



Massachusetts Hospital Association

Joint Oversight Hearing on Advanced Technologies in Healthcare

Joint Committee on Health Care Financing
Joint Committee on Economic Development and Emerging Technologies

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Testimony of the Massachusetts Hospital Association
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President

Thank you for the opportunity to provide testimony on SB 275 that would create a Massachusetts Advanced Technologies in Healthcare Trust Fund. The legislation would provide [\$10 million/\$50 million] to the Trust Fund to support the development and use of advanced technologies in health care by Massachusetts-based institutions and companies in a variety of health-related areas. Among the areas targeted for Trust Fund support are medical error reduction systems and information technology.

The Massachusetts hospital and health care system is vitally important to our state. It is an engine of economic growth and stability and it is critical to the well being and quality of life of all our citizens. In many dimensions it is unsurpassed and the envy of others, but it also shares many of the flaws that plague health care across the nation. Health care is expensive, and getting more so. Many people do not have access to the health care that they need. And the quality and safety of health care is far from what it can and should be. Many solutions to these issues have been debated, but there is little consensus on best approaches. Amid all this confusion and debate, though, there is a consensus emerging that information may be the best medicine for what ails our health care system.

While health information technology (IT) is still in its infancy and much remains to be proven, there is a growing evidence and growing consensus that health IT saves lives and saves money. Much of the R&D on health IT has originated here in Massachusetts at our medical centers and universities. It has shown that health IT – such as computerized physician order entry systems (CPOE), electronic health data exchange, and electronic health records -- improves care, reduces wasteful and redundant treatments, prevents medical errors, and improves people's health status.

It is appropriate that today's hearing is conducted with the Joint Committee on Economic Development & Emerging Technologies. When we improve care, reduce waste, prevent errors, and improve health status, we strengthen our economy. As the President's National Coordinator for Health Information Technology said earlier this year, "Health IT not only adds value to the way people lead their lives, but it gets more out of our investment in healthcare overall. Health IT can help the U.S. become more globally competitive – that is, it can increase our productivity and our standard of living at the same time."

Because they are at the center of the health care delivery system in so many communities, hospitals are affected by and have a role to play in many kinds of health IT. One of the most promising and challenging of these technologies for hospitals is CPOE. CPOE in its basic form is typically a medication ordering and fulfillment system. More advanced CPOE will also include lab orders, radiology studies, procedures, discharges, transfer instructions, and referrals. CPOE has been shown to improve the quality and safety of care principally by reducing medication errors and adverse drug events. A landmark study conducted at Brigham & Women's Hospital in Boston demonstrated a 55 percent reduction in serious medication errors and a 17 percent decrease in adverse drug events. CPOE produces these benefits because it reduces errors associated with the transcription and reading of prescriptions, and facilitates the detection of potentially dangerous drug-drug interactions and drug allergies. In some of its forms, CPOE also helps guide physicians to follow practice guidelines and provides other decision-support mechanisms that have been demonstrated to improve patient care outcomes. The speed of electronic delivery of orders also reduces turnaround times for medication delivery and the completion of diagnostic tests and studies, which improves the quality and efficiency of care.

CPOE helps to reduce health care costs because it reduces the costs of care associated with medication errors, prevents duplicative ordering of medications, tests, and other services, and because it helps guide physicians and other clinicians to deliver more cost-effective care. A 2004 report issued by the Massachusetts Technology Collaborative (MTC) and the New England Healthcare Institute¹ (NEHI) concluded that reduced use of inpatient hospital services attributable to the introduction of CPOE in Massachusetts hospitals that do not now have such systems would produce annual savings conservatively estimated at nearly \$300 million. The report estimates that these savings could be had for initial capital and one-time operating expenditures of \$211 million and annual operating costs of \$26 million. The net annual benefit would be \$274 million.

Despite these compelling quality, safety, and financial benefits, only about 15 percent of acute care hospital campuses in Massachusetts have CPOE installed or are near installation. The rate of adoption nationwide is even lower. Barriers to adoption of CPOE include the significant capital and operating costs to acquire CPOE (\$5 million in capital and one-time operating costs in an average size hospital); uncertainty with respect to the return on investment (much of the estimated savings will accrue to stakeholders other than the investing hospital); the magnitude of changes to work processes and work flows associated with CPOE adoption; absence of standards regarding CPOE capabilities and performance; and the immaturity of vendor product offerings.

Because the financial benefits of CPOE adoption accrue to constituencies outside the hospital, those who benefit should share in funding the capital and ongoing operating costs for CPOE. The MTC/NEHI report proposes, as a starting point for discussion, that payers fund half of all

¹ "Treatment Plan: High Tech Transfusion – Case Statement for Implementation of CPOE in All Massachusetts Hospitals," Massachusetts Technology Collaborative and New England Health Care Institute, Fall 2004

implementation costs through grants, a portion of which would be made contingent on achievement of CPOE performance standards by the hospital. Even with such external support, many hospitals may still need additional support to borrow funds for their share of the cost.

The proposed Trust Fund, by embracing the principle that CPOE funding must be a shared responsibility, would be a significant step in overcoming the barriers to CPOE adoption. The MHA is committed to working with all stakeholders to accelerate adoption of CPOE in our hospitals. We are already working with MTC and others to refine the cost estimates and funding models described here. Our goal is to have universal implementation of CPOE in acute care hospitals within four years. We encourage the legislature to join with us in the hard work that it will take to achieve that goal and pledge our assistance to you toward that end.

Thank you for the opportunity to testify on this important issue.