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# **Report on Electronic Prescribing in Medicaid and the Children's Health Insurance Program (CHIP)**

**As Required By  
S.B. 59, 83<sup>rd</sup> Legislature, Regular Session, 2013**

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**Health and Human Services Commission  
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## **Executive Summary**

Electronic prescribing (e-prescribing) is the electronic transfer of prescription-related data among prescribers, pharmacies, and payers. It does not include the use of a facsimile or fax transaction. It supports electronic messages regarding new prescriptions, prescription changes, refill requests, prescription fill status notification, prescription cancellation, and medication history. E-prescribing also allows prescribers to obtain eligibility, drug coverage, and formulary information from the patient's insurer or payer.

S.B. 59, 83rd Texas Legislature, requires the Health and Human Services Commission (HHSC) to submit an annual report to the governor and the Legislative Budget Board regarding HHSC's electronic prescribing (e-prescribing) system. The report must include the projected expenditures and cost savings anticipated for the system during the fiscal year and the total expenditures associated with and cost savings realized from the system to date.

HHSC developed an initial implementation plan and an updated plan for e-prescribing in December 2009 and 2010 in response to legislative direction. HHSC completed the implementation of e-prescribing in Medicaid and the Children's Health Insurance Program (CHIP) in December 2011.

Utilization of the core components of e-prescribing, which include the ability for the prescriber to verify a patient's Medicaid or CHIP eligibility, transmit the electronic prescription to a pharmacy, and review patients' medication histories, has steadily increased each year since HHSC completed implementation of e-prescribing in Medicaid and CHIP. In Medicaid, utilization of eligibility verification has increased to approximately 100,000 requests per week since implementation, with medication history reviews receiving approximately 35,000 requests per week.

E-prescribing rates are considerably higher among Medicaid providers who participate in the Electronic Health Record Incentive Program (EHRIP) than providers who do not participate in EHRIP. However, e-prescribing of Schedule II controlled substances remains very low among all providers.

In addition to the increased quality of care for patients and cost savings to providers, e-prescribing has generated savings for the state since implementation. The total net savings of e-prescribing in fiscal years 2012 through 2014 was \$2,478,443 all funds (\$1,021,711 general revenue). For fiscal year 2015, HHSC projects a total net savings of \$539,070 (\$225,870 general revenue) attributable to e-prescribing.

## **Introduction**

The Health and Human Services Commission (HHSC) developed a plan to implement electronic prescribing (e-prescribing) in Medicaid and the Children's Health Insurance Program (CHIP) in 2009 and 2010 in response to legislative direction. HHSC completed the implementation of e-prescribing in December 2011.

S.B. 59, 83rd Texas Legislature, requires HHSC to submit an annual report to the governor and the Legislative Budget Board regarding HHSC's e-prescribing system. The report must include the projected expenditures and cost savings anticipated for the system during the fiscal year and the total expenditures associated with and cost savings realized from the system to date.

## **E-prescribing Description**

E-prescribing is the electronic transfer of prescription-related data among prescribers, pharmacies, and payers. It does not include the use of a facsimile or fax transaction. It supports electronic messages regarding new prescriptions, prescription changes, refill requests, prescription fill status notification, prescription cancellation, and medication history. E-prescribing also allows prescribers to obtain eligibility, drug coverage, and formulary information from the patient's insurer or payer.

E-prescribing reduces the potential for errors and increases safety by eliminating problems such as illegible handwritten prescriptions, data entry errors at the pharmacy, and reliance upon limited information about other medications the patient may be taking. E-prescribing is also more efficient because it can significantly reduce the need for calls between pharmacies and prescribers and the wait associated with these call times. It can also reduce costs for payers since formulary information helps prescribers select drugs that are within the payer formulary requirements and substitution guidelines.

E-prescribing systems utilize a communication network to facilitate communication among pharmacies, prescribers, and payers. E-prescribing systems provide important information to the prescribers at the time of care. This capability helps prescribers make informed treatment decisions when prescribing medications for patients. The e-prescribing system may inform prescribers of limitations on prescription drug coverage, drug costs, and preferred drug information. Prescribers can use the system to access and review a patient's prescription drug history to ensure that any new prescriptions can be safely used with, and are non-duplicative of, existing prescriptions.

E-prescribing can be a stand-alone tool or included as a component of an electronic health record (EHR). Stand-alone tools are more affordable and offer significant benefits over written prescriptions, such as decision-support information, convenience, and increased quality and safety.

When e-prescribing is integrated with an EHR, the prescriber realizes increased efficiencies and effectiveness. For example, the prescriber is automatically alerted to relevant patient history such as drug allergies or history of adverse drug events. Because prescription drug documentation is

automatically included in the patient's EHR, a prescriber has access to information not available with traditional, hand-written prescriptions. For instance, a prescriber can check the status of a prescription to see if it has been filled by the pharmacy and if it has been picked up.

### **E-prescribing Implementation in Medicaid and CHIP**

HHSC developed an initial plan and updated plan for the implementation of e-prescribing in Medicaid and CHIP in December 2009 and 2010, in response to legislative direction. HHSC completed implementation in December 2011.

To implement e-prescribing in Medicaid and CHIP, HHSC had to add new information technology functionality within its pharmacy claims adjudication system. HHSC completed these improvements in December 2011. These changes enabled three major functionalities that are core components of e-prescribing:

- Claims-based medication history was made available for download directly into prescriber EHR systems.
- The Medicaid drug formulary was made available for integration into EHR systems.
- Medicaid opened an electronic pharmacy benefit eligibility service that can be accessed with EHR systems.

### **Privacy and Security Policy**

Since e-prescribing is considered a health information exchange, the Medicaid Privacy and Security Workgroup reviewed and evaluated the e-prescribing use case and recommended an opt-out consent process. This consent process follows a hybrid consent model that requires providers to obtain clients' signed consent to request their Medicaid health information. It also provides clients with the option to opt out of sharing Medicaid health information exchange with providers if they do not want Medicaid to share their health information electronically. Opting out does not impact the provider's capability of e-prescribing, but blocks prescribers' from accessing client medication history from Medicaid. Medicaid clients were informed of their right to opt out prior to e-prescribing implementation. Clients are able to submit their opt-out requests to Medicaid by phone or Internet via the YourTexasBenefits website.

### **E-prescribing Utilization in Medicaid**

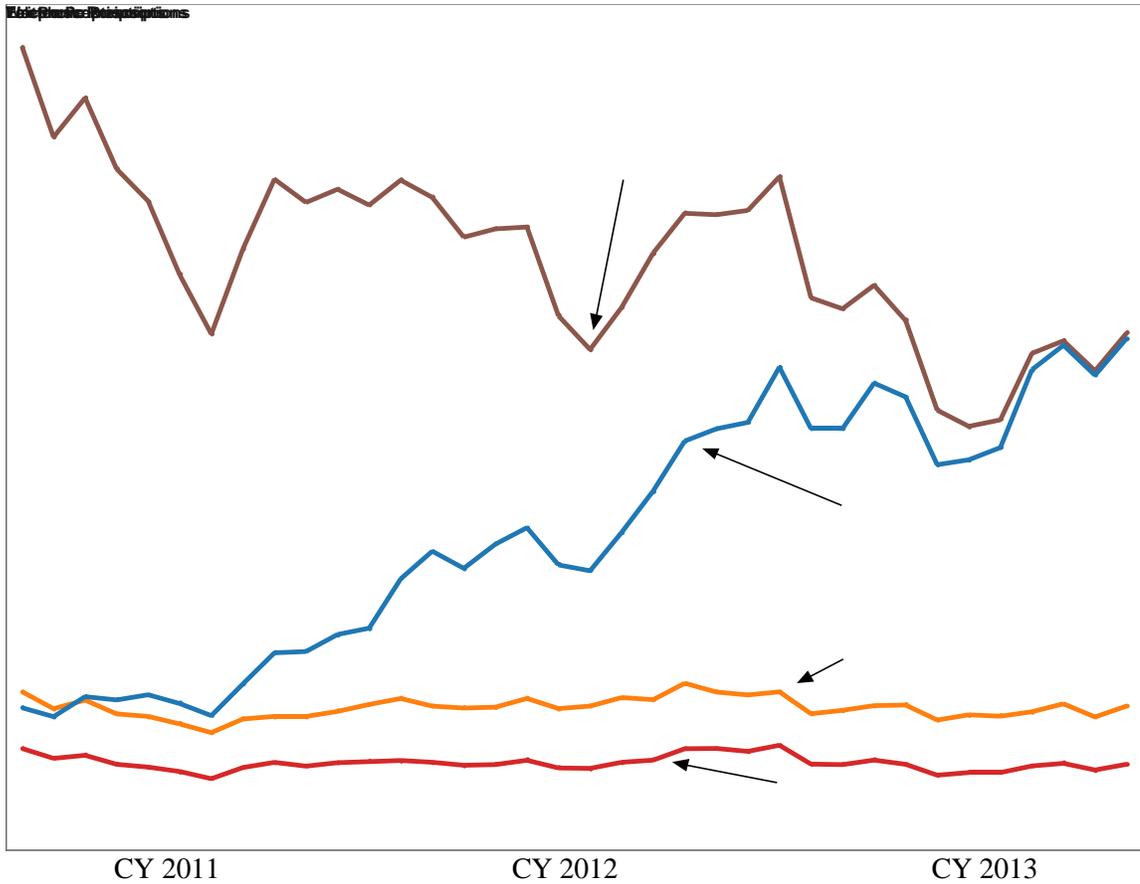
Utilization of the core components of e-prescribing, which include the ability for the prescriber to verify a patient's Medicaid or CHIP eligibility, transmit the electronic prescription to a pharmacy, and review patients' medication histories, has steadily increased each year since HHSC completed implementation of e-prescribing in Medicaid.

In Medicaid fee-for-service (FFS) and managed care, utilization of eligibility verification has increased to approximately 100,000 requests per week since implementation in December 2011, with medication history reviews receiving approximately 35,000 requests per week. The

difference between utilization of eligibility verification and medication history reviews may indicate slow adoption by prescribers of the ability to review medication history through e-prescribing.

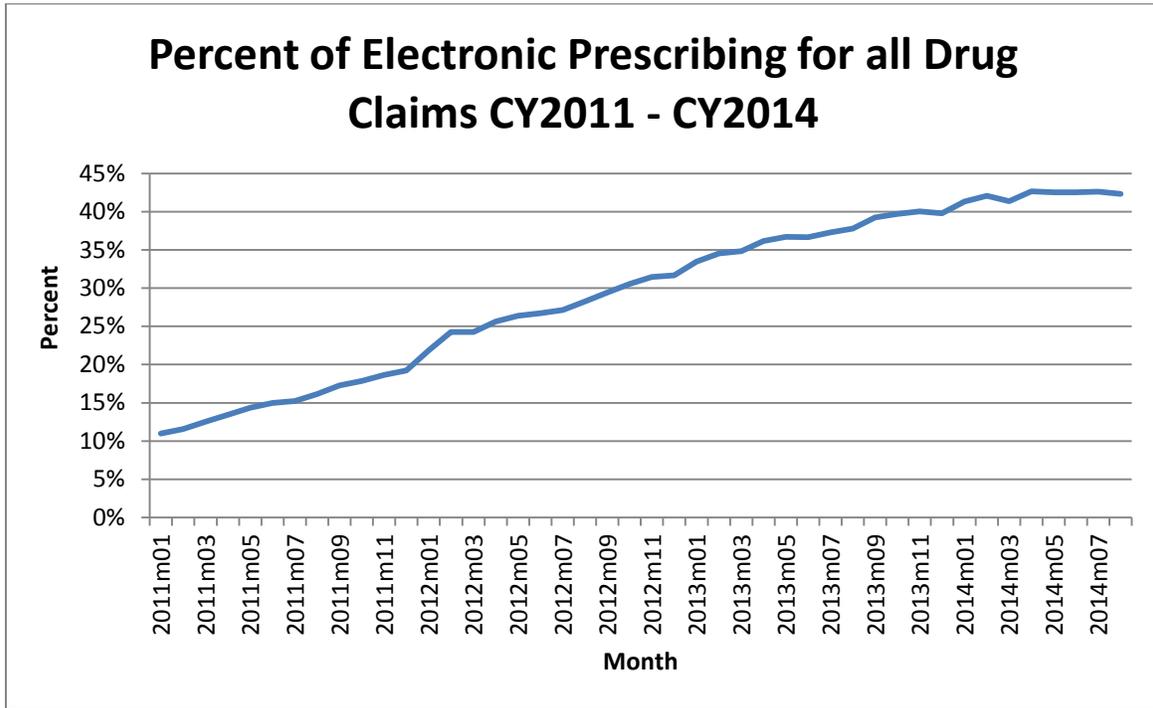
*E-Prescribing Adoption in Medicaid*

**Graph 1: Medicaid e-prescribing utilization - Count of drug claims for transmission of prescriptions from providers to pharmacies, calendar year 2011 – calendar year 2013**



Overall, Medicaid prescribers have steadily adopted the core e-prescribing functionality of transmitting prescriptions from the prescribers to pharmacies since 2011, as shown in Graph 1.

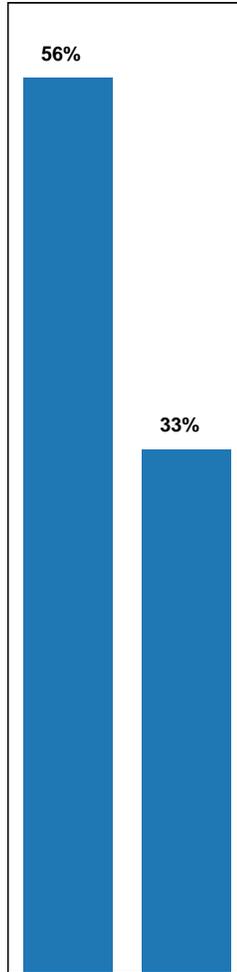
**Graph 2: Medicaid e-prescribing utilization - Percent of drug claims for transmission of prescriptions from providers to pharmacies, calendar year 2011 – calendar year 2014**



The Electronic Health Record Incentive Program (EHRIP) is a federal program that provides incentive payments to eligible Medicaid providers for the meaningful use of certified EHR technology. Stage 1 of meaningful use sets the baseline for electronic data capture and information sharing and requires more than 40 percent of all permissible prescriptions written by the provider to be transmitted electronically using certified EHR technology.

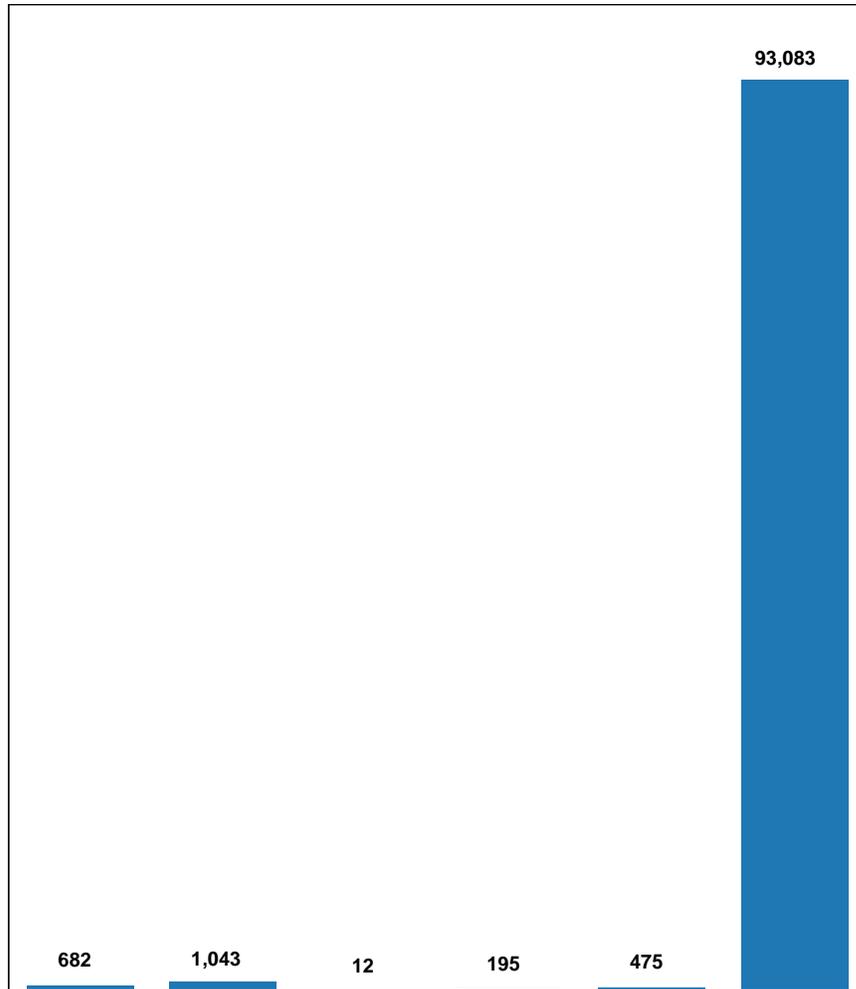
By the end of calendar year 2013, there were approximately 6,700 eligible professionals in the Medicaid program participating in EHRIP. At that same time, Graph 2 shows that about 40 percent of all Medicaid drug claims were transmitted electronically. The frequency of e-prescribing increased to equal the frequency of written prescriptions by the end of calendar year 2013. However, e-prescribing utilization has not increased since calendar year 2013.

**Graph 3: Medicaid e-prescribing utilization - Percent of drug claims that were electronically transmitted to pharmacies by providers in EHRIP and providers not in EHRIP (Other), calendar year 2013, Fourth Quarter**



At the end of calendar year 2013, providers in EHRIP transmitted 56 percent of drug claims to a pharmacy using e-prescribing. Their e-prescribing rates were considerably higher than the population of Medicaid providers not in the program, of which 33 percent of drug claims were transmitted to a pharmacy using e-prescribing.

**Graph 4: Count of Schedule II Controlled Substances claims in Medicaid for each prescription transfer method, December 2013**



Graph 4 displays the count of all Schedule II Controlled Substances, by prescription origin, for December 2013. E-prescribing of Schedule II drugs was not possible in Texas until approval by the Texas Department of Public Safety (DPS) in October 2013. However, of the 95,490 Schedule II drugs prescribed two months later in December 2013, only 682 (about 0.7 percent) were e-prescribed. About 97 percent of the Schedule II drugs originated as written prescriptions. As of September 2014, there has been no significant increase in the e-prescribing of Schedule II drugs in Medicaid.

Several factors may influence the adoption rate of e-prescribing for controlled substances (EPCS). These include the following:

- Each prescribing provider must be credentialed for EPCS. The credentialing process identifies the provider and issues electronic encryption and authentication keys to be used within the provider's certified software.
- In order to transmit controlled substance prescriptions electronically, prescribers' EHR systems must undergo a special certification. Proof of this certification must be obtained by the physician and submitted during the credentialing process.
- Pharmacies' software systems must also be certified for EPCS.
- Individual pharmacies may refuse to accept EPCS.

### *Benefits of E-prescribing of Controlled Substances (EPCS)*

Though initially burdensome for prescribers and pharmacies, EPCS assures quality, efficiency, security and safety of controlled substance dispensing with its adoption and efficient usage. In addition to the overall benefits of e-prescribing for all prescription drugs, such as the availability of medication history, eligibility and electronic formulary access, the EPCS process has unique benefits that emphasize its importance in this class of drugs, including:

- Reducing the risk of fraud and physician Drug Enforcement Administration number theft including cases of misplaced control substance prescription blanks and altered hardcopies.
- Ease of reporting very commonly prescribed, highly addictive Scheduled II-V drugs to DPS for the Texas Prescription Program, creating an audit trail.
- Providing one workflow for all types of prescriptions.
- Enabling and including EPCS may help eligible providers meet meaningful use targets for e-prescribing as a core measure of the EHR incentive program.
- Consumer/patient benefits such as quicker fill-time of prescriptions with reduced prescription errors and pharmacy callbacks, resulting in increased compliance by the patient.

### **E-prescribing Costs and Savings**

Estimates of financial benefits associated with implementation of e-prescribing are dependent upon reaching the target rate of e-prescribing for each year. Financial benefits are based on the following measures:

- Medication errors avoided due to e-prescribing.
- Increased compliance with the Medicaid preferred drug list (PDL).
- Increased generic utilization.
- Reduction in average number of prescriptions written per patient per month.

In addition to the increased quality of care for patients and cost savings to providers, e-prescribing has generated savings for the state since implementation. As shown in Table 1, the estimated cost of an e-prescribing program in traditional FFS and managed care Medicaid and CHIP in fiscal years 2012 through 2014 was \$4,166,702 federal and state funds (\$1,714,487 general revenue). The savings from e-prescribing was \$6,645,145 federal and state funds (\$2,736,199 general revenue). The total net savings of e-prescribing in fiscal years 2012 through 2014 was \$2,478,443 federal and state funds (\$1,021,711 general revenue). HHSC projects the cost of e-prescribing in fiscal year 2015 to be \$2,242,810 federal and state funds (\$939,737 general revenue) and savings to be \$2,781,880 federal and state funds (\$1,165,608 general revenue) for a total net savings of \$539,070 federal and state funds (\$225,870 general revenue).

**Table 1**  
**Cost/(Benefit) of E-Prescribing Implementation in Medicaid and CHIP**  
**for Fiscal Years 2012 - 2015**  
**All Funds (AF) and General Revenue (GR)**  
**FFS and Managed Care**

	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<b>E-Prescribing Savings</b>				
Medication Errors Avoided				
(AF)	(\$709,120)	(\$960,287)	(\$992,936)	(\$1,115,067)
(GR)	(\$294,852)	(\$391,701)	(\$409,685)	(\$467,213)
Improved Generics				
(AF)	(\$496,259)	(\$669,618)	(\$692,385)	(\$777,548)
(GR)	(\$206,344)	(\$273,137)	(\$285,678)	(\$325,793)
Improved PDL Compliance				
(AF)	(\$197,187)	(\$267,030)	(\$276,109)	(\$310,070)
(GR)	(\$81,990)	(\$108,921)	(\$113,922)	(\$129,919)
Fewer Prescriptions Written				
(AF)	(\$369,662)	(\$498,797)	(\$515,756)	(\$579,194)
(GR)	(\$153,706)	(\$203,459)	(\$212,801)	(\$242,682)
Total E-Prescribing Savings				
(AF)	(\$1,772,228)	(\$2,395,731)	(\$2,477,186)	(\$2,781,880)
(GR)	(\$736,893)	(\$977,219)	(\$1,022,087)	(\$1,165,608)
<b>Cost of E-Prescribing</b>				
Total Cost				
(AF)	\$696,487	\$1,473,056	\$1,997,159	\$2,242,810
(GR)	\$289,599	\$600,860	\$824,028	\$939,737
<b>Total E-Prescribing Savings</b>				
<b>Net Cost / (Savings)</b>				
(AF)	<b>(\$1,075,741)</b>	<b>(\$922,675)</b>	<b>(\$480,027)</b>	<b>(\$539,070)</b>
(GR)	<b>(\$447,293)</b>	<b>(\$376,359)</b>	<b>(\$198,059)</b>	<b>(\$225,870)</b>

## **Conclusion**

HHSC began developing an e-prescribing implementation plan in 2009 in response to state legislation. HHSC completed the implementation of e-prescribing in December 2011. Since implementation, Medicaid's participation in e-prescribing continues to provide financial savings and increased patient safety and provider convenience. The total net savings of e-prescribing in fiscal years 2012 through 2014 was \$2,478,443 federal and state funds. HHSC projects a net savings of \$2,242,810 federal and state funds in fiscal year 2015 that is attributable to e-prescribing. Providers rapidly adopted e-prescribing between 2011 and 2014, but the pace of adoption has begun to slow.