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Digital Technology, health care, Health Information Exchange, ICUcare

Disrupting American Healthcare

by [ALLEN MENDENHALL](#) | [Leave a Comment](#)

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The U.S. healthcare industry is massive and notoriously inefficient. It's also wealthy and getting wealthier and more powerful as medical costs have exceeded, by [some estimates](#), \$10,000 per person. What's to be done?

Back in 2005, a group of experts asked, in [a RAND Corporation study](#), whether entering medical records into electronic systems could transform healthcare by reducing costs and increasing efficiency. The answer: It depends.

Although systematizing electronic medical records could save over \$81 billion per year, these potential savings would be realized, the study concluded, only if healthcare in the United States integrated new technologies to allow for the flow of medical data between the patient and relevant parties such as doctors, hospitals, or insurers. Without such integration, the system would deliver inconsistent, inefficient, and incomplete data exchanges that could increase rather than decrease costs.

RAND Corporation [revisited the issue](#) in 2013, finding that healthcare expenditures had grown by \$800 million since 2005 in part because systems of electronic medical records remained non-standardized. "We believe that the original promise of health IT can be met," wrote Arthur L. Kellermann and Spencer S. Jones,



the authors of the study, “if the systems are redesigned to address these flaws by creating more-standardized systems that are easier to use, are truly interoperable, and afford patients more access to and control over their health data.”

Healthcare in the United States is fragmented in multiple ways. Not only does the industry consist of various entities, from doctors and hospitals and insurance providers to commercial suppliers of devices, goods, and services, but the pricing of medical services is unpredictable in a country that is large and divided into 50 states, with the industry subject to different regulations from state to state.

Information integration could go a long way toward cutting costs and increasing savings. For example, it could reduce the waste of resources that comes from misdiagnoses, repetitive procedures, erroneous prescriptions, and duplicate testing and imaging. Many are searching for the solution for this waste. One healthcare entrepreneur who believes he has found it is Robert H. Higgs, whose company, ICUcare, has entered the field of Health Information Exchange ([HIE](#)).

Higgs (not to be confused with the economic historian of the same name, who wrote *Crisis and Leviathan*) has invented a “smart” health card that can contain a patient’s complete medical history, which is stored in the cloud. His vision is that patients own their personalized smart cards, which they can voluntarily submit to healthcare providers and institutions for cheaper and more efficient services. Data on the card are easily stored and updated, and are exchanged only with the patient’s consent; thus, in the case of emergency, the patient’s medical records can be readily accessed and quickly reviewed.

There remains a felt need to transition the healthcare industry from paper to electronic records. The smart card meets this need, and is also designed to track patients’ billing history, reconcile erroneous payment information, protect against fraud and identity theft, and serve as a conveniently portable device.

One would expect such a card to have been in circulation by now, given the federal government’s extensive investment in the HIE sector. In 2004, for example, President George W. Bush issued an executive order to establish, within the Department of Health and Human Services, an Office of the National Coordinator for Health Information Technology (ONC) to advance technology and innovation in the exchange of healthcare information. This office created eHealth Exchange, a coalition of states, federal agencies, hospitals, medical groups, pharmacies, and other such entities that’s now run by [the Sequoia Project](#).

But the federal government and the public-private partnerships it has fostered have been unable to produce a smart card that matches Higgs’s in capability and functionality. And even if they had, government retention of sensitive medical data would raise privacy concerns that voluntary private transactions and coordination could alleviate.

Unfortunately, the many spinoff organizations emanating from the ONC and DHS have only crowded the field with swollen, inefficient governmental and quasi-governmental structures and programs. The tangle has slowed down innovators like Higgs, forcing them to deal with politicians and bureaucrats rather than patients and hospitals.

Asked about the privacy implications of his invention—namely, whether the smart card could increase the danger of non-consensual data transfers and disclosures—Higgs said that his card “never sends data to the care provider—it brings the care provider *to* the data.” Data on the card, he explained, are encrypted using the same standards as those used by the Department of Defense for common-access cards.

An attempt to verify Higgs’s assurances about the testing his product undergoes to ensure successful encryption and protection against intruders turned up a plethora of studies and blog posts about encryption and decryption, bitcoin, hacking, and computer engineering. These calculations can be confusing, but the

point is that he believes the smart card reverses the current power imbalance: Today corporations and governments store medical records that patients often can't access or don't know about. But the smart card empowers patients to store their own records, which they may voluntarily release to corporations and governments. The smart card, in other words, returns agency to the consumer whose data are at stake.

It would also, claims Higgs, lessen rates of healthcare fraud. According to [estimates](#) by the National Health Care Anti-Fraud Association, the United States loses tens of billions of dollars every year due to healthcare fraud. The governments of Canada, Germany, and France have all instituted some form of a smart card to successfully reduce the incidence of fraud.

A company called [Cerner](#) has just landed [a deal with the Department of Veterans Affairs](#) to implement an electronic health records system. The move away from the VA's system, called Vista, to Cerner's electronic system suggests that at least some federal agencies are aware of the need to adopt interoperable and integrated ways to retain and share medical records. The VA will implement the same electronic health record system used by the Defense Department.

So far as I can tell, however, Cerner has not created a smart card like Higgs's. Adam Lee, a senior communications partner at Cerner, referred me to [this press release](#) about Cerner's work with the VA but did not discuss smart cards.

As for Higgs, his company lacks a sophisticated lobbying arm to persuade federal agencies to give his invention a look. More engineer than salesman, he is strikingly intelligent but presents his case in a meticulous monotone. Not that there isn't a highly personal side to his story, though—he first began pursuing this invention because of the botched surgery his wife underwent some years ago. Errors were made that could have been avoided had her doctors possessed her proper medical records.

The healthcare industry is full of people getting rich off inefficiency and artificially high prices, so the Higgs smart card does seem to be a case of David versus Goliath. There are numerous ideas about how to [trim healthcare spending](#); this particular invention is not the exclusive remedy. But it's an encouraging development. Healthcare spending makes up about 17.8 percent of the nation's economy, according to [an actuary report](#) by the Centers for Medicare and Medicaid Services. And it shows no signs of decreasing.

This trend is unsustainable. Something must be done—and can be.

[Allen Mendenhall](#)

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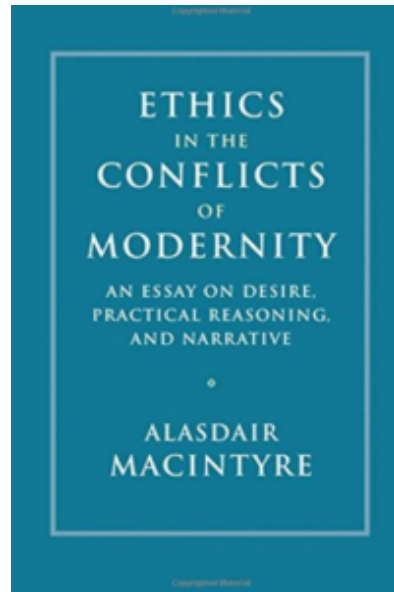
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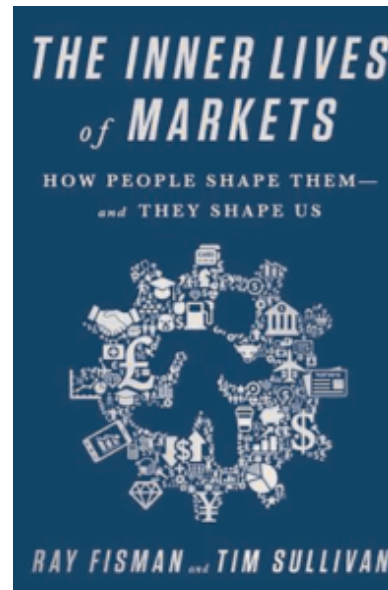
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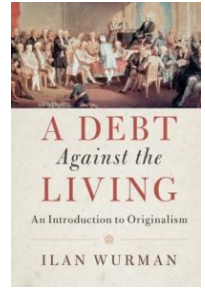
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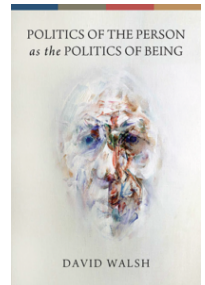
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