

# IT is Key Piece of Healthcare Puzzle

*Congress studies legislative proposals that address current roadblocks to healthcare information technology proliferation*

Rising healthcare costs cripple America's competitiveness and hurt families. Legislative efforts to remedy this difficult situation must include information technology.

**By Rep. Kenny Hulshof, R-Mo.**  
U.S. House of Representatives

**A**n article I saw in my hometown newspaper, the *Columbia Daily Tribune*, illustrates a stark reality. Last April, 10 employees at Canterbury Travel and Tiger Travel Associates lost their health insurance. The company simply could not afford a 19 percent hike in their health insurance rates. The co-owner, Barbara Davis, said rising health insurance costs are one of the most frustrating issues she faces as a small business owner. "You want to be able to provide (health insurance coverage) for your employees," Davis said.

Unfortunately, this is not an isolated incident. It has been reported that this year alone, General Motors will pay about \$5.2 billion in medical and insurance bills for its active and retired workers. This will add \$1,500 to the cost of every GM car. Starbucks is spending more on health insurance for its employees than on the raw materials needed to brew its coffee.


The rising cost of healthcare is crippling America's competitiveness and hurting American families. Unfortunately, there is no one solution to this problem. To responsibly address the issue, government and the private sector will need to pursue a comprehensive approach that makes healthcare more efficient and responsive to the needs of consumers.

Improving healthcare information technology (HIT) must be a component of this effort.

If providers have ready access to the right information, we can significantly improve



Entertainment System or Healthcare?



MANUFACTURER'S SUGGESTED RETAIL PRICE	
STANDARD VEHICLE PRICE	\$26,630.00
Options Installed by Manufacturer	
WHEELS, 16" CHROMED ALUMINUM	595.00
ENTERTAINMENT SYSTEM	1,295.00
REAR PERFORM AXLE, 3.23 RATIO	300.00
TIRES, P245/50ZR16 PERFORMANCE	0.00
EMPLOYEE HEALTHCARE	1,500.00
TOTAL VEHICLE & OPTIONS	30,320.00
DESTINATION CHARGE	535.00

Source: General Motors

patient outcomes. And by eliminating redundant and unnecessary tests, we can make healthcare more efficient and less costly. This is a matter of common sense, and it is my hope that the pursuit of this worthwhile goal can happen in a non-partisan manner.

Fortunately, the need to improve HIT is getting the attention it deserves in Washington, DC. The president mentioned this topic in his State of the Union address, and the Bush Administration has set the goal of establishing a system of electronic health records within the next decade. Such a system would provide a digital collection of a patient's medical history, vital signs, immunizations, lab results and personal characteristics such as age, weight and height.

This information is now stored in disparate computer systems. One of the key steps to making sure that money is spent in an efficient manner rather than wasted on expensive equipment that may be rendered obsolete is to ensure that varying health information systems are interoperable. Toward this end, Congress is considering various legislative proposals aimed at fostering interoperability, creating incentives for the private sector to improve HIT and working toward a unified system of electronic health records.

A proposal that deserves serious consideration is the Health Information Technology Act. I am a co-sponsor of this measure, which was introduced by U.S. Rep. Nancy Johnson (R-Conn.). Congresswoman Johnson chairs the House Ways and Means Health Subcommittee on which I serve, and her proposal serves as a good start for a meaningful legislative effort to improve HIT.

Anti-kickback and Stark laws

Currently, federal Stark laws limit the gifts that a hospital can give to referring physicians. These anti-kickback laws, though well-meaning, can have the unintended effect of limiting advancements in HIT. Rep. Johnson's bill proposes a "safe harbor" to some of these Stark and anti-kickback laws. Specifically, the bill allows donations of information technology under certain limitations. Hospitals, group practices and other entities could provide physicians with software, hardware, information-technology training and support services if these gifts are primarily used for the electronic exchange of clinical health information. Donations could not be linked to the volume or value

of referrals, and the Department of Health and Human Services (HHS) would approve the technology standards to which the safe harbor exemption would apply. Technology donors would also be prohibited from imposing conditions that limit use connectivity with other IT systems that physicians might use. This change will expand the use of HIT without undermining anti-kickback efforts.

Privacy

Another key issue in the debate revolves around privacy. While there are many benefits to be derived from improving HIT, the public's confidence in the effort will wane if we fail to protect the confidentiality of personal medical records. The HIT Act addresses this concern. If enacted, the bill will set forth a process that will lead to the establishment of meaningful privacy standards that do not impede the benefits to patients that will come from advancements in HIT.

This legislation also establishes in statute the Office of the National Coordinator for Health Information Technology (ONCHIT). The HIT Act envisions the office serving several functions including maintaining and updating the strategic plan for implementation of a nationwide interoperable HIT infrastructure; coordinating implementation efforts for HIT standards, HIPAA transaction standards and new coding systems; and serving as the coordinator for the development and maintenance of standards as well as the certification and inspection of HIT products.

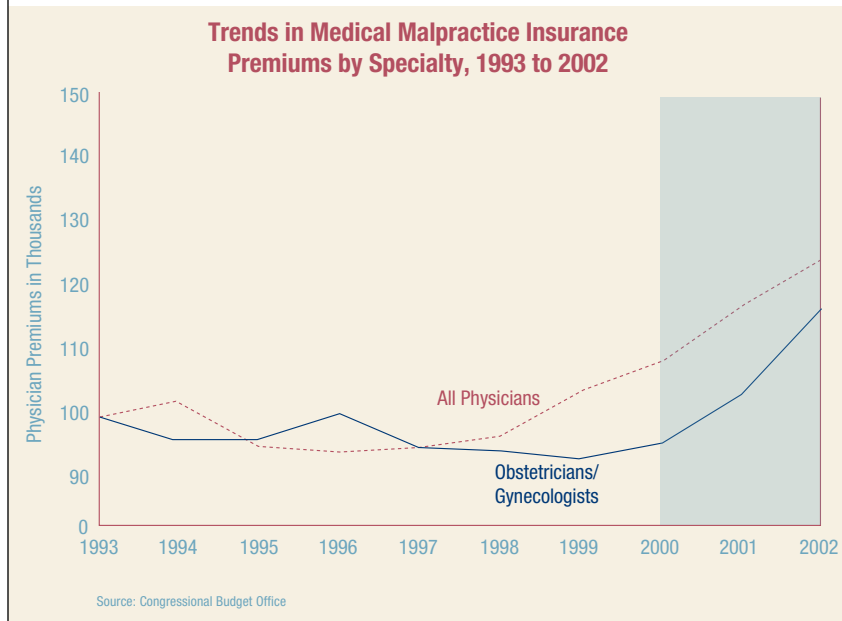
The establishment of an interoperable national health information network is a worthwhile policy goal, and enactment of the HIT Act is clearly a step in the right direction. As Congress moves forward with this effort, we must take the best ideas from the business community, the non-profit sector and government. The advancement of HIT is clearly a worthwhile initiative, one that a RAND study has estimated can save the U.S. health system \$77 billion a year in efficiency alone; a savings that can

A healthcare system in trouble

The United States enjoys the most advanced healthcare system in the world, but our system has plenty of room for improvement. Consider these facts:

- The Institute of Medicine estimates that medical errors kill between 45,000 and 98,000 Americans in hospitals every year—at least 1,000 people a week<sup>5</sup>
- Administrative costs consume 31 cents of every healthcare dollar<sup>6</sup>
- Forty percent of outpatient prescriptions are unnecessary<sup>7</sup>
- Each year there are 770,000 adverse drug events<sup>8</sup>
- An estimated 18 percent of medical errors are due to inadequate data<sup>9</sup>
- Some \$300 billion a year is spent on ineffective or redundant care<sup>10</sup>
- Twenty percent of labs and X-ray tests are due to unavailability of prior results<sup>11</sup>
- The General Accounting Office estimates that fraud and abuse account for 10 percent of healthcare costs<sup>12</sup>
- Ninety percent of the 30 billion healthcare transactions in the United States each year are done by paper, phone or fax





On average, premiums for all physicians nationwide rose by 15 percent between 2000 and 2002—nearly twice as fast as total individual healthcare spending. The increases during that period were even more dramatic for certain medical specialties: 22 percent for obstetricians/gynecologists and 33 percent for internists and general surgeons.

make health insurance more affordable for all Americans. I am optimistic that we can significantly improve the quality of healthcare, control costs, and reduce medical errors while at the same time protecting people's right to privacy.

### Medical malpractice

Of course, meaningful healthcare reform does not end with improving HIT. Frivolous litigation is another factor driving skyrocketing health care costs. The U.S. Chamber Institute for Legal Reform (IRL) has documented that the average verdict in a medical malpractice case has risen from \$1.1 million to more than \$3.5 million since 1994. As awards rise, so do malpractice premiums.

This has several negative effects. Costs associated with increased premiums and inflated settlements are passed to consumers in the form of increased health insurance premiums. This makes it more difficult for everyone—both individuals and small businesses—to afford coverage. Some may lose their coverage completely.


For physicians, increased malpractice insurance premiums resulting from frivolous litigation make it difficult to stay in business. There are alarming instances of talented, qualified physicians leaving the practice of medicine because they can no longer afford to shield themselves from the aggressive tactics of trial lawyers.

For these reasons, I have consistently supported the enactment of medical malpractice reform legislation. The proposal I support will remove existing financial incentives that

encourage lawsuit abuse while allowing those who have suffered legitimate harm to have their day in court. These reforms can provide another decrease in healthcare costs, so health insurance becomes more affordable for Americans. The U.S. House has passed medical malpractice reform, and I hope this needed reform can eventually get signed into law.

### Future state

We should also look at ways to make healthcare coverage more affordable to individuals and small businesses. Throughout my tenure in Congress, I have supported a host of changes in tax law designed to not only make coverage more affordable, but to empower healthcare consumers to get the services they need at the best prices. For example, we have seen some promising signs in the area of Health Savings Accounts (HSAs). More than 3 million people now have HSAs, and it has been reported that 37 percent of those purchasing a plan previously lacked healthcare coverage. Not only do HSAs hold great promise as a way to get coverage to those who are currently uninsured, these accounts can help control costs by making individuals informed consumers of healthcare services, and let Americans build up a nest egg for future healthcare expenses. Congress, and the Ways and Means Committee specifically, this year will look at how to improve HSAs as an approach to provide access to affordable healthcare coverage.

Our nation is blessed with the most advanced, highest quality healthcare system in the world. But our system is far from perfect. By improving HIT and making common sense changes in malpractice and tax laws, we can further improve the quality and availability of healthcare in America. 



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Rep. Kenny Hulshof, R-Mo. has represented Missouri's Ninth Congressional District in Congress since 1997.

In the U.S. House of Representatives, he serves on the Ways and Means Committee, which has jurisdiction over tax, trade, welfare, Medicare and Social Security issues. He also serves on the Budget Committee.

As a member of Ways and Means Committee, Hulshof has worked to improve Medicare payment policies, particularly as they relate to rural healthcare providers. Hulshof also has worked directly on legislation to modify tax law in a manner that makes health coverage more affordable and accessible.

At the beginning of the 109th Congress, Hulshof obtained a seat on the Health Subcommittee where he has refined his work on healthcare issues. In addition to provider payment issues, he has taken a direct role in crafting policy pertaining to the training of healthcare professionals in rural areas; the expansion and promotion of telehealth technology; and Medicare coverage for individuals who are terminally ill.

Hulshof earned a degree in agriculture economics from the University of Missouri in 1980 and graduated from the University of Mississippi School of Law in 1983. From 1989 until his election to Congress, he was a special prosecutor in the Missouri Attorney General's office.