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RESEARCH SUMMARY

SHOULD GOVERNMENT SUBSIDIZE ELECTRONIC HEALTH RECORDS?

Health information technology holds great promise for improving public health and playing a role in controlling what many believe is out-of-control healthcare spending in the United States. These hoped-for benefits, combined with a perception that providers' innovative technology is not being adopted quickly enough, contributed to the passage of the Health Information Technology for Economic and Clinical Health Act in 2009, which authorized government subsidies to encourage the adoption of electronic health records (EHRs).

In "Should Government Subsidize Electronic Health Records?," Michael L. Marlow conducts a large-scale analysis of both theory and evidence on the government subsidies of EHRs and finds that government intervention largely failed to achieve its intended goal of spurring technological innovation and the adoption of efficiencies in the healthcare sector.

BACKGROUND

Most medical information is still stored on paper—in filing cabinets at various medical offices, for instance, or in boxes and folders in patients' homes. The industry relies on archaic methods of delivery. For example, a 2012 national survey found that 63 percent of physicians are still using fax technology to support handwritten notes, insurance forms, and lab test result transmissions.

EHRs would, in theory, enable healthcare providers to access their patients' aggregated information in a single location.

- Vaccination records, for example, would be accessible to patients and healthcare providers that share information within health information exchange networks.
- Implemented correctly, this system would lead to widespread reductions in hospital readmissions, medication errors, and test duplications.

The Health Information Technology for Economic and Clinical Health Act authorized the Centers for Medicare and Medicaid Services to provide financial incentives of $30 billion to eligible hospitals and professionals to adopt and meaningfully use certified EHR technology. The popular theory was

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that there was a market failure in the EHR markets owing to both lack of information and free-rider problems (in other words, people taking advantage of new technologies without paying for them).

KEY FINDINGS

- Government subsidies have locked in immature technology rather than spurring technological innovations that would otherwise have evolved over time.
- A major cost of the government subsidy program has been lost opportunities for better patient care at lower costs.
- The argument that the market, left alone, would fail to spur innovation and lower costs is not entirely convincing, especially given that the government case for subsidies incorrectly assumed that advanced technology allowing information sharing was already in place.
- Empirical literature has yet to support the predicted improvements in patient care at lower costs.

ANALYSIS

- *So far, EHR technology has failed to promote interoperable networks.* Interoperable networks are networks that share information with one another. There is solid evidence that the current health information exchange networks lack interoperability.
- *Information siloes are a legitimate problem.* EHR vendors are reluctant to fund research on interoperable systems. In fact, they have incentives to discourage data sharing between their systems and those of other vendors. It would be preferable to delay greater investment in EHR systems until mature technology arrives.
- *Imperfect information is a problem with an immature technology*. This should not be surprising, given that in 2006 only 11 percent of office-based physicians used basic EHR systems. Early arguments for adoption were necessarily guided by theory rather than evidence. Because of the high risk surrounding EHR technology, many companies remain unwilling to invest in it.
- *Most early studies on EHR systems were based on simulations rather than empirical evidence.* Even today, most studies are not randomized, controlled trials—the gold standard for research. The empirical evidence fails to provide sufficiently strong evidence of how beneficial EHRs are, in terms of either holding down healthcare costs or improving patient care.

CONCLUSION

This subsidy program illustrates how ill suited government is to steering technology. The best that government can do may be to establish "rules of the road," and possibly contribute to funding research that can lead toward interoperable EHR innovation and true data sharing. Markets are better able to innovate and find systems that offer the best chance at improving public health and lowering the cost of health care.