

GAO Examines HHS' Estimates of Health Care Cost Savings Achievable Through Use of IT

"In brief, IT (information technology) can improve the efficiency and quality of medical care and result in costs savings," observes the Government Accountability Office (GAO) in a recent report to Rep. Jim Nussle (R-IA), chairman of the House of Representatives Budget Committee. The report, conducted at Nussle's request, reviews Department of Health & Human Services (HHS) estimates of the cost savings that can be achieved through the adoption of health IT and what portion of the potential savings would be realized by the federal government, and comes as both the House and Senate work to develop their versions of the fiscal 2006 budget.

HHS, "as a regulator, purchaser, health care provider, and sponsor of research," has been encouraging the adoption of health IT for years, GAO notes. However, the department's estimates of national savings that could come from the use of health IT are "primarily based on studies with methodological limitations and are contingent on much higher IT adoption rates than are currently estimated."

The Bush Administration and HHS have ramped up their efforts over the last year to encourage health IT use. That includes the President's call for most Americans to have electronic health records within 10 years and the formation within HHS of the Office of the National Coordinator for Health Information Technology. At a public appearance in January to discuss ways to improve the U.S. health care system, Bush said, "When you multiply the efficiencies to be gained, all across the spectrum, whether it be individual docs or hospitals or networks, that's why some predict that you can save 20 percent of the cost of health care as a result of the advent of information technology".

GAO points out in its report that savings estimates regarding health IT vary widely. An initial savings estimate from HHS provided at the time the national health IT coordinator position was created was \$140 billion, but the projection was based on two studies conducted by the Center for Information Technology Leadership (CITL). The CITL studies projected that national savings of \$78 billion and \$44 billion would be possible through the use of electronic health records (EHRs) and computerized provider order entry, respectively, in ambulatory care settings. One key assumption used in the studies was that more than half of all physician practices and hospitals would be using EHRs connected to a national health information network.

That sort of adoption rate has yet to be realized, though. "Respondents to two recent surveys reported that only 31 percent of physician group practices and 19 percent of hospitals use fully operational EHRs," GAO states. Another study from the Commonwealth Fund found that about 13 percent of physicians practicing individually have adopted some form of EHR, compared with 57 percent of physicians in large group practices of 50 or more.

In comments it provided on the GAO report in draft form (which were reprinted in the report), HHS seems to sum up best the difficulty with the IT-related estimates by stating, "We emphasize that the costs, benefits, and net savings are genuinely difficult to quantify." Moreover, savings estimates, though varying broadly, actually may be too conservative, according to HHS. For example, GAO's report does not consider "the broader benefits of [health] IT in areas such as quality improvement, patient satisfaction, public health, and clinical research," HHS contends.

The resulting mix of optimism and ambiguity regarding just how much greater efficiency and cost savings are possible from the use of health IT has been echoed almost identically in attempts to quantify what home care and hospice have to gain from such technology.

Although the *exact* savings that health IT use can offer the health care system remain nebulous, the consensus among experts is that health IT indeed can bring about greater efficiencies and reduced costs. Notably, however, for many providers the initial costs and training required to obtain and integrate health IT are prohibitive. The backdrop of the significant investment necessary to experience the savings and efficiencies of health IT and the significantly diverging data regarding those savings and efficiencies may offer some clues as to providers' hesitancy in adopting such technologies more broadly.

The GAO report ([GAO-05-309R](#)) is available online at www.gao.gov.