

The World Wide World: IT Ain't Just the Web Anymore!

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Epocrates: Take two aspirin and sync me in the morning

BY CHRISTINA KOUKKOS

“We are transforming the way medicine is practiced, the way doctors interact with a patient. At the same time, we are transforming how pharmas reach physicians,” says Kirk Loevner, president and CEO of Epocrates, which combines a knowledge base for clinicians with a number of messaging and other communication services. Loevner was formerly CEO at three Internet companies: Pinnacor (néé Screaming Media), a financial services technology company he sold to CBS MarketWatch; PublishOne, a secure online publishing service; and Internet Shopping Network. He also spent ten years at Apple Computer, where he was part of the team that developed desktop publishing.

The company claims a 75 percent market share for electronic medical data on handheld devices for doctors and other health-care professionals, which leaves it ideally positioned to interoperate with providers of electronic medical records (EMR) and the slowly increasing number of e-prescription service providers, someday to include drugstore.com. (SEE **RELEASE 1.0**, JANUARY 2005.) “We’re just one piece of the infrastructure,” he says. “We have the reach and distribution to doctors and they trust us, so we are ready when these other services happen.”

“People think that physicians won’t adopt technology, but that’s not true,” he continues. “They have adopted PDAs faster than any other group has adopted any other technology.” One major factor in this rate of adoption, says Loevner, is Epocrates: “Our adoption curves match almost exactly,” he says. The reason that 85 percent of PDAs used in the medical field are Palms, he claims, is that Epocrates didn’t have a Pocket PC version until about 18 months ago. (About 40 percent of all US doctors use any sort of PDA.)

Epocrates was co-founded in 1998 by Richard Fiedotin (MD) and Jeff Tangney while they were at Stanford Business School. The product was initially developed to help doctors keep track of new drugs,

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drug dosing and other drug treatment information. Fiedotin and Tangney tested it with doctors at Stanford's Student Health Center. The physicians liked it so much that Fiedotin and Tangney decided put it on the Web to see what would happen. Tens of thousands of medical professionals found and downloaded it. "It was all word-of-mouth," says Loevner. "The company didn't do much marketing until about nine months ago," shortly after he joined as CEO. The founders are both still involved in the company; they share a seat on the board and Tangney runs sales. Loevner joined last year to help with the transition from a start-up to a mature company. The company is now building the product on more platforms such as smart phones, and expanding internationally.

The Epocrates service now comprises an updated version of the original portable drug guide for 3000 drugs as well as drug formulas and co-pay information from 120 insurance plans covering 100,000,000 "lives" (as customers are called in the insurance biz). It also includes a guide to diagnoses and treatments for more than 1200 diseases and their causes and symptoms and a separate guide to infectious diseases. Finally, it includes information on 300 different lab tests to help doctors decide which tests to run and to help interpret the results. It even includes medical billing codes for reimbursement for the tests.

The 460,000 active users each pay up to \$140 per year for the service, which lets them sync to a continually updated database of information, and is available on any Palm OS or Pocket PC device. A bit less than half of Epocrates customers – 200,000 – are MDs, 170,000 of whom are in the US. The other 260,000 are physician assistants, nurses, pharmacists and other health-care professionals.

When the user synchs the Epocrates database, the system also delivers alerts about drug recalls, FDA advisories, and so on. It also sends clinical messages and it can conduct polls on behalf of (and paid for by) market research agencies and pharmas, targeting users by specialty, geography and other factors. Doctors have to opt in to take part in polls, but if they participate they are awarded a \$50 "honorarium" on a debit card provided by Epocrates. "Pharmas spend \$25 billion per year on marketing – mostly to physicians,"

says Loevner. “We offer a much higher ROI on their marketing dollars than stamping their brand on prescription pads or paying a sales rep to drive around dropping off drug samples.”

A few weeks ago the company launched a service that allows doctors to take continuing medical education (CME) courses on their mobile devices. Doctors need to earn a certain number of CME credits each year – traditional venues include professional meetings, often sponsored by pharmas – in order to maintain their accreditation. Whereas in the past they often had to attend classes or take a test at a particular time and place, explains Loevner, “Now they can take the course on a handheld. A doctor can do it on his way home or during lunch.” Once finished, they receive their accreditation certificate via e-mail from Epocrates. The company works with Johns Hopkins, Journal Watch (publishers of the *New England Journal of Medicine*) and other health-care institutions that develop CME coursework and transform it into PDA format. Epocrates gets a cut of the fees paid by the sponsoring pharma company for distributing and collecting completed courses and tests.

This may sound like a slightly too-cozy relationship for a provider of purportedly unbiased clinical information to have with pharmas, but Loevner disagrees. “All of our information-gathering and updating activities are monitored by a medical editorial review board,” he stresses. “That part of our business is completely independent of the pharma industry. We have built a trusted brand with the doctors. To them, we are as credible as the leading medical journals.” That trusted relationship is worth too much to the company to degrade the integrity of the diagnostic drug information, he says. And unfortunately it is par for the course in medicine.

Loevner sees the services side of the business, which currently comprises about two-thirds of revenues, growing faster than subscription revenue. This year the company plans to offer international versions of its products and services.