

IT revamp could save healthcare \$600 billion over 10 years

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WASHINGTON – Health system modernization could save the government nearly \$600 billion in health spending over the next decade and \$9 trillion over the next 25 years, according to the Center for American Progress Action Fund and the Democratic Leadership Council.

The progressive think tank's report, "Health System Modernization Will Reduce the Deficit," was written by David M. Cutler, a health economist and professor at Harvard University.

Cutler estimated the productivity payoff from health system modernization measures such as electronic medical records, comparative effectiveness research, prevention, measuring results, paying for value and consumer involvement.

"Wasting hundreds of billions of dollars on inefficient healthcare is a luxury we cannot afford," Cutler said. He concludes:

- **Health reform will spark a productivity boom in healthcare.** Cutler projects that within four to five years of enactment, modernization will increase productivity growth by 1.5 percent to 2 percent per year. These improvements – which are comparable to the rate of productivity growth already seen in many other economic sectors – will lead to dramatic savings for the government and private sector.
- **Productivity growth can cut in half the rise in projected Medicare/Medicaid spending.** Productivity-driven reductions in health spending will significantly improve the long-term federal budget outlook by decreasing projected increases in Medicare and Medicaid, which currently account for about 4 percent of the GDP. Where baseline estimates project Medicare and Medicaid spending to rise to 9 percent of the GDP by 2035, health reform could reduce that projection to 6.5 percent.
- **Health reform is entitlement reform.** Over the long term, bending the Medicare/Medicaid healthcare cost curve from 9 percent to 6.5 percent will produce tremendous savings for the federal budget and American taxpayers. The projected savings over 10 years is \$585 billion. The projected savings over 25 years is \$9 trillion.