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MEMORANDUM

TO: Joint Fiscal Committee

FROM: Hunt Blair, Director, Division of Health Care Reform & State HIT Coordinator

DATE: September 10, 2010

RE: Health Information Technology Fund Update

Responsibility for administration of the Health Information Technology (HIT) Fund was transferred to the Department of Vermont Health Access (DVHA) effective July 1, 2009. This Memo responds to the requirement for an annual report to the Joint Fiscal Committee and to the Commission on Health Care Reform as required by 32 V.S.A. chapter 241 § 10301 (g) on the status of the Fund.

As noted in past reports, there is opportunity for confusion because the Fund was established – and payments from insurers are billed and collected – on the federal fiscal year (October – September). On that calendar, we are currently in the final quarter of the second year of the Fund. However, since the Fund is appropriated, and grants from the Fund are dispersed, on the state fiscal year, DVHA now manages the Fund on the state fiscal year and this report reflects that. Summary totals for SFY09 are included for context.

SFY09* Revenue: \$ 1,725,506

SFY09* Expenses: \$ 1,404,447

* - Q2-Q3-Q4 only

SFY10: Cash Balance at 07/01/2009 **\$ 321,059**

SFY10 Revenue:

Insurer Payments Qtr Ended 09/30/2009	\$ 587,622	
Insurer Payments Qtr Ended 12/31/2009	\$ 741,702	
Insurer Payments Qtr Ended 03/31/2010	\$ 488,977	
Insurer Payments Qtr Ended 06/30/2010	\$ 640,696	\$ 2,458,997

Interest income \$ 3,831

Total Revenue \$ 2,462,828

SFY10 Expenses:

VITL	\$	102,231
Altarum	\$	23,755
Innotas	\$	270
Match for Federal Grants	\$	1,133

Total Expenses \$ 127,389

Total SFY10 Activity: \$ 2,335,439

SFY10: Cash Balance at 06/30/2010 \$ 2,656,498

SFY11 Revenue (Year to Date):

Insurer Payments through 09/09/2010 \$ 487,066

SFY11: Cash Balance at 09/09/2010 \$ 3,143,564

As evident in the table above, there was limited dispersal of grants or other expenses from the Fund in SFY10 and a significant balance carried forward to the present date. This reflects several factors having to do with timing and with additional fiscal resources available related to HIT from federal sources which led DVHA to manage the Fund resource conservatively.

This does not reflect a change in the need for the Health IT Fund as a resource or a change in the need for resources to support VITL (Vermont Information Technology Leaders, Inc.) in its HIT and Health Information Exchange (HIE) activities. Rather, it reflects the changes in the HIT and HIE environment subsequent to passage of the federal HITECH Act, a subsection of the American Recovery and Reinvestment Act (ARRA) passed in February 2009 and DVHA's management of the Fund to maximize opportunities to leverage federal resources. Many of the HITECH and ARRA funds require a state match, so DVHA has been conserving the Fund for that purpose. However, because of the pace at which the federal HIT programs are being implemented, there was very limited opportunity to match the HIT Fund in SFY10.

As an additional strategy for extending the HIT Fund resource (because once federal programs begin to be implemented in full through SFY11 and beyond, there will be significant opportunity to use the Fund to match federal grants), DVHA has adopted a strategy of utilizing Global Commitment funding when available and applicable, to support HIT grants and further extend state resources through federal matching opportunities. Accordingly, DVHA's SFY10 grants to VITL totaled \$2,918,678, 92% of which (\$2,692,904) came from DVHA's Global Commitment appropriation. A much smaller percentage of VITL's SFY11 grants will come from GC funds because other federal match opportunities will be available in the current state fiscal year. These matching strategies will be reported on by the Fund's external evaluator (Altarum) in their report, which will be submitted in early October.

Both VITL President/CEO, Dr. David Cochran, and I will be presenting a detailed status update on the state's HIT initiatives at the September 15 meeting of the Health Care Reform Commission. We are also both available to the Joint Fiscal Committee for testimony to the Committee, if it wishes, at a future meeting.