



Medco, Wal-Mart Merging Electronic Prescription Networks

By Alex Nussbaum

July 1 (Bloomberg) -- **Medco** Health Systems, **CVS Caremark Corp.** and **Express Scripts Inc.**, the three largest managers of U.S. pharmacy plans, will merge their electronic drug prescription network with one operated by a group of drugstore chains that includes **Wal-Mart Stores Inc.**

The merged network expects to transmit 100 million drug orders this year via computer, accelerating the nation's move toward paperless prescribing, said **Rick Ratliff**, acting chief executive officer of **SureScripts**, one of the two services. Benefits managers will get the chance to steer more patients toward lower-cost generic or mail-order drugs, while pharmacies save the cost and time of deciphering poorly written prescriptions, he said.

The combination may triple the number of digital prescriptions written in the U.S., Ratliff said in a telephone interview. The deal closed yesterday, though it isn't known when the two networks will begin working as one. Drugstore chains **Rite Aid Corp.**, **Walgreen Co.** and **Duane Reade Inc.** are also involved.

"Combining both sides of the equation is really quite the big deal, and it took years of discussions to get here," said **J.P. Little**, acting CEO of the second network, **RxHub**. "We really believe this is going to be a great kick-start to taking electronic prescribing to the next level."

The "cashless merger" will create the nation's largest network for electronically transmitting prescriptions and other patient information, including medical histories and drug coverage, the networks said in a joint statement. The new entity, temporarily dubbed SureScripts-RxHub, will have access to records for 200 million patients through the benefit managers and 70 percent of U.S. drugstores, the networks said.

Equal Stake

The pharmacy benefit managers, who created Saint Paul, Minnesota-based RxHub in 2001, will share a 50-50 stake with the National Association of Chain Drug Stores and National Community Pharmacists Association, which founded SureScripts in Alexandria, Virginia, the same year. Little and Ratliff will jointly manage the service while it seeks permanent leadership and a new name.

The network will support itself through fees on pharmacies, charging only enough to cover its expenses, said Robert Cronin, a SureScripts spokesman, in a telephone interview. Doctors can use the service for free.

Health insurers, business groups and the U.S. government have been pushing doctors and patients to put more information online, saying the technology will cut costs and save lives by avoiding medication errors. More than 1.5 million Americans are injured annually by such errors, according to a 2006 **study** by the Institute of Medicine, a government-funded nonprofit that advises U.S. officials on medical issues.

Slow to Adopt

Physicians have been slow to adopt the technology. Of 4 billion prescriptions written in the U.S. last year, only 35 million were filled electronically, Ratliff said. While more than two-thirds of pharmacies use the technology, only 6 percent of U.S. doctors do so, he said.

The merger could be a "milestone" in the movement, said Sean Wieland, a health care analyst with Piper Jaffray & Co. in San Francisco. Combining the two networks makes the service more attractive for doctors and drug dispensers, he said, and will encourage vendors to enter the \$5 billion market to give health care providers the necessary software and computer equipment.

The benefits managers and drugstores probably came to a point and realized, 'Hey, we can't do this on our own. We have separate stakeholders, and it just makes sense that the PBMs will get along better with the pharmacies,'" Wieland said in a telephone interview.

Drug Enforcement Agency

The merger is another sign the transition is gaining momentum, said **John Halamka**, chief information officer and dean of technology at Harvard Medical School in Boston. The Drug Enforcement Agency took an important step last week when it **proposed** easing rules that block doctors from filling electronically for painkillers and other drugs considered at risk for abuse and addiction, said Halamka, an expert on electronic medical records, in a telephone interview.

Congress, meanwhile, is considering incentives and penalties to encourage health insurers and doctors to use digital prescriptions. A measure including the provision passed the House last week. It has been held up in the Senate amid wrangling over changes in a Medicare funding bill, Halamka said.

"This is the perfect storm and all of the necessary factors for success are getting lined up," he said.

Doctors and consumers will be able to fill a prescription with any pharmacy tied to the network, Cronin said. He couldn't say when the combined service would start.

Last Updated: July 1, 2008 00:01 EDT