

# State privacy rules reduce electronic medical sharing by 24 percent

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States that have passed privacy laws restricting the ability of hospitals to disclose patient information have seen the sharing of electronic medical records suffer by more than 24%, according to the Management Insights feature in the current issue of *Management Science*, the flagship journal of the Institute for Operations Research and the Management Sciences (INFORMS).

The drop is seen most clearly in reduced adoption of [electronic medical records](#) (EMRs) through networks of hospitals and medical providers. In states without such statutes, adoption of EMRs by one hospital is a spur to adoption by others, with one hospital's adoption increasing the likelihood of other hospitals in the local area adopting by 7%.

The authors warn that this effect could hurt the federal government's goal, set during the previous Administration, of having a national health IT network in place by 2014. According to one estimate, widespread adoption of an EMR system could reduce health care expenses by \$34 billion.

*Management Insights*, a regular feature of the journal, is a digest of important research in business, management, operations research, and management science. It appears in every issue of the monthly journal.

"Privacy Protection and Technology Diffusion: The Case of Electronic Medical Records" is by Amalia R. Miller of the University of Virginia and Catherine Tucker of the MIT Sloan School of Management.

The paper notes that there are many new technologies whose value depends on sharing information. However, the ease with which information can be transferred electronically has led consumers to demand and policy makers to enact privacy protection. This privacy protection may be of benefit to the diffusion of information-sharing technologies if it reassures consumers, or it may inhibit the diffusion of information sharing technologies if it imposes costs on firms who adopt the technology.

The authors investigate these trade-offs for EMRs, which allow medical providers to store and exchange patient information using computers rather than paper records, which are still a strong presence among healthcare providers.

Hospitals may not adopt EMRs if patients withhold health information because they feel their privacy is not safeguarded by regulation. Alternatively, privacy protection may inhibit adoption if such regulation makes it too costly or difficult for hospitals to exchange patient information with one another.

Some states have enacted medical privacy laws that restrict the ability of hospitals to disclose patient information. The authors find that such statutes reduce EMR adoption by 11% per three-year period or 24% overall. The paper presents evidence that this is because of the suppression of the interactive benefit of this technology by privacy laws.

The current issue of *Management Insights* is available at [mansci.journal.informs.org/cgi/reprint/55/7/iv](http://mansci.journal.informs.org/cgi/reprint/55/7/iv) .

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