

Will Health IT Reduce Costs and Improve Healthcare Quality?

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With nearly \$20 billion slated toward Health IT as part of the American Recovery and Reinvestment Act of 2009 (ARRA), it is widely presumed that information technology will lower healthcare costs in the U.S. and improve health outcomes among Americans. However, a startling new report from Cambridge Hospital/Harvard Medical School and Partners Healthcare System in Boston contends that there is little evidence to date to substantiate these claims.

"Hospital Computing and the Costs and Quality of Care: A National Study" was published November 20th in the on-line version of the [American Journal of Medicine](#) and is based on data from 2003-2007 provided by HIMSS Analytics, Centers for Medicare and Medicaid Services, and the Dartmouth Health Atlas. Researchers analyzed whether more computerization in hospitals had lowered costs or increased administrative efficiency in the five years examined. Analysis suggested that computerization produced no costs savings or efficiency gains. In fact, it may increase administrative costs in the near term.

The report also examines care quality as it relates to Health IT implementation and found only slight quality improvements, but they were dispersed and not consistent among the 4,000 hospitals examined. The report asserts, to date, computerization has not significantly improved care quality.

The report authors offer several theories as to why information technology is not delivering anticipated cost savings:

- Computerization expenses may offset savings, at least in the short term
- Health IT may need to be in the advanced stages of implementation to realize cost savings
- Hospitals may not be implementing optimal products to increase efficiency

While the industry is struggling with the findings of the Harvard report, Congress is in the throes of enacting legislation that would provide funding to healthcare practices for implementation of information technologies. Legislation has been introduced in the Senate that would authorize the Small Business Administration to grant loans to healthcare providers for purchasing Health IT, including electronic health records systems to meet meaningful use criteria in ARRA.

The House recently passed similar legislation as part of a larger bill (H.R. 3854). Both bills have been referred to the Senate Committee on Small Business and Entrepreneurship.

GovWin's Take

Harvard's study of cost savings and quality issues as related to Health IT implementation in hospitals raises legitimate concerns regarding expected gains in these areas as a result of having adopted information technology solutions. However, monetary and quality returns on investment take time. Health IT implementation in practitioner settings typically result in short term efficiency losses and cost gains. Cost returns on the investment traditionally are realized in a two to five year timeframe. Although the Harvard study attempted to look at lagged effects of computerization, the analyzed timeframe may have been too condensed to show correlation.

In addition, Health IT implementation in hospital settings is still very fragmented at best. GovWin believes that true cost savings and improved outcomes for U.S. population health will begin to materialize in the second stages of the Health IT evolution path. The secondary stage of Health IT evolution involves further widespread computerization of the practitioner enterprise, as well as interoperability and health information exchange among providers, hospitals, pharmacies, insurers, and government entities. The sharing of health data across these organizations allows for better treatments, diagnosis, collaboration, and preventative care.

Finally, the Harvard study used only Medicare cost data as a basis for its analysis. By definition, the cost data examined is related primarily to the U.S. senior population. Because Americans are living longer, Medicare data may falsely skew the resulting analysis. The older population tends to seek medical care more frequently,

and as people age they tend to develop more medical problems. A study of cost and quality data related to an evenly distributed spread of age groups or of younger patients may have yielded different results and conclusions.

GovWin believes that Health IT will produce cost savings and improved health outcomes in the future. However, the timeframe for their realization extends five to ten years in the future and is dependent on widespread Health IT adoption, interoperability, and health information exchange.

Additional Resources:

[Health IT Transformation: FY2009-FY2014 Federal Market Forecast](#)

[Health IT Transformation: FY2009-FY2014 State and Local Market Forecast Hospital Computing and the Costs and Quality of Care: A National Study](#)