Attachment A provides a copy of HB 2453.

This report responds to the requirements outlined in HB 2453. Specifically, this report describes: (1) background information on e-prescribing; (2) the activities DMAS is involved in to promote the use of e-prescribing; and (3) the American Recovery and Reinvestment Act (ARRA) Health Information Technology (HIT) funds. The report concludes with a summary of DMAS' next steps.

## **II. BACKGROUND**

E-prescribing is the computer-based electronic transmission of prescriptions between prescribers and pharmacies. E-prescribing systems allow prescribers to check medication histories, patient allergies, drug interactions, recommended dosages, and to ensure that prescribed medications are a safe and effective choice for patients. E-prescribing can also reduce medication errors because pharmacists do not have to read and interpret written prescriptions from prescribers.

E-prescribing software costs are usually borne by prescribers, either as purchased stand-alone products or as a part of electronic health record (EHR) products that include an e-prescribing component. However, e-prescribing transaction costs are primarily borne by the pharmacies. Transaction costs can range from 10 cents to 25 cents per transaction.

Neither DMAS nor the Commonwealth of Virginia's contracted managed care organizations (MCOs) dictate the medium by which prescriptions need to be submitted. Consequently, outpatient prescriptions for Family Access to Medical Insurance Security (FAMIS) and Medicaid enrollees can be hand-written, faxed, phoned, or submitted electronically. At the present time, neither DMAS nor the Department's contracted MCOs can accurately track how prescriptions are submitted. It is estimated, however, that the rate of electronic prescriptions submitted on behalf of the Commonwealth's Medicaid recipients is similar to the rate of electronic prescriptions submitted on behalf of Virginia residents in general. In 2008, SureScripts, an e-prescribing vendor that publishes a yearly ranking of states by the percentage of e-prescriptions submitted, reported that 3.5 percent of the total number of prescriptions were submitted to pharmacies electronically in Virginia compared to the national average of 12 percent. According to the "SafeRX" national rankings report published by SureScripts, although Virginia lags significantly beyond the national average, Virginia's rate doubled from 2007.

### III. ACTIVITIES DMAS IS INVOLVED IN TO PROMOTE E-PRESCRIBING

DMAS is actively engaged in promoting the use of e-prescribing. These efforts are on-going and represent a work in progress. Toward that end, DMAS is involved in several initiatives designed to promote e-prescribing and other HIT among health care providers (all of DMAS' contracted MCOs are involved in similar e-prescribing and HIT initiatives). These initiatives are highlighted below.

- Health Information Technology Advisory Commission (HITAC). The Commonwealth of Virginia took an important step towards the development and implementation of a comprehensive plan for Health Information Technology when Governor Mark Warner established a Governor's Task Force on Information Technology in Health Care in 2005. Governor Kaine continued and expanded Virginia's commitment to advancing Health IT in the Commonwealth when he issued Executive Order 29 in 2006, creating the Governor's Health Information Technology Council. When the Order expired, the council continued on a voluntary basis as the Health Information Technology Interoperability Advisory Committee (HITIAC).
- In October, 2009, Governor Kaine issued Executive Order 95 which established the Health Information Technology Commission (HITC). The HITC was charged with ensuring broad stakeholder engagement and providing guidance to the Governor on the most effective use of American Recovery and Reinvestment Act (ARRA) funds designated for Health Information Technology. HITC is chaired by the Secretary of Health and Human Resources and enlists a broad range of stakeholders including hospital and insurance executives; physicians; and Health Information Exchange and privacy experts including the Virginia HISPC (described below).

The HITC member list includes the DMAS Agency Director and has the following responsibilities: encouraging public-private partnerships to increase adoption of electronic medical records (including e-prescribing) for health care organizations in the Commonwealth; providing healthcare stakeholder input to build trust in, and support for, a statewide approach to health information exchange (HIE); ensuring that an effective model for HIE governance and accountability is in place; examining and defining an integrated approach with the Department of Medical Assistance Services and the Virginia Department of Health to enable information exchange and support monitoring of provider participation in HIE as required to qualify for Medicaid meaningful use incentives; develop and/or update privacy and security requirements for HIE within and across state borders; encourage and integrate the proliferation of telemedicine activities to support the Virginia healthcare improvement goals; monitor and support the activities of any Regional Extension Centers awarded in the Commonwealth; and examine other health related issues as appropriate. A web site has been created to provide information on the committee, its initiatives, meeting dates and milestones at [http://www.hits.virginia.gov/office\\_of\\_health\\_IT.shtml](http://www.hits.virginia.gov/office_of_health_IT.shtml)

- ***The Virginia Health Information Security and Privacy Collaboration (HISPC):*** The Virginia HISPC is a state and federally sponsored, multi-year, public-private organization

whose primary mission is to develop tools, services and support to resolve privacy and security interoperability issues between health information organizations in the Commonwealth. The Virginia HISPC, working with the Virginia HIT Council and the National Governors Association (NGA), has established a Steering Committee to work with the national HISPC collaborative currently comprising 45 states and territories. DMAS played a prominent role in this initiative. The goals shared by these groups are to establish consensus based solutions and to resolve privacy and security interoperability issues between the states and across the nation. Interoperability standards and the privacy and security of health information are key issues that must be resolved if e-prescribing becomes common practice in Virginia and throughout the United States. It is hoped that the HISPC will help ease these concerns among prescribing providers, pharmacies, third party insurers and other stakeholders with the public/private collaborative relationships. Additional information about Virginia's HISPC efforts can be found at [www.hits.virginia.gov/hispc\\_about.shtml](http://www.hits.virginia.gov/hispc_about.shtml).

- ***CMS Transformation Grant:*** In 2007, DMAS applied (but was not awarded) a Centers for Medicare & Medicaid Transformation Grant. DMAS proposed developing an e-prescribing product that would share clinical information derived from pharmacy and medical claims from all third party public and private health care payors to any prescribing provider providing services in Virginia. Although DMAS was not selected, the grant preparation process helped foster relationships between DMAS, the Secretary of Technology, the Central Virginia Health Network, the Department of Health, local independent and chain pharmacies, and other organizations that have a stake in promoting e-prescribing.
- ***Virginia RX Initiative:*** In May 2009, DMAS, along with other state agencies, entered into a memorandum of understanding with the University of Massachusetts (UMASS) Medical School to review the status of the Commonwealth's pharmacy programs and to determine if the State could adopt more efficient ways to purchase and manage pharmaceuticals. Among other things, UMASS will analyze current practices, utilization, and cost data, and will recommend short- and long-term options for quality improvement and cost containment strategies. Furthermore, UMASS will recommend ways to increase e-prescribing by State agencies and their partners. UMASS' final report, including recommendations, is expected to be completed before the beginning of the 2010 Session of the Virginia General Assembly.
- ***CommonwealthRX Committee:*** DMAS is a member of CommonwealthRX's Steering Committee, which was established by the Secretary of Technology and is being coordinated by the Central Virginia Health Network. DMAS staff participated in the kick-off meeting of the Commonwealth RX Committee on March 31, 2009. CommonwealthRX's mission is to "meet the immediate need of promoting state efforts to bring about the coordination for successful electronic prescribing adoption by all stakeholders in the Virginia healthcare industry". In addition to DMAS, Steering Committee members include: prescribers, physician representatives, local independent and chain pharmacists, and representatives from "SureScripts" and "E-Prescribe", vendors who offer e-prescription products.

DMAS has agreed to assist with the goals of the CommonwealthRX initiative by not only being an active participant, but by utilizing the Department's ability to potentially leverage American Recovery and Reinvestment Act (ARRA) HIT funds (described below) to increase the use of e-prescribing in the Commonwealth. CommonwealthRX anticipates publishing the results of its efforts in 2010. The entire membership of Commonwealth RX Steering Committee last met on August 12, 2009 at the office of the Central Virginia Health Network. Subsequent teleconference meetings have since occurred to further refine the organizations goals and mission statement.

#### **IV. AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) HIT PROVISIONS AND E-PRESCRIBING IN THE COMMONWEALTH**

In February 2009, the ARRA was signed by President Obama. The ARRA includes financial incentives and other provisions to promote the meaningful use of HIT, including e-prescribing. Specific provisions include funds that will be distributed through the Medicare and Medicaid programs to eligible professionals and hospitals for HIT development.

The ARRA establishes 100 percent federal financial participation (FFP) for States to provide incentive payments to eligible Medicaid providers to purchase, implement and operate certified electronic health record (EHR) technology in a meaningful manner that includes e-prescribing. The ARRA also establishes a 90 percent FFP rate for State administrative expenses related to carrying out this provision. Classes of Medicaid providers that will be eligible for these funds include Federally Qualified Health Centers (FQHC), physicians, nurse midwives, nurse practitioners, physician assistants, and Rural Health Clinics (RHC). Acute care hospitals will also be eligible for HIT incentive payments if they have at least 10% Medicaid patient volume.

To date, CMS has published limited information on the HIT provisions of the ARRA. Regulations that describe the role of Medicaid agencies in the distribution and administration of funding, a workable definition of the "meaningful use" of HIT, the criteria be used to award funds, the amount of money available to each eligible provider and whether or not the provider will need to report clinical quality measures as a part of the demonstration of the meaningful use of HIT are expected to be published before the end of 2009. The HITC will be submitting its recommended definition of "meaningful use" as a part of the ARRA HIT grant program. It is expected that the use of e-prescribing will be considered "meaningful use" by Medicaid providers seeking funding under the ARRA.

DMAS will continue to actively monitor the progress of the ARRA's HIT grant program and will work to ensure that Medicaid providers in the Commonwealth of Virginia who meet the requirements stipulated in regulation get their fare share of HIT funds. It is expected that HIT funds awarded to Medicaid providers will be targeted in part to increasing the level of e-prescribing.



## **V. SUMMARY AND NEXT STEPS**

DMAS plans to continue its collaboration with CommonwealthRX, pharmacy and medical associations and other state agencies to promote electronic prescribing in Virginia as well as to continue to monitor ARRA funding. Given the Commonwealth's critical budget shortfall, there is no state funding available at this time to dedicate to financial incentives to providers for adopting e-prescribing. However, DMAS, in concert with the HITC, will be making full use of the incentive funding that will be forthcoming to Virginia as a result of the ARRA. In addition, DMAS' plan for establishing, disseminating, tracking, and evaluating the use of these funds will be integrated into the Commonwealth's overall HIT plan as it is developed in the context of the ARRA provisions. In the meanwhile, DMAS will continue to promote public-private partnerships and work with the physician and pharmacy provider communities to increase electronic prescribing. DMAS will work to facilitate the success of e-prescribing by promoting the following four components: interoperability, direct benefits to providers, integration with other practice management technology, and cost.

## Attachment A

### HB 2453

*An Act to amend the Code of Virginia by adding a section numbered [2.2-213.3](#) and to amend Chapter 635 of the Acts of Assembly of 2007 by adding a section numbered 2, relating to electronic prescribing.*

Approved March 27, 2009

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding a section numbered [2.2-213.3](#) as follows:

*§ [2.2-213.3](#). Secretary to coordinate electronic prescribing clearinghouse.*

*A. In order to promote the implementation of electronic prescribing by health practitioners, health care facilities, and pharmacies in order to prevent prescription drug abuse, improve patient safety, and reduce unnecessary prescriptions, the Secretary of Health and Human Resources, in consultation with the Secretary of Technology, shall establish a website with information on electronic prescribing for health practitioners. The website shall contain (i) information concerning the process and advantages of electronic prescribing, including using medical history data to prevent drug interactions, prevent allergic reactions, and deter abuse of controlled substances; (ii) information regarding the availability of electronic prescribing products, including no-cost or low-cost products; (iii) links to federal and private-sector websites that provide guidance on selecting electronic prescribing products; and (iv) links to state, federal, and private-sector incentive programs for the implementation of electronic prescribing.*

*B. The Secretary of Health and Human Resources, in consultation with the Secretary of Technology, shall regularly consult with relevant public and private stakeholders to assess and accelerate the implementation of electronic prescribing in Virginia. For purposes of this section, relevant stakeholders include, but are not limited to, organizations that represent health practitioners, organizations that represent health care facilities, organizations that represent pharmacies, organizations that operate electronic prescribing networks, organizations that create electronic prescribing products, and regional health information organizations.*

2. That Chapter 635 of the Acts of Assembly of 2007 is amended by adding a section numbered 2 as follows:

*§ 2. Beginning January 1, 2010, any health care provider who is authorized to prescribe controlled substances pursuant to Chapter 33 (§ [54.1-3303](#) et seq.) of Title 54.1 of the Code of Virginia and who contracts with the Commonwealth for the provision of health care-related services shall utilize electronic prescribing to the maximum extent practicable in providing such services to the Commonwealth. For purposes of this section, electronic prescribing shall mean, at a minimum, the electronic generation of the patient's prescription, and the electronic transmission of the patient's prescription to the pharmacy. However, no health care provider shall be prohibited from contracting with the Commonwealth for not utilizing electronic prescribing.*

3. That the Department of Medical Assistance Services shall develop a plan for programs and incentives to encourage Medicaid providers in the Commonwealth to adopt and utilize electronic prescribing. Such programs and incentives shall consider the advantages of electronic prescribing in improved patient safety, as well as the efficiencies and cost savings that may be recognized by the Commonwealth in encouraging the adoption of electronic prescribing. The Department shall report to the Governor and the General Assembly no later than December 1, 2009, as to recommendations concerning programs and incentives. The Department is also encouraged to pursue opportunities with the private sector in implementing electronic prescribing programs.

