Good morning,
I am David Kilgo Director of Third Party Operations and Systems at Wal-Mart's Pharmacy division. With me today is my colleague, Bill Rampy. Bill is Director of Pharmacy Services for Wal-Mart Pharmacy and has responsibility for roll out of e-prescribing within our company. Wal-Mart has 25,000 Pharmacy Associates. We, first, want to express our appreciation to the committee for the invitation to testify before you on a very important topic to consumers of healthcare in our economy and to retail pharmacy in particular.

Wal-Mart operates over 3,200 pharmacies in 49 states and Puerto Rico. Our banners include: Wal-Mart Discount stores, Wal-Mart Super Centers, Wal-Mart Neighborhood Markets, Wal-Mart Clinic Pharmacies and SAM'S CLUB Pharmacies. Our stores operate in trade areas as small as a small town in Oklahoma with a population of 8,000 to Central Los Angeles. Of our 3,200 Pharmacies, 1165 operate in trade areas less then 50,000 population, or non-metropolitan statistical areas, according to 2002 data. The patients our Pharmacies serve include the full range of income demographics in the areas where we operate. The smaller stores in these towns are affectionately known as the "Wal-Mart DNA" since they represent the roots of our company. The small towns proved the vision of our founder Sam Walton who believed in bringing value priced goods and services to the small towns across our country.

The software in use in Wal-Mart Pharmacies and SAM'S CLUB Pharmacy varies only as required by State Board of Pharmacy regulations. Enabling e-prescribing hinges on the permission of the boards of Pharmacy and the ability of the local prescribers to send or receive the electronic message.

Wal-Mart's success has been largely attributed to the Company's commitment to serving the wants and needs of our customers. It was in our company's early years that Wal-Mart recognized the opportunity to add Pharmacy services to our stores. The commitment to serving the needs of the customer was instilled in the Pharmacy associates from the inception of the division. "*Pharmacy is about relationships*" has become the unofficial mantra of our associates. Since its inception the Pharmacy Division's growth has been fueled by the relationship of our pharmacist with the patients they serve. This relationship is fundamental to the success of our Pharmacies. Patients in rural and urban areas value the relationship with their Wal-Mart or SAM'S CLUB pharmacist.

Our Pharmacy Associates have for years partnered with customers to seek the best treatment options for our patients. In a sense our Associates become advocates for the patients they serve. This advocacy has included; working with prescribers for alternatives with less expensive medications, when available; prompt conversion of brand products to lower cost generic equivalents; and treatment with less expensive over the counter options.

This thought of consumer advocacy must bear heavily on our minds as we consider e-prescribing. From the perspective of the patient, we believe several considerations are

important: These are Freedom of Choice, Safety, Efficiency, Privacy and the sanctity of the patient-physician relationship.

Freedom of choice is not just about the selection of the Pharmacy. Choice also includes selection of appropriate therapy at the point of care. The Medicare Modernization Act (MMA) addresses the need for "appropriate messaging" as it relates to prescribing. A narrow definition of "appropriate messaging" is important to limit the potential "noise" that can develop if this step of care is commercialized. Inappropriate messages from payers or manufacturers potentially interject payers or manufacturers into the physician's office, elevating financial/cost issues over patient safety and quality of care. This is problematic in an electronic environment where the treatment decision was made using relevant clinical and financial data.

Patients have the right to choose their pharmacy. This choice must be from a level playing field across all pharmacy disciplines, including retail pharmacy, mail order, and specialty pharmacy. For a segment of patients, mail order is a viable option. They enjoy the convenience of home delivery and are sufficiently savvy to seek answers to their questions. The evolution of "specialty pharmacy" is becoming more important as science advances the knowledge and treatment of rare and deadly disease. Many customers need this special service with the advanced care. But for the vast majority of the public the retail pharmacist has been and will continue to be their choice for their pharmaceutical care. Sufficient safe-guards must be built into electronic prescribing so the choice of the retail pharmacist remains available without financial penalties to the patient for their choice.

Patient safety is a very important consideration. As new and more powerful drugs become available the risks associated with name or dosage confusion or Adverse Drug Events (ADE) can be deadly. Each week it seems there is a new entry on the list of "look-a-like, sound-a-like" drugs due to similarities of names or dosages. E-prescribing must address this and develop reasonable safeguards to ensure the drug displayed on the pharmacy computer is consistent with the prescriber's intentions. Drug Utilization Review also must be mandated. The patient's retail pharmacy will have the most complete record of medications taken by a patient. Many patients require the care of different medical specialties. The integration of the treatment regiments into one record is extremely difficult. When the patient chooses one retail pharmacy, as many do, that pharmacy has the most complete record available. Though many Pharmacy Benefit Processors have portions of the medication history, the patient's retail pharmacist has the most complete record of their medication history. The Pharmacy Benefit Processor will not have record of prescriptions not submitted for payment to insurance, and may not have record of prescriptions paid due to a work related injury.

Pharmacies generally have a well documented list of patient allergies. I am not familiar with a Pharmacy Benefit Processor who has knowledge of and the ability to check the potential for allergic reactions. Knowledge of these allergies can and will prevent severe reactions that can develop as more medications are added to a patient's regimen.

Our society has become a "real-time" world. This is applying more and more to health care. Speed of delivery is an important attribute of any service. Acceptance of e-prescribing will be heavily dependent on the efficiency of the system at the point of care for the physician, as well as the real-time connection to the pharmacy of the patient's choice. E-prescriptions must contain relevant information to allow pharmacies to provide the safety measures mentioned above and fully prepare the prescription for delivery to the customer. The NCPDP SCRIPT standard, when fully implemented, will provide this necessary information for preparation of the prescription.

Privacy issues come to one's attention each day. With the concerns of identity theft or inappropriate release of health, or other personal information, privacy is very important. The e-prescription must transmit over a secure network with validation of identity of the sender and receiver. The "envelope" containing the message must only be opened by the receiver. Retail Pharmacy, for 15 years, has been sending and receiving electronic claim information through secure network connections, using standards developed by NCPDP. This expertise was instrumental in developing the NCPDP SCRIPT standard.

You have heard described the patient-physician-pharmacist triangle. Though simple, this triangle describes beautifully the relationship necessary for optimum patient care. With the patient at the apex of the figure, the physician and the pharmacist provide the patient with the diagnosis, care, and counsel necessary for optimum outcome. E-prescribing technology should be used as a tool to enhance the patient-physician-pharmacist relationship. There are entities that would prefer to supplant the pharmacist or physician for their economic agenda. Standards for e-prescribing must prevent interference with the right of the patient to make decisions concerning their treatment following the advice of their physician and pharmacist.

The committee supplied a series of questions. I now will address those questions.

What are the best standards or code sets to meet the requirements of the law? The SCRIPT standard developed by NCPDP is a national standard developed collaboratively by Pharmacy Providers, Pharmacy Benefit Managers (PBM's) and software providers. This collaborative effort began many years ago and was in response to the recognition of the importance of electronically connecting prescribers and pharmacies. The standard is sufficiently robust to allow messages containing relevant information about the patient, drugs, prescriber, including new prescriptions, refill authorization requests and free-form messages between the prescriber and pharmacist. This standard will meet the requirement of MMA for electronically sending prescriptions between pharmacies and prescribers. For Prior authorization, Drug Utilization Review messaging and copay information the NCPDP telecommunication Standard Version 5.1 is currently accepted, fully implemented and is HIPAA approved.

Drug products are identified through the unique National Drug Code (NDC). This set is used effectively to identify drugs throughout the industry, including claim billing.

Which of these standards/code sets too you use?
NCPDP SCRIPT
NCPDP Telecommunication Version 5.1
National Drug Code
Universal Product Code
DEA number

What are the Strengths and weaknesses of the standard/code sets that you use?
NCPDP SCRIPT has sufficient fields for transmitting the information necessary for pharmacist to serve the patient. The decision of NCPDP to add the National Drug Code to the fields adds a level of granularity that can present problems to a physician. How many prescribers want to know there are more than 40 versions of fluoxetine 20mg? An alternative identifier could be an industry number such as Generic Product Identifier, GPI. These numbers adequately identify products including name, strength and dosage form and grant to the pharmacy sufficient flexibility for selection of the specific product. This level of specificity can rob the process of efficiencies the system was designed to provide. For example if a generic drug is chosen to a specific NDC level and if that specific NDC is not available at the local pharmacy then a series of message could be necessary to secure permission for dispensing the generically equivalent product in inventory at the pharmacy.

Is nationwide adoption of these standards/code sets necessary?
Yes, the standards must be widely recognized within the retail pharmacy community.

What are the e-prescribing standard/code set gaps?
Two glaring gaps in the code sets are "patient identifier" and "prescriber identifier". Though customers are loyal to their pharmacist, they occasionally must use the services of a different pharmacy. The lack of a national patient identifier creates difficulties in developing and maintaining central data repositories with full patient history. Efforts of maintaining these databases require elaborate algorithms to create a unique identifier for each patient. The risks associated with failure to properly identify a customer using these algorithms are great. Adoption of a nationally recognized patient identifier, separate and unique to the Social Security Number, is necessary to fill this gap. Further validation of this gap is the action of many states adopting legislation prohibiting the use of the Social Security Number for identifiers for any reason including health care.

Rules for the National Provider Identifier (NPI) were issued this spring. The NPI becomes the HIPAA sanctioned identifier for health care provider. A gap in the use of this number is the lack of ability to associate it with the multiple practice locations of a prescriber and that not all prescriber's must apply for an NPI. SureScript and other e-prescribing vendors felt it necessary to develop their own system for uniquely identifying practice locations.

The "directions for use" or "Sig" is another gap that must be addressed. A large portion of the directions given with a prescription are conveyed with commonly used

abbreviations. Standardization of these abbreviations will improve the process and reduce error potential.

What are the barriers to the development/adoption of these standards/code sets?
In the rural markets a barrier could be insufficient resources of the medical practitioner, physician or pharmacist, to purchase new or upgrade their current practice management systems (PMS) to include the functionality of sending and receiving e-prescriptions. Though many of the practices have associated themselves with hospitals, there still are those who remain independent.

What incentives or other suggestions should the government consider to accelerate the development/adoption of e-prescribing standards/code sets?
The government should consider making grant money available to assist practices in rural areas in the purchase of new PMS or upgrades of the existing PMS to allow e-prescribing. Additionally, funds should be available for training at all practice settings to educate the users of the full range of functions e-prescribing can offer. This training should assist with more rapid adoption of the technology.

Many of the messages currently sent through the e-prescribing networks are refill requests. This type of e-messaging adds efficiency to the prescriber and pharmacy. The Medicare population traditionally uses a higher number maintenance medication. A typical Monday morning in a retail pharmacy requires many hours of Associate time in making calls to prescribers to request authorization from prescribers for refill authorizations. These authorizations go by fax or phone. Messaging through e-prescribing allows the request to go directly to the PMS of the prescriber, and the response approving the refill goes directly to the work flow of the pharmacy system. Training support staff in a prescriber's office on the efficiency of refill authorization will speed adoption of this message. Adoption of refill authorization should grant quicker acceptance of sending new prescriptions through e-prescribing and facilitate e-prescribing options available in the future.

The current technology base of SCRIPT offers a "launching pad" for e-prescribing. Use of this technology will leverage the investment many stakeholders have made. This also will allow implementation in phases as many other technologies and shared databases are available.

Success of e-prescribing will hinge on the continuity of regulation of State board's of Pharmacy but also of the payers. For example, several drug products have coverage under Medicare Part B. A fundamental requirement of Medicare Part B is the presence of a signed order by the prescriber. This effectively removes these products from the e-prescribing realm. Without concessions on these regulations, when a pharmacy receives an order for a product with coverage in Part B someone must convert the electronic message to a paper format, fax that paper to the prescriber who must sign and fax back to the pharmacy to properly meet the documentation requirements of Part B. This removes all efficiency gained through the e-prescription.

In conclusion, e-prescribing is and will continue to be a step of efficiency for healthcare and as the process gains acceptance cost savings will quickly follow. Wal-Mart presently is expanding this functionality and it is our plan to continue expansion as quickly as possible to include all states where regulations allow e-prescribing. There are barriers to e-prescribing. Many resources have been committed to developing the current process, though much still is to be accomplished for a system that can meet the demands of an ever changing healthcare environment. Because of the multiple questions to answer, I propose the Committee consider times-lines and milestones for adoption and implementation in phases. This approach will allow the current functionalities to be a base for building future enhancements.

Again we express our appreciation to the Committee for allowing us to present here today. We will gladly answer questions you may have.