

Hosted Services Make a Comeback

by Bruce Kneeland

As a pharmacy industry consultant, I have many opportunities to visit innovative pharmacies and meet with technology vendors in their offices and at industry events. That, coupled with a cover story in this magazine earlier this year on the subject of software as a service (SaaS), has persuaded me that we are on the verge of a major new trend toward software provided to pharmacies as a hosted service. It also causes me to reflect on the cliché — everything old is new again.

My first exposure to hosted computer services began in the 1970s. Some of you may remember that in '70s in-store computers were a rarity. The two largest suppliers of pharmacy computers then were companies that actually housed their software on large mainframe computers and connected with pharmacies over long-distance telephone lines. The business model worked fine — patient records, drug files, and pricing

Back in the '70s computers were large and expensive, and required white-coated experts to program, operate, and maintain them — thus the rationale for being centrally located. Now none of that is true.

formulas were kept on the mainframe and accessed in real time as prescriptions were filled in the pharmacy. Those who used this type of computer will recall that the biggest problem was “lightning” in some faraway place that caused a service disruption.

Full Circle

Then came the PC revolution. While the IBM personal com-

puter had been preceded by a number of companies, it was IBM and its Charlie Chaplin ads introduced in 1981 that validated the PC and changed the way people interfaced with computers. Pharmacists found they could afford to purchase their own computers, and innovators of all types began to develop software that was more flexible and appealing to pharmacy owners. The next two decades were clearly the province of stand-alone pharmacy management systems.

But due to the ever-changing need for newer and better ways to operate a pharmacy, the idea of hosted services never really went away — it simply migrated to different areas. Now it appears that the nearly universal access to high-speed Internet services has set the stage for a full-blown resurgence of the model of hosted computer services.

continued on page 12

continued from page 10

A Case Study

First, to demonstrate how hosted services never really disappeared, but merely changed, let me introduce you to Midland Pharmacy. Midland Pharmacy is a 1,500-square-foot community pharmacy located in a strip shopping center on Staten Island, N.Y. Pharmacists Jerry Della Ragione and Lou Spadafora purchased the pharmacy 12 years ago and take pride in how they have grown the business by providing the extra ingredient of personal service that is the backbone of most successful independent pharmacies.

In a small but busy store like Midland, space is a major consideration when contemplating any new product lines, services, or technology. The current pharmacy counter houses the store's Opus-ISM pharmacy management system and a Kirby Lester pill counter. The store divides its purchases between three wholesalers — a common trait in the New York metropolitan area — each one with its own computer-based ordering system. So when it came to IVR, the two partners long ago determined they wanted a system that did not require the installation of any hardware or cabling in the store.

For them, the answer was TeleManager's hosted IVR service. The original service they signed on for provided the store with a call-forwarding feature, turned on by the flip of a switch in their phone company's office. Phone calls placed to the pharmacy during regular business hours were normally answered as usual. But when a patient called and all the phone lines were busy, or if all pharmacy personnel were serving customers, the call was seamlessly auto-forwarded to the hosted IVR service. The service answered the phone using the Midland Pharmacy name, explained that all phone lines were busy, and invited the patient

to use the store's automated refill service by pressing 1. The same process worked for calls placed when the pharmacy was closed. People responded so favorably to the service that Della Ragione says he has several customers who deliberately wait until the pharmacy closes to call. "Some of our patients simply prefer interacting with the IVR, and we are thrilled to provide them that choice."

In the original service, shortly after refill orders were placed on the hosted IVR, they were faxed to the pharmacy. It was simplicity to the max and worked well for Midland for several years. Five years ago they upgraded to the On-Demand IVR system, which over a secure Internet connection integrates with their pharmacy management system. This process provides Midland Pharmacy with a fully functional IVR without any hardware or in-store cabling or upfront capital investment.

One thing Della Ragione says he likes about the hosted service is that he has no maintenance fees, no upgrades to worry about, and no need to back up his data. "This way, I only pay for the service when my customers use it."

Della Ragione says he had an experience about six years ago that sold him on the hosted IVR. There was a fire in the neighborhood that knocked out his phone system for two days. Using his cell phone, he contacted his IVR company's customer support team, and they quickly devised a workaround. As phone calls were made to his inoperable phone system, they were automatically routed to the TeleManager tele-



Midland Pharmacy, on Staten Island, N.Y., has found TeleManager's hosted IVR system seamlessly handles call overflow. Owner Jerry Della Ragione, far right, works with pharmacy technician Mike Dinicola.



communications center in Newark, N.J. As the prescriptions were captured in Newark, they were faxed to Della Ragione's home several blocks away, where store personnel picked them up. Phone messages were replayed over the cell phone, and Della Ragione was able to continue to fill prescriptions.

A Different World

Back in the '70s computers were large and expensive, and required white-coated experts to program, operate, and maintain them — thus the rationale for being centrally located. Now none of that is true, so what drives the renewed movement to SaaS? Two things. First, as I said before, high-speed Internet service has become so pervasive, reliable, and inexpensive that the cost of sharing data is nearly meaningless. Next, and perhaps more importantly, consumers are interested in simplicity. In today's pharmacy world your pharmacy management system also needs to work with several other software providers, such as third-

party payers, point-of-sale systems, IVR providers, MTM programs, and wholesaler ordering systems. Each of these systems requires interfaces, and each company provides patches and upgrades on an ad hoc basis. And upgrades, system maintenance, and other issues require time and expertise often not found at the store level. All these things can be done better, faster, and cheaper at a central location — thus the renewed excitement over SaaS.

Specialized Applications

Another example of how hosted services have changed to meet the needs of pharmacy over the past few years is in the area of DME. Bill Osborn is the president of Osborn Drug in Miami, Okla. And through a combination of partnerships, he and his father have an interest in 18 other stores. The Miami store is a busy pharmacy with a full set of labor-saving and care-enhancing technologies, including a ScriptPro robot, workflow software, and voice-Tech's IVR system. All of these technologies are owned by Osborn Drug. Still, when it came time to get serious about improving the business operations and billing functions of their DME department, the Osborns elected to sign on with an Internet-based hosted service from Brightree.



Bill Osborn

"The critical factor in making this change revolved around our decision to become a fully accredited DME supplier," says Bill Osborn. When looking for a software system that would support his growing DME business, Osborn says, "I always had a problem with having my data and computer functions off site, but I knew several members of the Brightree board and had confidence in them, so I agreed to take the leap."

The Brightree DME software is accessed over the Internet. Each store location purchases a license that costs a few hundred dollars a month. This means no additional transaction charges as the store communicates back and forth with the software, or submits claims to various billing agencies. Once logged on, the user can produce reports and access all the data necessary to manage delivery and billing for the sale or rental of DME items.

Two features that Osborn says have more than justified the expense for the Brightree DME software are the system's electronic billing functions and the system's ability to support the creation of a certificate of medical necessity (CMN). For billing, Osborn says that Brightree works with Medicare and hundreds of other third-party payers to make sure all sales and rental prices are up to date. Once a product has been billed, the service provides an electronic remittance notification (ERN) that tells him how much he will be paid and how much the patient should be billed. It also automatically alerts him of any denials or rejections and coaches him on how to take corrective action.

As for the CMN, the hosted service software allows him to create and then electronically fax the prescribing physician all the paperwork necessary to bill for medical equipment. It then tracks the billing process and reminds him in five days to contact the doctor's office if the CMN has not been returned and a billing entry generated. All in all, while going into the hosted service area reluctantly, Osborn says the Brightree program has worked remarkably well and that he now has 10 licenses to support other locations in his chain.

As you look around, you'll begin to realize that hosted computer services are so ubiquitous they sometimes are not consciously considered when pharmacists mention their technology. For example, third-party claims

reconciliation, wholesaler ordering, and even many payroll services are all part of today's pharmacy practice. The common element for most of these programs is that the data necessary to manage the task is hosted off site in servers and accessible to the pharmacy on an as-needed basis. And all maintenance, backups, and upgrades happen on time and take effect immediately.

Now it appears that hosted services or software as a service will be making a major splash on the scene as several prominent players in the "mainstream" pharmacy management system business have launched new versions of their systems as hosted services. At the McKesson show this summer, the version of EnterpriseRx for independents, which now boasts more than 300 chain pharmacy users, took center stage during the formal exhibit hall opening. In commenting on the launch of this new offering, Stanton McComb, president of McKesson Pharmacy Systems, said one of the major benefits is that "the Web-based system's innovative features empower pharmacies to seamlessly adjust to industry shifts, confidently deliver excellent patient care, and consistently measure and improve business results." Other companies have also launched hosted systems, with more making plans to do so.

It will be interesting to see how the various companies marketing these next-generation pharmacy management systems reach out to the market. One thing is certain — the idea of hosted services is catching on. Expect to see more applications made available this way. **CT**



Bruce Kneeland
is an industry consultant based in Royersford, Pa., with a specialty in helping community pharmacies be more

innovative and operate more profitably. He can be reached at brucekneeland@comcast.net.