STATEMENT OF

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BEFORE THE

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SUBCOMMITTEE ON COMMUNICATIONS AND TECHNOLOGY

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21ST CENTURY TECHNOLOGY FOR 21ST CENTURY CURES

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Good morning Chairmen Walden and Pitts, Ranking members Pallone and Eshoo and
distinguished members of the Subcommittees. My name is Jonathan Niloff, and I currently serve
as Vice President and Chief Medical Officer for McKesson Connected Care & Analytics. I
appreciate the opportunity to appear before you today.

My background includes practicing as a gynecologic oncologist, serving on the faculty of
Harvard Medical School and as president of a hospital physician network in Massachusetts that
was accountable for the quality and cost of care for over 450,000 patients. I was also the founder
and Chief Medical Officer of MedVentive, a provider of population and risk management tools
developed to improve healthcare quality and cost for health systems, multispecialty clinics and
payers nationwide. In my current role at McKesson, I consult with hospitals and health systems
across the country and engage in the development and deployment of health information
technology solutions that improve the quality of patient care. These experiences have reinforced
my belief in the imperative for innovation in health information technology (health IT). I have

seen first-hand the power of health IT to improve outcomes, reduce costs and, perhaps most importantly, accelerate the pace of change in our healthcare system.

For over 180 years, McKesson has led the industry in the delivery of medicines and healthcare products. As the nation's largest distributor of pharmaceuticals, we pride ourselves on the efficiencies that we bring to the healthcare system every day by delivering one-third of all medicines safely and rapidly to pharmacies, hospitals, physician offices, skilled nursing facilities and government locations, including every Department of Veterans' Affairs facility, across the country.

As the largest health IT company in the world, McKesson has decades of experience serving the health IT needs of the largest and most diverse provider base in the industry, including 52 percent of our nation's hospitals, 20 percent of all physician practices and 16 percent of home care agencies, which support more than 50,000 home care visits annually. We process billions of financial healthcare transactions among physicians, hospitals, pharmacies, insurers and financial institutions, and provide care and claims management solutions to most of America's health insurance companies. Through RelayHealth, McKesson's connectivity business, McKesson is connected to more than 90 percent of U.S. pharmacies. We serve as the Centers for Medicare & Medicaid Services (CMS) Transaction Facilitator for the Medicare Part D prescription drug benefit. We manage millions of aggregated personal health records as the leader in connecting patients online with their physicians, hospitals, reference laboratories and health plans and as a participant in community and regional health information exchanges. Our connectivity business enables population and performance management analytics that support new payment and delivery models.

In short, we are actively engaged in the transformation of healthcare from a system burdened by paper to one empowered by interoperable electronic solutions that improve patient safety, reduce the cost and variability of care and advance healthcare efficiency.

There is a significant opportunity to improve healthcare in this country. While we continue to achieve better care for specific diseases through new drugs and new devices, we have an

opportunity for greater impact if we can fundamentally transform our care delivery system. We need to move from a fragmented transactional model of care where each patient-clinician encounter is disconnected from the other to a model where care is coordinated across the continuum and where, while optimizing the care of every individual, we are managing populations proactively.

Interoperable health IT is foundational to this transformation. We cannot change the healthcare delivery model without it. Health IT will drive quality improvements, make our care delivery system more efficient and improve the experience for patients and their families. The automation provided by technology will allow us to cost effectively achieve these goals at scale.

Today, I want to share two recommendations, related to technology, which will significantly advance healthcare in the 21st century:

First, we must align payment and care models to fully harness the potential of interoperable technology. Coordinated care can dramatically improve the quality, safety and affordability of healthcare, but this new care model must be built on a foundation of interoperable health IT.

Second, we need a new risk-based regulatory framework that is specific to health IT. A new framework will foster innovation in the development of health IT solutions and leverage the power of those solutions to transform healthcare.

New Care Models for the 21st Century

To transform our care delivery model, we must first solve the challenge of interoperability. Today, our healthcare delivery system lacks a universally adopted, easy, affordable way to allow the frictionless movement of patient-centered data across all settings of care.

Achieving widespread interoperability requires a multifaceted approach. Over the last few years, industry has made significant progress. Vendors are collaborating and improving their products to offer a more interoperable solution to their customers, and we need to continue to support and encourage this progress. As provider organizations evolve their models to focus on value rather

than volume, we must align reimbursement and payment systems to promote coordinated care powered by seamless interoperable connectivity. The Office of the National Coordinator for Health IT (ONC) should continue to provide common guardrails for exchange of healthcare information while providing flexibility within those guardrails to allow for industry innovation.

McKesson supports a collaborative effort among all healthcare stakeholders to develop uniform standards, coordinated policies and the infrastructure necessary to support secure health information exchange to promote interoperability among IT systems. This collaboration will allow for the development of longitudinal patient records across all settings of care and will support the coordination of care between post-acute, long-term, and inpatient settings to proactively prevent readmissions and effectively manage care transitions.

Interoperability is becoming a reality. Automation is here, and efforts to align payment models with care models supported by the exchange of health information will spur the market to innovate and, ultimately, transform our healthcare system for the 21st century.

Interoperability and CommonWell™ Health Alliance

An example of innovation and interoperability in the private sector today is the CommonWell Health Alliance. CommonWell is an independent association, founded by McKesson in partnership with our industry competitors, to create vendor-neutral services and standards that will break down the barriers currently inhibiting effective health data exchange. Today, its members include McKesson, RelayHealth, athenahealth, Cerner, Greenway, Allscripts, CPSI, Sunquest, Brightree, MacPractice, MEDHOST and CVS Caremark. The goal is to dramatically improve the quality and cost effectiveness of care nationwide by enabling seamless sharing of patient data, no matter the setting of care, with the individual's consent.

Currently, services provided by CommonWell facilitate patient consent, identify and match patient records across healthcare settings, securely access clinical data in near real-time regardless of where the care was delivered, and transfer the data directly to existing health IT software systems.

We have made significant progress in 18 months. In the near future, patients will be empowered to manage their healthcare and better able to utilize new electronic tools to manage and authorize those who can access their medical history. Technology barriers will no longer constrain who can access a person's record; with appropriate consent, technology will instead support a trusted network for accessing and managing the delivery of the right data, to the right place, at the right time.

Interoperability and Coordinated Care

A good example of the power of interoperability and coordinated care may be found in the military health system. Since 2009, RelayHealth, a division of McKesson, has provided a patient engagement portal solution to the Defense Health Agency, which includes the joint services of Navy Medicine, Air Force Medical Service, the Army Medical Department and the National Capitol Region Medical Directorate.

Today, this system manages over one million patient connections to over 25,000 clinical users, including physicians, nurses, pharmacists, medics and corpsmen at every military treatment facility, branch clinic and community-based medical home around the world.

Servicemen and women, retirees, and their families can access this patient portal online to connect to their healthcare teams and records, both inside the military healthcare system as well as with a growing network of civilian healthcare partners. This portal enables them to manage medical appointments, arrange webVisits®, communicate with medical providers and staff, receive alerts for important check-ups or vaccines, request medication refills, and access educational materials on medical conditions or prescriptions. More than 35,000 new members of the U.S. Armed Forces and their families enroll in this patient portal each month throughout the world. The service has a 94 percent patient satisfaction rating.

This portal is helping the Military Health System create a stronger patient-centered and coordinated care model to meet their goals of improving the care experience, reducing the per capita cost of care and improving safety and outcomes while ensuring the readiness of the force.

We have the potential to replicate the success of this patient-centered coordinated care model among widespread populations, but we cannot get there without making these innovative solutions interoperable. Patients and their providers must be able to seamlessly access information about the care they receive across multiple care settings.

Health IT Innovation for the 21st Century

Fostering innovation in the private sector is critical to healthcare transformation, but there is also a role for Congress to play. Policy changes are needed to reflect current advances in technology and promote ongoing innovation. A 21st century healthcare system demands 21st century policies.

McKesson has endorsed a new regulatory framework for health IT recommended in the Bipartisan Policy Center 2013 report: *An Oversight Framework for Assuring Patient Safety in Health Information Technology*. The new framework establishes three categories of health IT according to potential risk to the patient and the opportunity for clinical intervention. We believe Congress should amend the Food, Drug and Cosmetic Act to establish guidelines defining each of these categories of health IT and then oversee implementation of these guidelines by federal agencies. Specifically, the Act should be updated to provide clarity that clinical and administrative software should not be regulated as a medical device.

Conclusion

To realize a true 21st century healthcare system, we need a fundamental change in our healthcare delivery model. We need to replace a fragmented transactional system with patient-centric coordinated care. This transformation has begun, but we must dramatically accelerate the pace of change.

To do so, we must harness the power of technology. We must align reimbursement and payment models to promote not only the adoption, but also the interoperability of health IT. Congress must also update the law to codify how health IT will be regulated in a way that is predictable and fosters innovation while assuring patient safety. If we are successful, the result will be better outcomes, better access, better cost efficiency and better experiences for patients and their families.

McKesson appreciates the opportunity to share our views on 21st century cures in health IT with the members of the Subcommittees. We look forward to continuing to work with you toward transforming our healthcare system through the development and use of technology.