



*Connecting People, Process, and Technology  
to Improve Patient Care*

## **Healthcare Costs**

**By Khaleel Rehman**  
Business Transformation Specialist  
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Two issues which dominate discussions in every country in the world are Healthcare and Education. In 1980, the average per capita cost of healthcare in all the developed countries including the United States was approximately \$1000. Today, the healthcare cost in all developed countries, *except* United States, is \$3000 per capita, a 300% increase over the last 30 years. In the US, the per capita cost today is \$7000, an increase of 700% since 1980 and more than twice the other developed countries including Canada. The United States spends 17.5% of GDP on healthcare and it will grow another two percent in the next few years unless something dramatic is done to limit it.

Recently, someone asked the question: “Who is the one individual that has helped save the most money in the US healthcare industry in the last century?” The answer – surprisingly – is Elvis Presley. On October 28, 1956, Elvis got a polio vaccination on national TV. That single event was responsible for raising immunization levels in the US from 0.6% to over 80% in just 6 months. No other single individual has had that kind of impact on healthcare in the US.

More recently, the Obama administration has started focusing on Information Technology to help bring healthcare costs down. These days everyone has heard about the ARRA – American Recovery and Reinvestment Act of 2009. This was a \$787 billion stimulus package to help improve the US economy. A very small (\$19 billion) and little-known part of ARRA was set aside to help jump-start the use of technology in healthcare, specifically the use of EMR – Electronic Medical Records. Under this provision, every hospital and healthcare provider in the country must implement EMR by 2015 in order to receive 100% reimbursement from Medicare and Medicaid.

The Federal Government has put together a framework to establish a Healthcare Network. This network will essentially be a parallel network to the Internet, used only for health information. Currently, efforts are underway to establish Health Information Exchanges (HIE), which will have local and regional hospitals as its members. Individual practices and physicians will be required to belong to one of the hospitals’ networks to get access to the Exchange. This will provide a system where a physician can send a patient’s record from one end of the country to the other using these HIEs.

The planned Healthcare Network will save money in several ways. Take, for example, a person living in California who travels to the East coast, gets sick and ends up in an Emergency Room. The ER physician will be able to look at his health history in real-time and will be able to treat him without duplicating any tests which might have already been done by his physicians in California. Another cost savings could result from the reduction in human-caused errors. With an EMR, a physician will be able to transmit prescriptions directly to the pharmacy a patient specifies, leaving no opportunity for the pharmacist to dispense the wrong medicine or wrong dosage because he or she couldn’t decipher correctly what the doctor wrote. Physicians would be able to order lab work through EMR and receive results electronically as well. The number of other cost-saving benefits to the adoption of EMRs is huge.

To help offset the cost of implementing EMR, the current administration is offering \$44,000 per healthcare provider, which could amount to a great deal of money for some organizations. For example, if a hospital has 100 physicians, they get \$4.4M dollars from the US government. A physician practice with 10 physicians would receive \$440,000. The money will be paid in three stages over the next 3 years with the highest amount being paid in 2011. In order to receive the money, physicians and hospitals must implement the technology and be able to demonstrate it’s Meaningful Use.

The ARRA Act also established Medicare and Medicaid penalties for the hospitals and physicians who do not implement EMR by 2015. After 2015, financial incentives will no longer be available, but healthcare providers will still be required to use EMR if they want to stay in business. By 2015, if providers are not using an EMR system, they will not be able to refer patients to other physicians, they won't be able to send patient information to hospitals, and most of all, they will be penalized by Medicare and Medicaid. This initiative forces every physician, nurse practitioner, dentist, optometrist and even chiropractor to adapt to electronic medical records. It's amazing that 90% of care providers don't currently know about EMR incentives and time is quickly running out for them.

EMR is only one way to reduce HealthCare costs. Other areas currently being addressed include:

- Comprehensive coordinated care
- Change of workforce model
- Support of open standards for technology
- Provider transparency – patients will be able to rate the services they receive from their physician.
- National licensing – physicians should be able to provide service anywhere in the US
- Tort reform – this will reduce the practice of Defensive Medicine; i.e., physicians ordering unnecessary tests to cover themselves in case of a lawsuit.

Other areas which are going to impact healthcare costs include the globalization of care delivery and the virtualization of care delivery.

All these initiatives will change how healthcare is delivered in the US. We have only two choices in order to bring the rising costs under control: adopt these reforms or find another Elvis.