

Department of Vermont Health Access
Division of Health Care Reform
 312 Hurricane Lane, Suite 201
 Williston, VT 05495
hcr.vermont.gov
 [phone] 802-879-5901

MEMORANDUM

TO: Legislative Joint Fiscal Committee

CC: Doug Racine, Mark Larson, Jeb Spaulding, Robin Lunge

FROM: Steve Maier, Health Care Reform Manager, DVHA

DATE: September 6, 2013

RE: Report on Health Care Reinvestment Fund per 32 VSA Sec 10301(g)

This memorandum serves as a report on the State HIT Fund, for the SFY13 just ended and including a summary of all cumulative receipts and expenditures through June 30, 2013.

A year by year summary of the Fund's activity is included in a table below. You will note that it includes a SFY 13 year-end balance of \$6.96m in the Fund. This compares to the SFY 12 year-end balance of \$6.56m as reported last year. As reported in prior years and in other venues, because of the influx of significant federal resources over the last several years, we had been building a balance in the Fund, with an eye toward that day when federal resources begin to wane. There is still a need to maintain a balance of these resources in reserve for future purposes – primarily to match federal financial participation in health care reform initiatives – but, as projected, we are now entering a period where fund expenditures will be increasing.

HIT Fund			
SFY	Receipts	Expenditures	Balance
SFY09*	\$ 1,725,506.00	\$ 1,404,447.00	\$ 321,059.00
SFY 10	\$ 2,462,827.92	\$ 127,389.00	\$ 2,656,497.92
SFY 11	\$ 2,877,846.67	\$ 589,402.00	\$ 4,944,942.59
SFY 12	\$ 3,467,955.96	\$ 1,856,814.45	\$ 6,556,084.10
SFY13	\$ 3,122,198.81	\$ 2,721,643.07	\$ 6,956,639.84
SFY14			
Total	\$ 13,656,335.36	\$ 6,699,695.52	
SFY 14 Prc	\$ 3,000,000.00	\$ 5,532,557.00	\$ 4,424,082.84
SFY15	\$ 3,000,000.00	\$ 4,897,238.00	\$ 2,526,844.84
SFY16	\$ 3,000,000.00	\$ 3,839,460.00	\$ 1,687,384.84
SFY17	\$ 3,000,000.00	\$ 3,669,771.00	\$ 1,017,613.84

Most significantly, the State's Cooperative Agreement Grant from the Office of the National Coordinator (ONC) is depleted and will be closed out in the next few months. The ONC grant derived from the ARRA/HITECH Act and was specifically applied to Health Information Exchange activities. That grant has been the primary source of State funding for Vermont Information Technology Leaders (VITL), through the grant agreement between DVHA and VITL. We have received approval for future federal financial participation for some HIT and related Health Information Exchange (HIE) expenses through a CMS "fair share" formula for HITECH expansion. However, the match for that funding stream is not so favorable and significantly more money is now required from the HIT Fund.

As a result of the approved funding match from CMS for their "fair share" contribution to HIE expenditure totaling \$1.88m (at 90/10 funding rate) for Federal fiscal year 2014, the Fund balance is now obligated to match that and to cover the balance of the VITL grant agreement, and other projected uses.

The graph below shows the distribution of the **cumulative** HIT/ HIE expenditures supported by the HIT Fund for the SFYs 2009 through 2013, with the corresponding total expenditures including the leveraged federal financial participation, for the following projects/ initiatives:

- **EHR Incentive Program** – The HITECH Act also introduced the Electronic Health Record (EHR) Incentive Program, which states can choose to participate in by establishing a state-specific Medicaid incentive program for the adoption and meaningful use of this technology. Eligible hospitals and professionals who satisfy the criteria for attestation can receive significant incentive payments. Vermont's program is supported by 90/10 funding from CMS with the HIT Fund covering the 10% match for program software and operations. The incentive payments themselves are 100% Federal funds but are drawn down and paid out by the State. This program will run through 2021. To date this program (<http://hcr.vermont.gov/hit/ehrip>) has paid out approximately \$27,500,000 to Vermont and New Hampshire hospitals and professional providers, all of whom are registered Medicaid providers in Vermont. When the total incentive payments are considered on a per capital basis, Vermont's program is the second most successful in the nation.
- **Vermont Information Technology Leaders (VITL)** -- Vermont statute (18 V.S.A. §9352) designates VITL (<http://vitl.net>), a private non-profit corporation, as the exclusive statewide Health Information Exchange for Vermont. VITL has received State funding supporting their work since 2005, some of which in recent years has paid for the development and operation of the IT necessary to stand up the Vermont Health Information Exchange (VHIE). VITL contracts directly with an HIE vendor (Medicity - <http://www.medicity.com>) to provide the necessary services. Because of VITL's legislative authority and partnership status with the State, their funding is in the form of a grant which is renewed on an annual basis. Current funding is through a mix of federal (ONC, SMHP/ IAPD, GC) and State (HIT Fund) funding.
- **Blueprint HIT Infrastructure** – The Vermont Blueprint for Health has made HIT investments for several years to support the program's goals and requirements. The largest of these investments has been for the development and operation of a statewide clinical data registry. The current vendor for this registry is Covisint DocSite (<http://www.covisint.com/web/guest/healthcare/physicians/enterprise>). This web based system supports individualized patient care with guideline based decision support. It also supports management of populations with flexible reporting that moves easily between groups of patients selected by specific criteria and their individual patient records. Flexible comparative effectiveness reporting is readily available across providers, practices, organizations, and health services areas.

The registry can also serve as an integrated health record across independent practices and organizations.

- **VITL Regional Extension Center (REC)** – The ONC also offers grants to entities establishing themselves as Regional Extension Centers (RECs) to help providers and practices select, implement, and attest for an EHR incentive payment from either the federal Medicare incentive program or the state Medicaid incentive program. In Vermont the REC grant was awarded to VITL which has made for great alignment with the purposes of the Medicaid incentive program, with the practice enrollment efforts of the Blueprint program, and with expanding the HIE to connect more practices. The REC grant is 90/10 funding and the State used HIT Fund spending to provide the 10 percent match. This was done in the form of a grant from DVHA to VITL. This program has been very successful for VITL and has resulted in agreements between VITL and practices representing 870 primary care providers in the state to utilize VITL services in implementing and connecting their systems. More than 770 primary care providers in Vermont now use some form of EHR technology, second only to Massachusetts on a percentage basis. VITL’s REC grant expires in February but the State will be supporting the continuation of this team of specialists through the VITL Grant Agreement.
- **HIT Planning and Support Grants** – The State has provided a number of smaller grants for HIT planning and support services to:
 - agencies representing the State’s mental health, home health, and nursing home organizations
 - Bi-State Primary Care Association, in support of HIT services to FQHCs and other health centers across the State
 - Provider organization HIT support through small grants made available to each of the State’s Health Service Areas (HSAs)

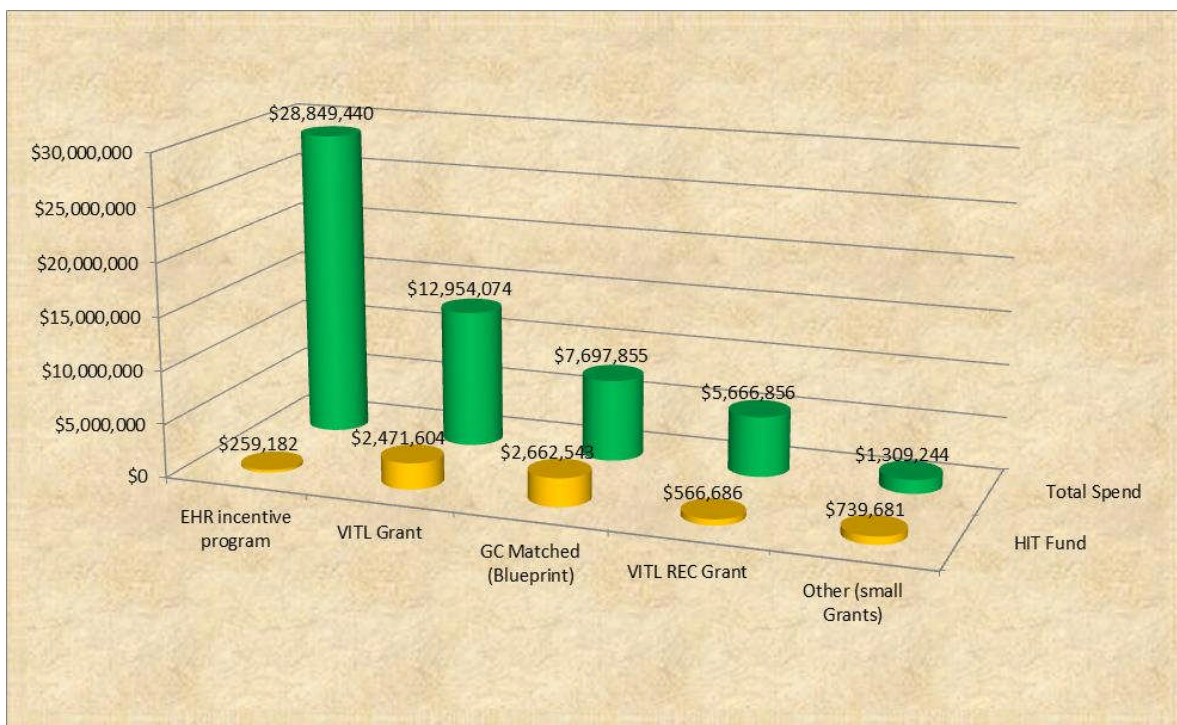


Figure 1: Cumulative HIT Fund and Total Expenditures by HIT Initiative

In total, since 2009 we have expended \$6,699,696 from the HIT Fund to support total spending of \$56,477,469.

The following graph shows a similar distribution of HIT Fund and total expenditures by initiative for just SFY13:

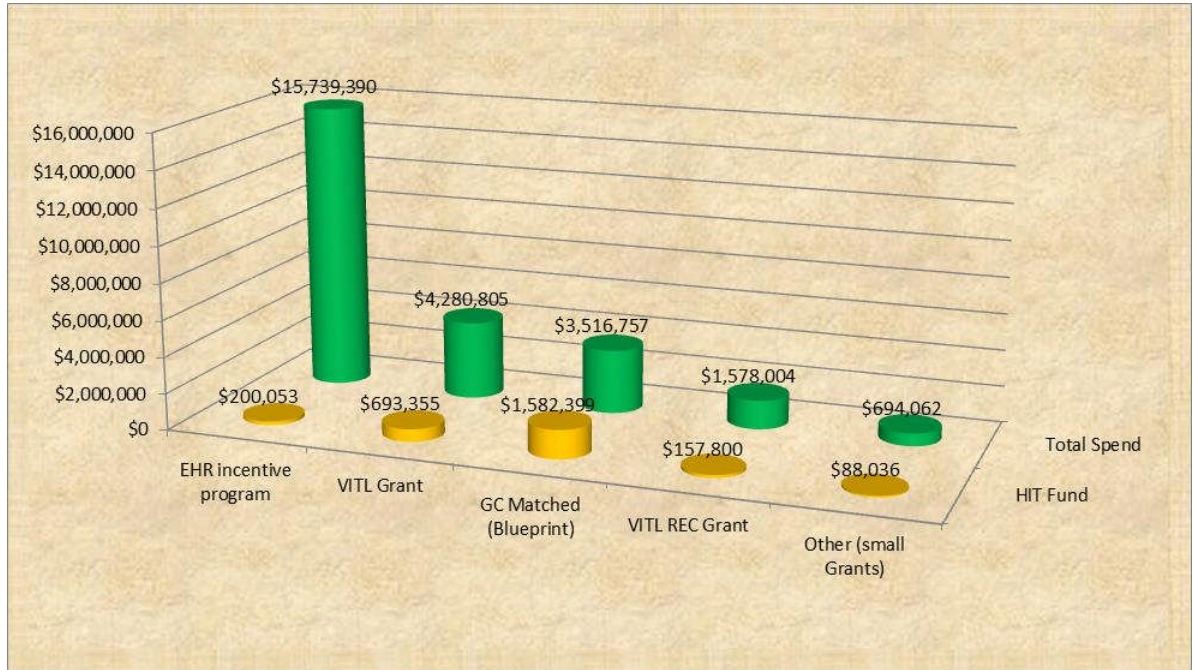
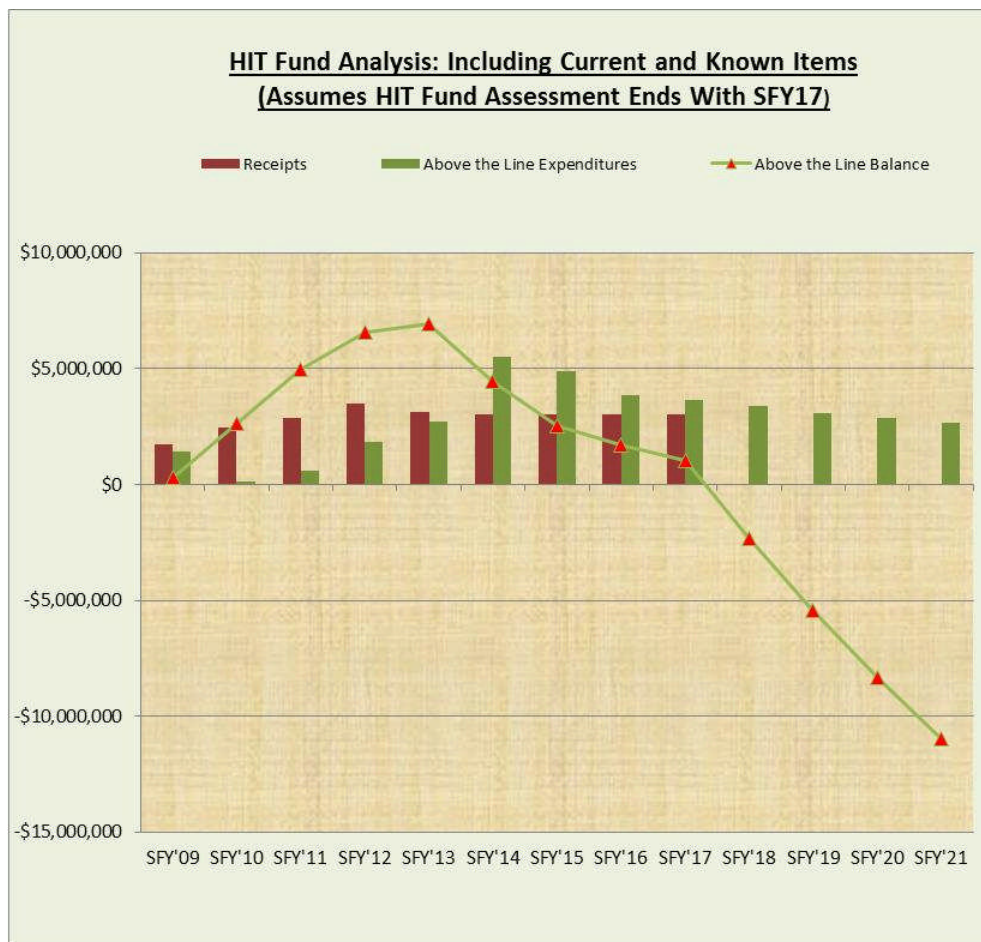


Figure 2: SFY13 HIT Fund and Total Expenditures by Initiative

In SFY 2013 we have expended \$2,721,643 from the HIT Fund to support total spending of \$25,809,018. We note that in SFY13 we spent 40.62% of all the HIT Fund dollars spent over the past five years. In the coming years we anticipate the fund spending will exceed fund income. The following graph shows an anticipated deficit following the termination of the supporting claims tax in SFY17, as is called for in H.295 of the 2013 Legislative Session:



This graph reflects an initial effort to project the future HIT Fund balance under a general assumption that initiatives currently supported by the HIT Fund should continue to be supported. All data reflected in the graph through SFY13 are accurate, and SFY14 data reflect the current budget, but all other future data represent a single set of assumptions. The point of the graph is that expenditures will exceed receipts in the current SFY and the HIT Fund balance will likely be depleted in the next 4-5 years. The growing deficit following depletion of the fund and the termination of the claims tax is only one possible scenario, but it emphasizes the need to develop more accurate projections and to open the dialog about the future of the initiatives currently included in the HIT Fund portfolio.

For now, the HIT Fund is in a good position and the short-term work in the next few years should be covered. The State has successfully leveraged the HIT Fund to obtain additional matching funds in support of covered initiatives and to put stimulus funds in the form of incentive payments into the Vermont economy. All spending has been in alignment with the intended purpose of the Fund.

We are available to answer any questions you may have about the fund, and to provide additional explanations as needed, in writing or in person.