



## It's about the money

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It is not surprising that only 17 percent of surveyed physicians are using ambulatory electronic health records systems. After all, the United States is spending over \$2 trillion and more than 16 percent of the GDP to rank 37th by the [World Health Organization](#) on a variety of quality and access to care measures.

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Such poor results using 20th century pen and paper would be surpassed through the use of 21st century information technology, such as “fully functional” EHRs, in the management of patient care.

Published online by the [New England Journal of Medicine](#) on June 18, 2008, a survey of over 2,700 physicians offered evidence supporting the conventional wisdom around adoption of ambulatory EHRs. Physician use continues to increase but at a pace much slower than most healthcare experts or the public would like.

Physicians surveyed believe their use of EHRs improves quality of clinical decisions (82 percent), communication with other providers (92 percent) and patients (72 percent), prescription refills (95 percent), timely access to medical records (97 percent) and avoidance of medical errors (86 percent). In addition, more than 80 percent report a positive effect on the delivery of long-term and preventive care that satisfies evidence-based guidelines.

Respondents with fully functional systems – those with advanced features such as clinical decision support - reported averting a known drug allergic reaction (80 percent) or a potentially dangerous drug interaction (71 percent), being alerted to a critical laboratory value (90 percent), ordering a critical laboratory test (68 percent), and providing preventive care (69 percent). Physicians also expressed great satisfaction with their systems.

### Financial incentives key to adoption

Considering the positive impact EHRs have on patient care, it is disappointing to realize that barely 17 percent of physicians utilize EHRs in the ambulatory setting. Physician resistance to EHR adoption commonly thought to be due to physician discomfort using computers appears not to be as important as financial considerations. Survey respondents cited capital costs (66 percent) and return on investment (50 percent) as barriers to adoption. In addition, 46 percent of purchasers of systems and 55 percent of non-purchasers of systems cited financial incentives as a major factor in adoption.

Interestingly, about 40 percent of respondents with and without EHRs reported that protecting physicians from personal liability for record tampering by external parties may play a significant role in facilitating adoption. Lastly, large practice groups – greater than 50 physicians - were up to three times more likely to have implemented an EHR than groups of three or fewer.

### Externalities and Adverse Incentives

So, what does this all mean to HIT marketplace? First, President Bush’s goal of providing all citizens with EHRs by 2014 will not be met and the expected improvements in quality, patient safety, and efficiency associated with EHRs will be delayed. Unless healthcare payers – insurers and the government – increase their investment in healthcare IT by raising reimbursement rates for physicians using EHRs, sluggish adoption will continue.

Using the words of economists, the failure to account for the externalities and adverse incentives inherent in our employer-based healthcare delivery system presents a marketplace that delivers poor outcomes, inefficiencies and problems in access. For healthcare IT, this means that the costs of implementing an EHR accrue to the physician while the large majority of the benefits from an EHR – better quality of care and cost savings – accrue to the patient and the payer.

Other countries such as the Netherlands, Australia, New Zealand and Britain have much higher rates of EHR adoption among physicians. It is not a coincidence that they have universal healthcare programs supported by various public and private models of reimbursement and care delivery. In each country, payers recognize the financial benefits of healthcare IT deployment and are incented or required to invest heavily in it.

By adjusting the market through regulations and/or investment, these governments attempt to control externalities to foster aligned incentives that drive good behavior – the adoption of EHRs by physicians. Until the United States adjusts the misaligned incentives and removes the moral hazards inherent in its free-wheeling employer-based healthcare reimbursement system, its citizens cannot reasonably expect to benefit from the widespread deployment of EHRs.

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