

*Interviewer:* This is Walker Todd from AIER interviewing Craig Richardson, visiting research fellow professor of economics at Winston-Salem State University in North Carolina. He just gave us a talk on electronic medical records and the Massachusetts health care plan as a model for what the Obama administration has proposed.

In going over your talk Craig, what do you think would be the single most important factor on the electronic medical records that we came away with from the insight from the talk today? I'm getting the system introduced, some kind of rationalization of the system.

*Craig Richardson:* Well I think, number one, it's been shown that in Europe electronic medical records can have a huge impact on quality medical care by allowing access by different hospitals and health care providers and also potentially patients to examine their records.

The problem in this country is that because we have a semi-private semi-public provision of health care, we have market failure that is due to lack of harmonization of standards. We have hundreds of different software providers which are offering electronic medical records which are not compatible.

So I see a small role for government which would be to harmonize standards among these different software providers so that they could indeed talk to each other.

Also potentially following the model of the credit bureau industry where medical records could be housed at another set of companies rather than having hospitals and doctors do something they really don't want to do.

In this way the market could be allowed to innovate at the same time the government's providing some crucial guidance and guiding roles.

*Interviewer:* Do you think there might be a potential role for the credit bureaus themselves in adding a parallel system for example that would handle medical records the way they do the credit records currently? Would that be one of the simpler solutions to all this?

*Craig Richardson:* Yeah; I think that's a very interesting idea. I think the credit bureaus are handling billions of transactions a year and indeed they could be well placed to take on something like this. They have been witness to the evolution of lots of different credit bureaus all moving toward a uniform system.

I think that's a very interesting idea, Walker, that I think would be worth pursuing rather than trying to reinvent the wheel with a new company. These are companies that have lots of experience dealing with billions of transactions over the internet.

*Interviewer:* One last comment. On the Massachusetts plan as a model for what the Obama administration is attempting to undertake, what do you think are the biggest weaknesses that have been identified so far in the Massachusetts plan which essentially is a statewide mandate that any employer with more than ten employees has to offer a health insurance plan or pay a fine. Self-employed individuals also have to buy insurance or pay that same fine.

*Craig Richardson:* I think there's a mistake that's made, pretty fundamental mistake with a lot of these plans that put the burden on small business without understanding that these businesses are organic. They contract and they expand in response to incentives.

This plan was put in place as if none of that ever happens. What's going to happen now is that there's going to be very costly for a firm to expand beyond ten employees because at that point now they are forced to offer very expensive insurance for all their employees.

Furthermore they're having to report quarterly to the Massachusetts government about all of their health care costs. So the burdens are getting ever greater and not surprisingly a lot of firms now are throwing up their hands and moving out of state or contracting in size. So this is a problem that's not going to go away.

*Interviewer:* Would the long run solution be severing the employment relationship and health insurance? Putting it back to the individual level?

*Craig Richardson:* Yes. I feel very strongly that the employer should have nothing to do with the provision of health insurance. The more that you try to force this on the employer, the more that you're going to hurt small business. They're going to figure out ways to escape paying if they can, if that means moving out of state or shrinking in size.

It's an individual based good and the individual needs to be paying for at least a share of it.

*Interviewer:* Well you mentioned in your talk that McCain for example, during the presidential campaign had suggested a voucher that could be funded with a tax credit that essentially would empower individuals to go out and shop for their own health insurance as a way of replacing this employer centered system. You think there's some possibility that would be a better plan?

*Craig Richardson:* Yeah; I do. I think ideally I'd like to see that there was no voucher, but that the employer simply replaces the cost of the health insurance with higher wages, but this is politically a hard sell and I think we have to be realistic about that.

So the voucher system may be a good second best fit for giving people money to shop on their own and feel like they're not losing something. So yeah, I think it's certainly a better plan than putting the burden on the employer.

*Interviewer:* Thank you, Craig.

*Craig Richardson:* Thank you, Walker.

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