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**The Electronic Health Record for Pharmacy**

**Business Plan**

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| --- | --- | --- |
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**Executive Summary**

DocStation is an idea-stage clinical documentation and analytics software as a service (SaaS) platform for pharmacists. DocStation will function as a pharmacy electronic health record (PhEHR) integrated directly into the patient care process, allowing users to manage patients efficiently and effectively and report outcomes to demonstrate value. As customers grow, the product will evolve and add functionality to gain additional customers and revenue. The pharmacy software market is ripe for disruption and there are several sub-sectors to target for scale.

Financial Overview

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** | **5 Year Total** |
| **Customers** | **42** | **170** | **430** | **860** | **1290** | **1290** |
| Target Market % | 0.5% | 2% | 5% | 10% | 15% | 15% |
| **Revenue** | **$50,400** | **$223,200** | **$564,000** | **$1,128,000** | **$1,692,000** | **$3,657,600** |
| Expenses | $437,766 | $429,766 | $744,178 | $669,178 | $1,094,260 | $3,375,148 |
| **Margin** | **$(387,366)** | **$(206,566)** | **$(180,178)** | **$458,822** | **$597,740** | **$282,452** |
| Margin % | -88% | -48% | -24% | 69% | 55% | 8% |

**Risk-Mitigating Milestones**

* **Phase 1 – Planning**
  + User survey completed and financial projections validated
  + Term sheet signed with investor(s)
  + DocStation company incorporated
  + Funding secured at $2.5M
* **Phase 2 - Development**
  + Database architect hired or contract executed
  + Front-End/UI/UX developer hired or contract executed
  + HIPPA compliant cloud vendor established
  + Prototype developed and tested
  + Beta developed and released
  + DocStation platform launched
* **Phase 3 – Marketing & Optimization**
  + Key conference expos attended and demonstrations performed
  + User feedback obtained and platform optimizations launched
* **Users & Revenue**
  + 350 subscriptions / 750 active users / $450K annual revenue (by Year 3)
  + 1000 subscriptions / 2500 active users / $1.5M annual revenue (by Year 5)

**Key Success Factors**

* Pharmacist founder with strong leadership and expertise in clinical documentation, health IT, outcomes research, healthcare finance, and pharmacy operations
* Developing market lacking a leading product for documentation and outcomes
* Relationships with federal stakeholders and pharmacy leaders

**Product Overview**

DocStation is an idea-stage clinical documentation and analytics software as a service (SaaS) platform for pharmacists. DocStation will function as a pharmacy electronic health record (PhEHR) integrated directly into the patient care process, allowing users to manage patients efficiently and effectively and report outcomes to demonstrate value. As customers grow, the product will evolve and add functionality to gain additional customers and revenue. The pharmacy software market is ripe for disruption and there are several sub-sectors to target for scale.

DocStation will function separate to electronic medical records (EHR) and pharmacy management systems (PMS). The analytics dashboard will display productivity and outcome metrics that provide operational insight and quantify the value of clinical pharmacy services provided to patients. Users will realize value in having easy-to-use documentation and patient management tool that tracks the quantity of services provided to patients. Data will be used to negotiate participation in value-based contracts with health care payers.

The basic version of DocStation will be free to individual users and allow providers to build patient profiles and manage interventions over multiple encounters. Basic users will not be able to collaborate with other providers or access the analytics dashboard. The premium version will be $50/user/month and permit administrators to create multi-user practice sites. Creating practice sites will allow multiple users access to all practice site patient profiles, similar to traditional patient management software. The premium version will also allow access to comprehensive productivity and patient outcomes data using an analytics dashboard.

**Basic Version, single-user (Free)**

* Create user profile
* Create patient profiles
* Maintain patient problem lists, medication lists, and allergy lists
* Create and modify disease state interventions
* Log patient encounters (episodes of care)
* Manage patients and interventions across multiple encounters
* Track medication adherence and disease-state goal statuses
* View limited productivity and outcomes statistics

**Premium Version, multi-user ($50/user/month)**

* Create and maintain multiple practice site(s)
* Link multiple users to practice site(s)
* Batch import patient profiles from EHR, PMS, etc.
* Access to analytics dashboard
  + Compile data from multiple providers across all practice sites
  + View, compare, and benchmark productivity and outcomes-based performance metrics across all providers
  + Monitor and analyze patient outcomes
  + Generate downloadable, raw data reports

**Product Wireframe**

Click on the graphic below to view the DocStation patient management workflow mock-up video. The wireframe demonstration provides a preview of how providers will use the solution to manage patients and log interventions. The user interface is designed to be simple, efficient, and integrated into the patient care process.

**Video 1:** PhEHR Workflow Demonstration

***Click to Preview***

*[](https://www.youtube.com/watch?v=rVejH35DXkU)*

**Market Analysis**

Traditional pharmacy software systems are focused on dispensing and billing prescriptions. However, prescription profit margins are shrinking and healthcare is transitioning to a value-based payment model. Pharmacists are adapting by providing clinical services and improving patient outcomes, reducing the cost of care for health care payers.

The pharmacy technology market is broad and complex ranging from large EHR vendors to specialized tools that integrate into comprehensive pharmacy platforms. The total market for electronic pharmacy software is estimated to be worth $1.9B in North America with $603M in the outpatient pharmacy sector.[[1]](#endnote-1)

Pharmacy management system (PMS) vendors are the most common in the market, with over 50 companies offering general PMS systems or specialized solutions (e.g., long term care, compounding, etc.). These products are focused on dispensing and billing prescriptions for traditional pharmacy business models. Large EHR vendors (e.g. Cerner, EPIC) provide PMS solutions as part of a larger suite of comprehensive patient care software for health systems, hospitals, and ambulatory clinics.

The Medication Therapy Management (MTM) sector is dominated by a few large companies. MTM vendors contract directly with Medicare Part D managed care plans to facilitate pharmacist-provided MTM services for Medicare patients. Once a contract is secured, the vendors engage independent and retail pharmacists across the country to carry out the services. Pharmacists use vendor-specific web-based software to view limited pre-populated clinical data obtained from Part D plan claims information. Pharmacists can be reimbursed anywhere from $10 to $60 for a patient encounter, which is often cited as marginal or cost-prohibitive based on the time required for scheduling a patient visit, obtaining patient records from physician offices, conducting the visit, and documenting the care provided to generate a claim. Pharmacists often use more than one MTM vendor system in their workflow because they may provide care to patients enrolled in different Part D plans. MTM vendor systems are focused on generating claims for Medicare Part D patients. This complex workflow makes it pointless to provide care to other patients using these system, especially since those services not eligible for reimbursement.

Specialty pharmacy is an emerging area of the market with billions of dollars at stake. Specialty pharmacies require software for clinical documentation and data reporting to obtain accreditation. Accreditation leads to millions of dollars in additional revenue for pharmacies from additional prescription benefit contracts and access to manufacturer-controlled limited distribution drugs. Major specialty pharmacies operate call centers and most specialty pharmacy documentation systems are built around this workflow. There are many academic medical centers and independent pharmacies entering this space and desire a product that accommodates their patient care process. There is no public data on this vendor market, but an academic medical center reported paying $9600/month one of these systems.

Colleges of Pharmacy are also participants in this space. Pharmacy education accreditation encourages colleges to demonstrate the impact that pharmacy students have on patients during their training. Student evaluation software vendors have added functionality to their products to accommodate this.

The pharmacy software system market is a highly competitive space filled with comprehensive and specialized products. However, these vendors offer out-of-date products built around complex billing processes, accreditation requirements, federal MTM regulations, and call center service models. Pharmacists need a simple, efficient tool with design focused on the pharmacist experience and integrated into a direct patient care workflow. Pharmacists are must be able to efficiently and effectively document patient care to demonstrate impact on patient outcomes. DocStation will be designed for this purpose and able to adapt to compete in any of the markets described above.

**Customer Analysis**

DocStation target customers are pharmacists providing patient care in the outpatient setting. Pharmacists provide a variety of patient care services including medication reconciliation, education, and disease state management in a variety of settings. In some settings, the primary role of the pharmacist is direct patient care. In most settings, the pharmacist’s primary role is dispensing medications and patient care services are provided when time permits. Interruptions in workflow are frequent and expected. Patient care documentation often occurs after services are provided and in the form of a free text note or note template. Target customers are strapped for time and find value in a simple documentation system used at the point of care, eliminating lengthy documentation after the care is provided.

There are over 67,000 retail pharmacies, more than 7,000 hospitals, and 132 colleges of pharmacy in the United States. Independent retail pharmacies providing disease state management services, medical-surgical hospitals with ambulatory care pharmacy services, and all colleges of pharmacy are included in the target market for DocStation.[[2]](#endnote-2),[[3]](#endnote-3),[[4]](#endnote-4) Professional pharmacy association research shows that 37% of independent pharmacies provide disease state management services and 31.4% of medical-surgical hospitals provide ambulatory pharmacy services. Based on this data, there are a total of 9,985 potential customers in the target market. Financial projects are based on an average of two users per premium customer subscription.

**Table 2:** PhEHR Total and Target Market Projections

|  |  |  |
| --- | --- | --- |
| Customers | Target | Total |
| Retail Pharmacies |  | 67,000 |
| Independent | 8,317a | 22,478 |
| Other |  | 35,618 |
| Hospitals |  | 7,053 |
| Medical-Surgical | 1,536b | 4,893 |
| Specialty |  | 2,214 |
| Colleges of Pharmacy | 132 | 132 |
|  |  |  |
| Total | **9,985** | **74,175** |

a 37.0% of independent pharmacies provide disease-state management services

b 31.4% of medical-surgical hospitals provide ambulatory pharmacy services

**Diagram 2:** PhEHR Total and Target Market Value



**Total Market** – $603M

74,175 Customers

180,124 Users

**Target Market** – $23M

9,985 Customers

39,405 Users

**Marketing Plan**

Target customers are a small subset of entities who are most likely to use and realize value from the software. Estimates for target market adoption are realistic and conservative.

**Table 3:** PhEHR Market Adoption Projection

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **% TMa** | **Customers** | **Users** |
| **Year 1** | **0.5%** | 42 | 197 |
| **Year 2** | **2%** | 170 | 788 |
| **Year 3** | **5%** | 430 | 1970 |
| **Year 4** | **10%** | 860 | 3940 |
| **Year 5** | **15%** | 1290 | 5910 |

aTM = target market

DocStation will be marketed as a “freemium” software solution. All users will be granted basic access to the web-based software after creating an online account and providing contact information. Basic users will have access to core software features used to document patient care, log encounters, and track interventions over time. Basic users will also have access to a provider dashboard that shows a high level overview of productivity and patient outcomes. Releasing a free basic version of DocStation will encourage market adoption and establish a user group that will be targeted for conversion to a paid premium subscription model.

The “freemium” model is the core strategy for market adoption and allows immediate access to DocStation at no cost from a simple web address. Indirect marketing strategies will be implemented including advertisements from industry partners and hosting exposition booths at key conferences. A DocStation blog will be developed to educate potential users on the value of clinical documentation, data, reporting, and analytics that promote the value of the software.

Targeting large potential customers through direct marketing will be critical to establishing initial paid premium subscriptions. Members of the leadership team will reach out to multi-store independent pharmacies, academic medical centers, and colleges of pharmacy to cultivate interest and promote the product.

**Financial Analysis**

Financial projections for DocStation are strong. Premium access will be priced at $50/user/month and is designed for multi-user sites. Premium users will have access to features that optimize the software including batch importing patient profiles from a primary patient care system (e.g., EHR or PMS), creating practice sites allowing multiple user access to each patient profile, and compiling all patient and provider data into one, robust analytics platform.

Hospital systems typically spend millions of dollars per year on EHR maintenance fees. Retail pharmacies spend $11,000 annually on average for software systems. In addition, large implementation fees are incurred as initial costs when adopting a new software product. DocStation customers will not be charged implementation fees. Based on projections of two users per customer, typical premium subscription fee would be $100 per month or $1200 per year, a fraction of what is spent on a hospital EHR system and around 10% of the average amount spent on software per year for a retail pharmacy.

As the product evolves, a DocStation PMS could be offered at a flat fee of $12,000 per customer annually. Increases in revenue are estimated at $10,800 per year per converted customer (see “Plan To Scale” section on Page 13).

**Table 4:** PhEHR Financial Overview

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** | **5 Year Total** |
| **Customers** | **42** | **170** | **430** | **860** | **1290** | **1290** |
| Target Market % | 0.5% | 2% | 5% | 10% | 15% | 15% |
| **Revenue** | **$50,400** | **$204,000** | **$516,000** | **$1,032,000** | **$1,548,000** | **$3,350,400** |
| Expenses | $437,766 | $429,766 | $744,178 | $669,178 | $849,100 | $3,129,988 |
| **Margin** | **$(387,366)** | **$(225,766)** | **$(228,178)** | **$362,822** | **$698,900** | **$220,412** |
| Margin % | -88% | -53% | -31% | 54% | 82% | 7% |

**Table 5:** **PMS Adoption Financial Projection**

(adoption in Year 5)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **PhEHR Customers** | **PMS Customers** | **% PMS Customers** | **Revenue Year 5** | **Margin Year 5** |
| 1290 | 0 | **0%** | $1,548,000 | **$698,900** |
| 1226 | 65 | **5%** | $2,244,600 | **$1,395,500** |
| 1161 | 129 | **10%** | $2,941,200 | **$2,092,100** |
| 968 | 323 | **25%** | $5,031,000 | **$4,181,900** |
| 645 | 645 | **50%** | $8,514,000 | **$7,664,900** |

**Table 6:** PhEHR Financial Proforma

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** | **Total** |
| **Revenues** |  |  |  |  |  |  |
| Subscriptions | $50,400 | $204,000 | $516,000 | $1,032,000 | $1,548,000 | **$3,350,400** |
| **Total Operating Revenue** | $50,400 | $204,000 | $516,000 | $1,032,000 | $1,548,000 | **$3,350,400** |
|  |  |  |  |  |  |  |
| **Total Revenue** | **$50,400** | **$204,000** | **$516,000** | **$1,032,000** | **$1,548,000** | **$3,350,400** |
|  |  |  |  |  |  |  |
| **Expenses** |  |  |  |  |  |  |
| Personnel Expense | $330,966 | $330,966 | $502,578 | $502,578 | $612,900 | **$2,279,988** |
| Rent/Mortgage ($2/sq ft) | $6,000 | $6,000 | $24,000 | $24,000 | $24,000 | **$84,000** |
| Utilities (phone, internet, etc.) | $4,800 | $4,800 | $9,600 | $9,600 | $19,200 | **$48,000** |
| Office Supplies | $5,000 | $5,000 | $10,000 | $10,000 | $50,000 | **$80,000** |
| Software Subscriptions | $5,000 | $5,000 | $10,000 | $10,000 | $10,000 | **$40,000** |
| Cloud Storage/HIPAA | $20,000 | $20,000 | $20,000 | $20,000 | $20,000 | **$100,000** |
| **Total Operating Expenses** | $371,766 | $371,766 | $576,178 | $576,178 | $736,100 | **$2,631,988** |
|  |  |  |  |  |  |  |
| Recruiting/HR | $- | $- | $5,000 | $- | $- | **$5,000** |
| Legal | $6,000 | $3,000 | $3,000 | $3,000 | $3,000 | **$18,000** |
| Accounting/Bookkeeping | $- | $- | $5,000 | $5,000 | $5,000 | **$15,000** |
| Copy Editing | $- | $- | $5,000 | $5,000 | $5,000 | **$15,000** |
| Marketing | $30,000 | $30,000 | $30,000 | $30,000 | $30,000 | **$150,000** |
| Travel | $20,000 | $20,000 | $50,000 | $50,000 | $50,000 | **$190,000** |
| **Total Other Expenses** | $56,000 | $53,000 | $98,000 | $93,000 | $93,000 | **$393,000** |
|  |  |  |  |  |  |  |
| Fixtures, Furniture, Equipment | $10,000 | $- | $50,000 | $- | $- | **$60,000** |
| Workstations | $- | $5,000 | $20,000 | $- | $20,000 | **$45,000** |
| **Total Capital Expenses** | $10,000 | $5,000 | $70,000 | $- | $20,000 | **$105,000** |
|  |  |  |  |  |  |  |
| **Total Expenses** | **$437,766** | **$429,766** | **$744,178** | **$669,178** | **$849,100** | **$3,129,988** |
|  |  |  |  |  |  |  |
| **Net Margin** | **$(387,366)** | **$(225,766)** | **$(228,178)** | **$362,822** | **$698,900** | **$220,412** |
| **Net Margin %** | **-88%** | **-53%** | **-31%** | **54%** | **82%** | **7%** |

**Competitive Analysis**

Competition in the pharmacy documentation market is complicated. There are a variety of competitors offering a wide-range of solutions, but no product designed around the provider experience. Most systems are out-of-date and built around complex billing processes, accreditation requirements, federal MTM regulations, and call center service models. Several of these systems provide means to document patient care, but are not well integrated into the patient care workflow.

Possible direct competitors are Mirixa, OutcomesMTM, SinfoniaRx. These companies are MTM vendors and contract directly with pharmacists that provide MTM services to Medicare Part D beneficiaries. Pharmacists provide MTM and are required to document care using web-based software provided by the vendors to generate a claim to bill for the service. Providers may use these solutions to document patient care independent of payer source. However, only 35% of pharmacists report using one of these vendor solutions.[[5]](#endnote-5)

**Competitive Advantages**

DocStation will be designed around the provider experience in a direct patient care environment. This will allow developers to produce an extremely innovative product that will be a differentiator in the industry. DocStation will be a payer-independent product and used for all patients receiving pharmacy services.

* Intuitive design, integrated within patient care workflow
* Simple implementation, web-based SaaS software
* Quick documentation process, eliminating free text
* Easy to maintain patient profile, problem list, medication list, and allergy list
* Analytics dashboard for productivity tracking and outcomes analysis
* Freemium model to maximize market adoption rate

**Table 7:** Existing Pharmacy Software Solutions

|  |  |  |  |
| --- | --- | --- | --- |
| Solution | Company | Type | Customers |
| Cerner Eterby | Cerner | EHR | **1000+**  **↓** |
| EPIC Willow | EPIC | EHR |
| Mirixa | Mirixa | MTM |
| OutcomesMTM | OutcomesMTM | MTM |
| SinfoniaRx | SinfoniaRx | MTM |
| Abacus Pharmacy Plus | AbacusRx | PMS |
| BestRxWin | Best Computer Systems | PMS |
| CLIN1 Pharmacy | Clinical Software Solutions | PMS |
| HBS Pharmacy Software | Health Business Systems | PMS |
| Liberty | Liberty Software | PMS |
| LPS | Lagniappe Pharmacy Services | PMS |
| McKesson Enterprise | McKesson | PMS |
| Medeil | Vanuston Intelligence | PMS |
| MedicoInfra | SquareUp Software | PMS |
| NRx, SharpRx | QS/1 | PMS |
| PharmaCODE | SoftDent | PMS |
| Pharmacy Management | Visual Infosoft | PMS |
| PioneerRX | PioneerRx | PMS |
| PrescribeWellness | PrescribeWellness | PMS |
| PrimeRx | MicroMerchant Systems | PMS |
| PROScript 2000 | Prodigy Data Systems | PMS |
| VIP PMS | VIP Computer Systems | PMS |
| WinRx | Computer-Rx | PMS |
| Macroni Pharmaceutical | DiverseIT Business Group | PMS |
| PrimeCare | QS/1 | PMS - LTC |
| FieldSyncRx | FieldSync | PMS - Add-On |
| RxConnect | Netsmart Technologies | PMS - Add-On |
| FSI PMS | FSI | PMS | **500-999**  **↓** |
| MerchantSoft | Emporos Systems | PMS |
| Spine BMS | Spine Software Systems | Manufacturing |
| Winpharm | Datascan | PMS |
| 30+ Other Pharmacy Software Vendors | | | **<500** |

**Plan to Scale**

DocStation is structured to scale. Clinical documentation is the core functionality and provides a niche solution for pharmacists providing patient care. As the solution is adopted and basic users are converted to premium subscribers, profits will be dedicated to adding workforce and expanding product functionality in Years 3, 4, and 5.

Developing the original PhEHR solution into a PMS is a strategic move for both business and function. An integrated clinical and distributional pharmacy solution will allow outpatient pharmacies to manage all aspects of pharmacy services within one system. Existing DocStation customers will be ideal candidates for the next stage PMS product. Converting existing PhEHR users to the DocStation PMS will increase revenues substantially. Long-term future enhancements include further development of DocStation into a comprehensive EHR.

**Diagram 1:** DocStation Future Enhancements

**Table 1:** DocStation Future Enhancements

|  |
| --- |
| **Pharmacy Management System (PMS)** |
| * E-prescription intake and image scanning * Prescription processing and verification * Claim submission for medication dispensing * Point-of-sale system * Refill synchronization * Fully integrated with pharmacy documentation platform |
| **Ambulatory Electronic Health Record (EHR)** |
| * Patient registration and scheduling * Labs and imaging * Charting * E-prescribing * Claim submission * Fully integrated with PMS |
| **Complete Electronic Health Record (EHR)** |
| * Fully integrated ambulatory and hospital EHR platform |

**Team**

The DocStation team is led by Samm Anderegg, Pharm.D., MS, BCPS. Dr. Anderegg is a licensed pharmacist with experience in direct patient care, pharmacy management, ambulatory care, retail pharmacy, revenue cycle, clinical research, and health information technology. After graduating pharmacy school, he completed a two-year residency focused on pharmacy practice and administration. He has worked as a pharmacy manager in an academic medical center responsible for oncology and ambulatory care services and currently serves as a health information technology consultant, specializing in pharmacy documentation and interoperability.

**Summary**

Pharmacists need a solution to efficiently and effectively document patient care to demonstrate positive impact on patient outcomes in a value-based health care reimbursement environment. The proposed product has a positive financial projection in a niche market and is designed to scale creating additional revenue potential. DocStation is a solution that will meet the needs of the market and contribute to improving patient outcomes.

**Sources**

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