



THE HARVARD PROJECT ON AMERICAN INDIAN ECONOMIC DEVELOPMENT

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Pharmacy On-Line Billing Initiative Human Services Division Fond du Lac Band of Lake Superior Chippewa

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Challenged to provide all of the pharmaceuticals needed by Band members and faced with an inability to bill and collect from third-party insurers, the Fond du Lac Human Services Division contracted with a private sector firm to implement a computerized billing system. The first of its kind for Indian Country, the on-line system interfaces with the Indian Health Service's Resource Patient Management System, speeds and enhances the Division's pharmaceutical billing capacity, increases Human Services revenues and improves the quality of care offered to Fond du Lac Band members.

In 1994, the Fond du Lac Human Services Division's pharmacy program faced a financial challenge. Without the capacity to electronically bill third-party payers (private insurers and government programs such as Medicare and Medicaid), the division would be unable to continue providing adequate service to Fond du Lac Band members. The problem stemmed from the fact that Congress had given the Indian Health Service (IHS) authority to collect third-party payments and, subsequently, counted these funds against the IHS's budget – but the IHS never actively pursued collections, leaving tribes to fend for themselves. The IHS's patient record-keeping system (the Resource Patient Management System, or RPMS) was itself a prominent barrier to collections. While effective for health data collection, the RPMS was not designed to deal with billing. As a result, the IHS's direct service clinics and contracted/compacted programs, like Fond du Lac's, lost money on every obligation they failed to collect. The situation worsened as many third-party payers moved to on-line billing systems. Even clinics and programs that had managed to submit bills on paper were suddenly confronted with "wired" payers who found it inconvenient and difficult to respond to paper bills. These collection problems were particularly acute for Indian pharmacies reliant on IHS funding – their budget allocations suffered a double blow from the challenges of electronic billing and rampant pharmaceutical cost inflation.

Fond du Lac responded to this financial challenge with aggressive action. The Band's Human Services Division applied for and was awarded an Indian Health Service Tribal Management Grant to support the purchase of a computerized pharmaceutical record-keeping and billing system from the private sector. Then the Band sought out a vendor, worked with that company to develop a system with the necessary attributes, and installed, tested and implemented the new software. A single year later, the Fond du Lac Human Services Division had in place an on-line pharmacy billing system that both served the Band's financial needs and was compatible with the IHS's RPMS (which was necessary because the Band was obligated to provide data to the IHS in order to continue to receive funding).

At its most basic level, the pharmacy on-line billing system uses an internet connection to automatically bill third-party payers as prescriptions are entered into the computer system by the Band's pharmacy staff. In addition to its billing capabilities, however, the electronic system provides dosing, cost and generic drug substitution information, warns pharmacists of potential allergic and/or adverse drug reactions based on the patient's medical history, updates insurers' formulary lists and creates a printout of these data for pharmacists and patients. Unlike the Indian Health Service's RPMS, the Fond du Lac system was conceived with multiple purposes in mind and, therefore, is more useful from both a financial and a healthcare perspective.

The impacts of the Band's innovation are substantial and wide-ranging. The most direct impact has been on the Human Services Division's finances. Since installing the system, the Band's pharmacy has been able to collect payments for thousands of prescriptions that it would have been unable to collect without on-line billing capacity. The system generated nearly \$37,000 in new revenue in its first year alone (1995) and more than \$625,000 over its first five years of operation. These monies in turn support an expanded pharmacy program and additional, unrelated Human Services programs (such as the Band's optometry clinic and summer day camp), investments that generate a second impact of the billing system – a healthier tribal population. The Fond du Lac pharmacy is able to fill more of the prescriptions its service population needs, is better able to avoid adverse drug reactions, can commit more pharmacist time to patient counseling and fund programs that support diverse aspects of Band members' health. Both of these impacts – on Division finances and citizen health – have been magnified as the pharmacy's success has inspired the Human Services Division to pursue similar technological developments in the Dentistry and Public Health Nursing Departments.

Another significant effect of Fond du Lac's Pharmacy On-Line Billing Initiative has been on the Indian Health Service. According to the IHS Bemidji Area Director, in identifying a problem and seeking an innovative technological solution, Fond du Lac's leadership sparked awareness in the IHS to what was possible and, indeed, what was necessary. Today, the IHS is striving to make its systems capable of meeting the standards set by Fond du Lac.

Yet many tribes have not waited for the IHS system to catch up. Viking Computer Systems, the private sector vendor contracted by Fond du Lac for system development, reports that 50 tribal and IHS pharmacies have purchased and implemented its RPMS-compatible program. This is not surprising given Fond du Lac's experience. The Human Services Division reports that payback on the initial system purchase and on-going system maintenance contracts occurred quickly, that training took a minimal amount of time and that the computerized system sped up service delivery significantly. The only caution to potential tribal purchasers is that market analysis should precede purchase: third-party billing systems pay for themselves only when a critical mass of a pharmacy's or clinic's service population has third-party insurance.

Several factors underlie the Fond du Lac pharmacy program's success. The first is the Band's willingness to exercise real self-determination over healthcare. Rather than being a mere recipient of funds and services, and rather than having the federal government dictate the way in which its health systems would be managed, Fond du Lac made a sovereign, strategic choice to create its own billing and patient record management system. Further, the Band used this decision to reinforce its government-to-government relationship with the IHS. Instead of taking the minimum steps necessary to maintain Indian Health Service funding, the Fond du Lac Human Services Division sought input from and shared results with the IHS

throughout the system development process. Today, the IHS sees Fond du Lac not only as a partner, but also as a leader in health care innovation, an outlook and attitude that can only benefit the Band's ongoing and future health services work.

A second factor in the pharmacy program's success is that the political and institutional culture at Fond du Lac supports initiative and experimentation. The Human Services Division encourages staff at all levels to be innovative, obtain additional training and to engage management. The record of the Reservation Business Committee (tribal government) is also one of helpfulness – it gave the Division the freedom to question IHS practices, to commit staff time and Division resources to a solution whose success potential was unknown, and to negotiate with the private sector vendor without political interference, which greatly eased the vendor's early concerns about working with a tribal entity.

In sum, the Fond du Lac Pharmacy On-Line Billing Initiative is remarkable for the way it challenged the Indian Health Service's standard operating procedures and for the way it harnessed modern technology to increase the Human Service Division's revenues, which improved healthcare. The Initiative's spillover effects – which include an increased technological capacity across the Division and improved prospects for other Indian health clinics – stand as further proof that the Fond du Lac Band is a true leader in Indian and non-Indian health and social services provision.

Lessons:

- Base funding from the federal government does not have to limit the operational capacities of tribes' health care programs. Innovative policy changes may increase revenues and improve service offerings.
- Partnerships between tribes and the private sector can serve as productive avenues for innovation and may offer tribes new resources and opportunities.
- Innovation in tribal government thrives where there is a trust of program staff and a willingness to challenge the status quo and take risks.

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