



Prescriptions *Medical Alert*

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Solutions for Data Storage and Protection

Safeguarding patient information is a professional responsibility physicians take very seriously. But the challenge of storing and protecting confidential data has become more complex since many practices have moved from paper to electronic records. Under the final security rule of the Health Insurance Portability and Accountability Act of 1996 (HIPAA), practices are required to take administrative, technical, and physical security measures with regard to the electronic storage and transmission of protected health information (PHI). To ensure compliance and avoid service disruptions, all practices using electronic records must have procedures in place for data backup, storage, and recovery.

Under HIPAA, health care providers are obliged to securely store and reliably make accessible patient information, authorizations, and other important documentation for periods of at least six years. These long retention periods, combined with the increased use of digital imaging, means that the amount of storage space required by practices will almost certainly grow.

Traditionally, most small organizations have met their storage needs using Direct Attached Storage (DAS) devices, or disk drives that attach directly to computers or file servers. But practices with several servers may find DAS systems inefficient, as some disk drives run out of space, while other drives have extra storage capacity that cannot be used for other purposes. In addition, servers with DAS devices must use processing power to perform storage-related chores.

One of the biggest disadvantages associated with DAS systems is that recovery from a disaster can be slow and laborious. Each server makes its own magnetic backup tapes,

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which are delivered by courier at regular intervals to a remote site usually managed by a disaster recovery firm. In the event of a breakdown of one or more servers, the organization sends for the backup tapes, which are used to rebuild each individual server.

By comparison, network-based storage systems are more efficient, especially in the event of a disaster. Networked systems separate storage from individual servers, pooling data in a central location where it can be accessed throughout the organization. There are several network-based options available.

The Network Attached Storage (NAS) system is a good choice for many smaller practices, as NAS devices are relatively inexpensive and easy to set up. Files stored through a NAS system are accessible over a standard wired Internet protocol (IP) network. In a process known as “mirroring,” NAS devices with at least two disk drives can write data to more than one drive, ensuring that data is not lost if one drive malfunctions. If the main drive fails, the second can be activated quickly, thus minimizing service interruptions. However, because data traffic from multiple servers travels across the local area network (LAN) to the central storage device, network congestion can result, slowing communication and backup.

High-performance Storage Area Networks (SANs) connect servers and storage in a separate network. In the past, SANs were considered too expensive and unwieldy for smaller practices, but certain types of SAN systems are becoming increasingly affordable and manageable.

TIPRA Extends Savings

A \$70 billion tax cut package, the Tax Increase Prevention and Reconciliation Act (TIPRA), became law on May 17, 2006. At the center of this legislation is the extension of lower long-term capital gains and dividend rates through 2010. In addition, this measure provides AMT relief. To balance these tax breaks with revenue-raising provisions, this bill applies the “kiddie tax” to children under age 18 instead of age 14, effective immediately, and permits higher-income taxpayers to convert traditional IRAs to Roth IRAs, beginning in 2010.

The most powerful SAN technology is Fibre Channel, which connects servers, storage, and backup drives over a dedicated, high-speed optical fiber network. Fibre Channel SANs typically have several disk and tape drives attached for backup, but data may also be sent to a remote location for storage. Because the system uses optical fiber, data is transferred at high speeds—and without the use of a courier—to the remote storage center, where it is saved on disk drives and magnetic tapes. In the event of a disaster, the remote disk drives can be activated almost immediately, restoring applications and access to data.

A less expensive and more manageable alternative to Fibre Channel is iSCSI (Internet Small Computer System Interface) SAN, which performs many of the same networking functions but runs over Ethernet cabling, rather than requiring a specialized network.

When weighing storage options, practices should consider not just the price of each system relative to its performance, but also the potential costs associated with a system failure or lost data. Scalability may also be an issue, as NAS and SAN systems can be more easily expanded to accommodate additional data storage and applications than DAS systems. Given the escalating requirements for storing and protecting data, a large upfront investment in a more sophisticated storage system could pay for itself over time. *P*

Good News for Investors

TIPRA extends the 15% tax rates on long-term capital gains and qualified dividends through 2010. Put in place by the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA), these reduced rates had been due to expire at the end of 2008. Taxpayers in the 10% and 15% income tax brackets pay 5% through 2007, and then zero tax on long-term gains from 2008 through 2010. Prior to the enactment of JGTRRA, the top rate for long-term capital gains was 20%, while dividends were taxed as ordinary income at a maximum rate of 35%.

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Point of Care Dispensing: Does It Make Sense for Medical Practices?

Writing prescriptions and handing out drug samples to patients is routine for physicians, but many doctors assume that dispensing prescribed medications for a profit could represent an ethical conflict. Yet, growing numbers of physicians are discovering that, in addition to generating income, there are sound clinical reasons for providing patients with the opportunity to fill their prescriptions before leaving the doctor's office.

Improving Patient Compliance

The percentage of patients who fail to fill or refill their prescriptions could be as high as one-third, according to some estimates. The added step of having to go to a pharmacy to purchase their medications or mail in a prescription to get a cheaper rate from an insurer often discourages patients from obtaining drugs they consider to be non-essential. Patients with no insurance or large deductibles may balk at having to pay the high prices for some drugs charged by pharmacies, while patients who are concerned about their privacy may be reluctant to fill certain types of prescriptions in public places. In addition, research shows that pharmacies make mistakes in medication type, dosage, or strength when filling around 5% of all prescriptions.

Some of these problems can be averted when a medical practice dispenses prescription drugs on-site. Patients who are feeling ill or have just undergone minor surgery are likely to heal more quickly and be more satisfied with their care when they are able to go straight home from the doctor's office following an appointment. Physicians who dispense prescriptions also gain greater clinical control. As a dispenser of drugs, a physician can more carefully monitor a patient's prescription history, which can be particularly helpful in tracking pain medication and antibiotic usage.

Critics of point of care dispensing claim that some doctors exploit patients by charging more than pharmacies for some medications. Concerns have also been raised that, when medical practices make a profit from dispensing drugs, physicians are more likely to prescribe drugs the patient does not need or choose a more expensive drug that happens to be available in the office dispensary.

Using Technology to Manage Dispensing

But given the technology now available through specialized service providers, physicians should find it possible to dispense drugs at competitive prices, while still turning a modest profit. Most practices use an outsourced dispensing management system that automates the dispensing process and handles insurance transactions. Software programs that track the prescriptions written in a practice over a period of time can help to pinpoint what types of drugs the practice should stock. Once a dispensary is in place, physicians can use the software to track the medications distributed to individual patients and check that patients with chronic conditions are refilling their prescriptions as recommended. Many dispensary software programs also control inventory, maintain records, and print prescription labels. Because the tasks involved in dispensing drugs are largely handled by the service provider, most practices do not need to hire additional staff.

There are some potential regulatory and legal hurdles physicians should take into account before setting up a point of service dispensary in their practices. Since some states restrict dispensing by physicians, it is essential to check applicable laws before proceeding. Physicians should also be aware that they are legally responsible for drugs dispensed by their practices, regardless of who actually hands out the medications.

When administered with the best interests of the patient in mind, point of service dispensing can, however, offer significant advantages that go beyond greater convenience for patients and additional profits for practices. Because physicians who are directly involved in distributing drugs become more conscious of the cost of medications, these doctors are also likely to be more resourceful in helping patients minimize their prescription drug expenditures. Through closer monitoring of drug intake, physicians may also be able to achieve better clinical outcomes for some patients, especially those who have previously failed to adhere to prescribed therapies. *P*

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AMT Relief

This legislation also raises the 2006 AMT exemption amounts to \$62,550 for married couples filing jointly and \$42,500 for single filers. If no congressional action had been taken, the exemptions for the 2006 tax year would have fallen to \$45,000 for joint filers and \$33,750 for individuals. Under the new law, taxpayers may use all nonrefundable personal credits to offset AMT liability.

Expanding the Kiddie Tax

The law also raises the age limit for the “kiddie tax” from 14 to 18 years of age. These new rules take effect in 2006. Unearned income, such as dividends and interest, exceeding \$1,700 for children under age 18 will now be taxed at the parents’ top rates, unless the child is married and files a joint return. Prior law applied the kiddie tax to children under age 14. This allowed children 14 and older to pay taxes on their investment income at rates most likely lower than their parents’ top rates. An exception applies to distributions from qualified special needs trusts.

Roth IRA Conversions

TIPRA also eliminates, starting in 2010, the current \$100,000 adjusted gross income (AGI) ceiling on converting traditional IRAs to Roth IRAs. Funded with after-tax dollars, Roth IRAs offer tax-free earnings and tax-free distributions, provided you have reached age 59½ and have owned the account for five years when you make withdrawals. Unlike traditional IRAs, Roth IRAs have no minimum distribution requirements at age 70½. Conversions are treated as distributions; therefore, they will be subject to income tax, but you will not be penalized for an early withdrawal.

This legislation also extends enhanced Section 179 expensing through 2009, which benefits business owners looking to write off qualified equipment purchases. Given the temporary nature of this latest reform and the possibility of further changes on the horizon, it is important to regularly review your tax and financial strategies. For more information and specific guidance, consult your tax professional. *P*

Physicians’ Incomes Fail to Keep Pace with Inflation

The real incomes of U.S. physicians fell between 1995 and 2003, with primary care physicians faring the worst, according to a study by the Center for Studying Health System Change (HSC), a nonpartisan policy research organization.

After adjusting for inflation, physicians’ incomes declined on average by approximately 7% between 1995 and 2003, while primary care physicians’ pay decreased by 10.2%, the study found. Results further showed that, over the same period, surgeons experienced an 8.2% fall in real income, but the real pay of medical specialists remained essentially unchanged. These findings are based on HSC’s nationally representative tracking surveys, each of which includes responses from between 6,600 and 12,000 physicians.

“Flat or declining fees from both public and private payers appear to be a major factor underlying declining real incomes for physicians,” said HSC Researcher Ha T. Tu, M.P.A, a study coauthor.

The real incomes of medical specialists, such as gastroenterologists and cardiologists, held steady largely due to the strong growth in the use of tests and procedures over the period, according to the study. Meanwhile, researchers observed, primary care physicians and psychiatrists lost financial ground because they rely more on cognitive-based services, such as the evaluation and management of patients, than on tests and procedures to generate revenues. *P*