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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

M E M O R A N D U M

TO: Legislative Joint Fiscal Committee

CC: Lawrence Miller, Chief of Health Care Reform
              Hal Cohen, Secretary, Agency of Human Services
              Steven Costantino, Commissioner, Department of Vermont Health Access
              Robin Lunge, Health Care Reform Director
              Craig Jones, MD, Executive Director, Blueprint for Health
              Steven Maier, State HIT Coordinator

FROM: Justin Johnson, Secretary, Agency of Administration

DATE: September 2, 2015

RE: Health IT-Fund Annual Report per 32 V.S.A. § 10301(g)

This memorandum serves as a report on the State Health Information Technology (HIT) Fund for State
Fiscal Year (SFY) 2015 and includes a summary of all cumulative receipts and expenditures through June
30, 2015.

A year-by-year summary of the Fund's activity is included in Table 1 below, which shows a SFY15 year-end
balance of $5.49m in the Fund. This compares favorably to the SFY14 adjusted year-end balance of $5.08m.
As reported in prior years and in other venues, due to the influx of significant federal resources over the last
several years, the State built a balance in the Fund, with an eye toward the day when federal resources begin
to wane.

In last year's Health IT-Fund Report, a significant shortfall was estimated for SFY15 between projected
expenses and projected revenues, producing a projection for the Fund to be in deficit in SFY16. As a result
of careful budget planning and approvals by the Administration and the Legislature, a level Fund balance is
now projected through SFY17, when the Health IT Fund portion of the Health Care Claims Tax is scheduled
to sunset. The effort to balance the Fund and prevent a downward trend is critical to sustaining Health IT
investments in Vermont. However, our health reform goals and initiatives make it clear that continued HIT
investments will need to be made well beyond FY 17. These will be detailed in the updated and revised
State HIT Plan, currently being drafted and due to be finalized by January 2016.

Table 1:	HIT FUND		
SFY	**Receipts**	**Expenditures**	**Balance**
SFY'09	$1,725,505.67	$1,404,447.01	$321,058.66
SFY'10	$2,462,827.92	$127,388.62	$2,656,497.96
SFY'11	$2,877,846.80	$589,401.87	$4,944,942.89
SFY'12	$3,467,955.96	$1,856,814.71	$6,556,084.14
SFY'13	$3,122,199.00	$2,721,643.00	$6,956,640.14
SFY'14	$3,273,051.91	$5,150,204.42	$5,079,487.63
SFY'15	$3,467,991.16	$3,053,859.06*	$5,493,619.73*
Total	**$20,397,378.42**	**$14,903,758.69**	
PROJECTED			
SFY'16	$3,300,000.00	$3,698,211.69	$5,095,408.04
SFY'17	$3,300,000.00	$3,458,717.74	$4,936,690.30
SFY'18	$0.00	$4,581,681.58	$355,008.72

* SFY 15 figures may change due to year-end adjustments and reconciliations.

Historically, the State has leveraged the Health IT-Fund to match several sources of federal funds, thereby significantly increasing the impact of the Fund. From 2011 – 2014, the State's Cooperative Agreement Grant from the Office of the National Coordinator (ONC), matched 90/10 with the Health IT-Fund, providing significant funding for Health Information Exchange activities. This was the primary source of State funding for Vermont Information Technology Leaders (VITL) through a grant agreement between DVHA and VITL. Since 2014, the State has used Global Commitment funding for some HIT and related Health Information Exchange (HIE) expenses through a CMS "fair share" formula for HITECH expansion activities. Our current best information strongly indicates that these federal funding sources will continue to be available for the next 5 years or more. However, the match rates for these federal sources are lower (roughly 55/45 for Global Commitment and 75/25 for HITECH) than the 90/10 rate available in the past. As such, our need for Health IT-Funds both currently and into the future to match these federal funds is even greater than in the past.

In FY2015, The following projects/initiatives are paid for from the Health IT-Fund (See Appendix 1 for further details):

- **Electronic Health Records (EHR) Incentive Program** – The HITECH Act supports the 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 (meaning that they have met federal requirements) 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 has paid out approximately $39,446,787 to Vermont and New Hampshire hospitals and professional providers, all of whom are registered Medicaid providers in Vermont. For more information about this program, go to: http://hcr.vermont.gov/hit/ehrip.

- **Vermont Information Technology Leaders (VITL) Health Information Exchange (HIE)** – Vermont statute (18 V.S.A. §9352) designates VITL, 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 pays for the development and operation of the IT necessary to operate the Vermont Health Information Exchange (VHIE). VITL contracts directly with an HIE vendor (Medicity - http://www.medicity.com) to provide many of 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 (SMHP/ IAPD, GC) and State (HIT Fund) funding. For more information about VITL, go to: http://vitl.net.

- **VITL Regional Extension Center (REC)** – The ONC historically offered 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. VITL's REC grant expired in February 2014, but the State is supporting the continuation of this team of specialists through various initiatives including the HIT fund-purchased federal grants and the State Innovation Model (SIM) grant.

- **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 (CDR). The current vendor for this registry is Covisint DocSite. The Blueprint also uses Health IT-Fund investments to support the program's clinical and claims data analytics. The program produces Practice Profile reports, derived from Vermont's all-payer claims database, the Vermont Healthcare Claims Uniform Reporting and Evaluation System (VHCURES), which allows individual practices to assess their utilization rates and quality of care delivered compared to local peers and to the state as a whole, giving them data to assist their quality improvement efforts. In 2014, the Blueprint introduced profiles at the hospital service area (HSA) level, which is an aggregation of the profiles for all practices within an area. These HSA Profiles provide data comparing utilization, expenditures, and quality outcomes within an individual HSA to all other HSAs and the statewide average. The regular production of timely HSA profiles across all payers and featuring Accountable Care Organization (ACO) core measures and other key population health indicators is serving as a starting point for community wide quality improvement initiatives. More information about the Blueprint and its HIT initiatives can be found in the program's Annual Report at http://blueprintforhealth.vermont.gov/sites/blueprint/files/BlueprintPDF/AnnualReports/BlueprintAnnualReport2014Revised150731a.pdf.

- **HIT Planning and Support Grants** – The State has provided a number of smaller grants for HIT planning and support services to (see Appendix 1 for further details):
    - Agencies representing the State's mental health, home health, and nursing home organizations;
    - Bi-State Primary Care Association, in support of HIT services for Federally Qualified Health Centers (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).

The following Figure 1 shows the **cumulative** distribution of the HIT Fund and total expenditures by initiative for SFY 2009 through 2015. The Figure has the state dollars from the HIT Fund in gold, and the corresponding **total** expenditures including federal funds in green:
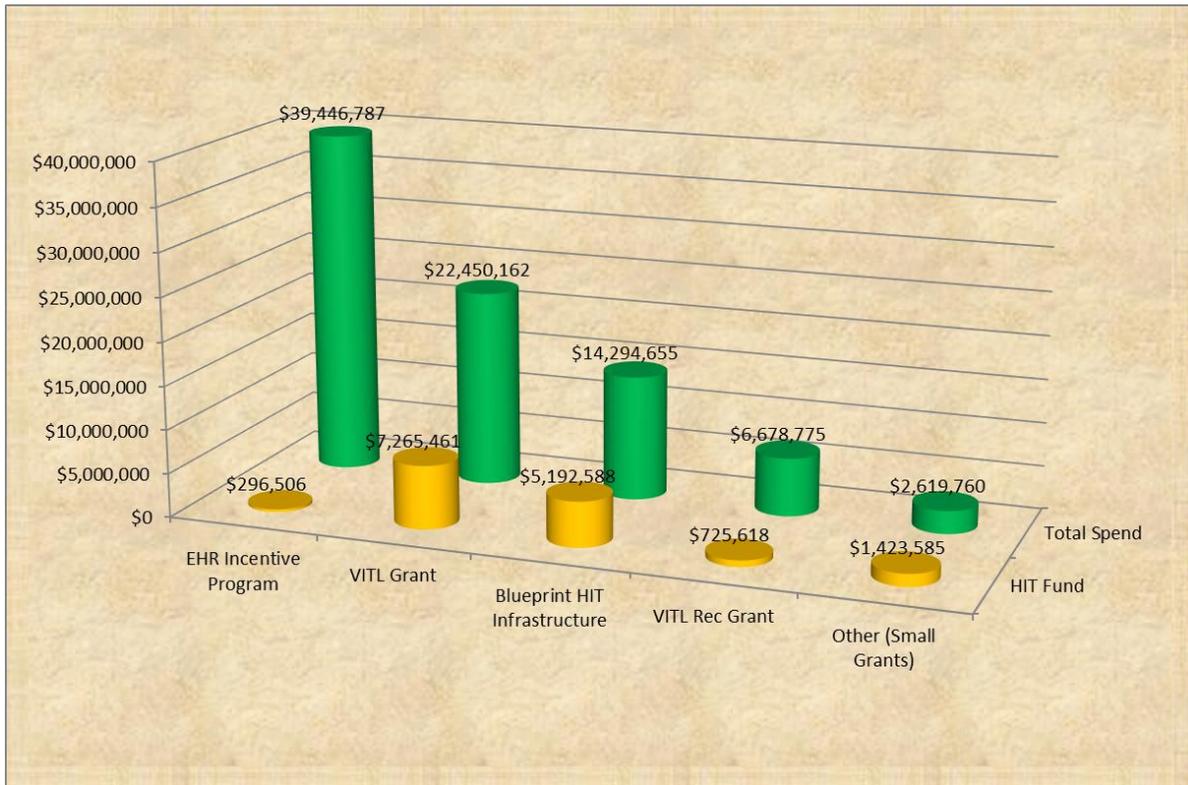

Figure 1: Cumulative HIT Fund and Total Expenditures by HIT Initiative

In total, since 2009, the State expended $14,903,759 from the HIT Fund to support total spending of $85,490,139.

The following Figure 2 shows a similar distribution of the HIT Fund and total expenditures by initiative for just SFY15:
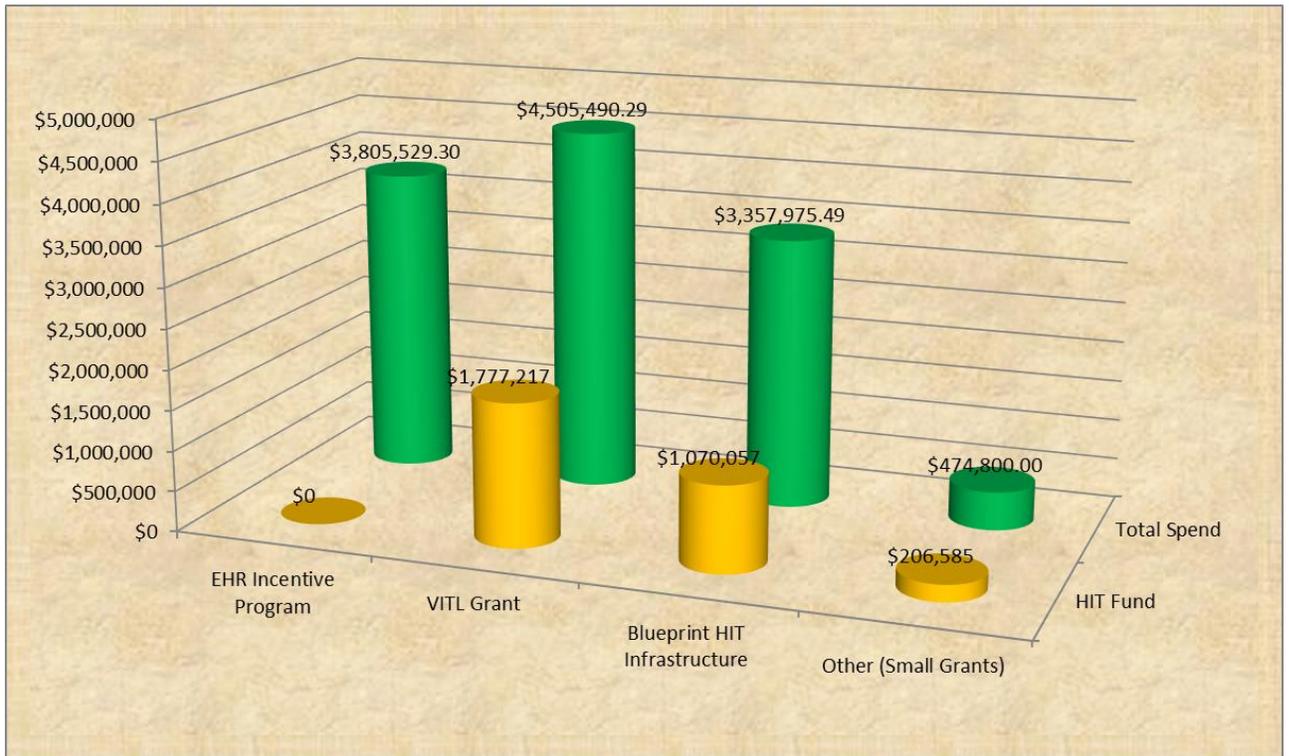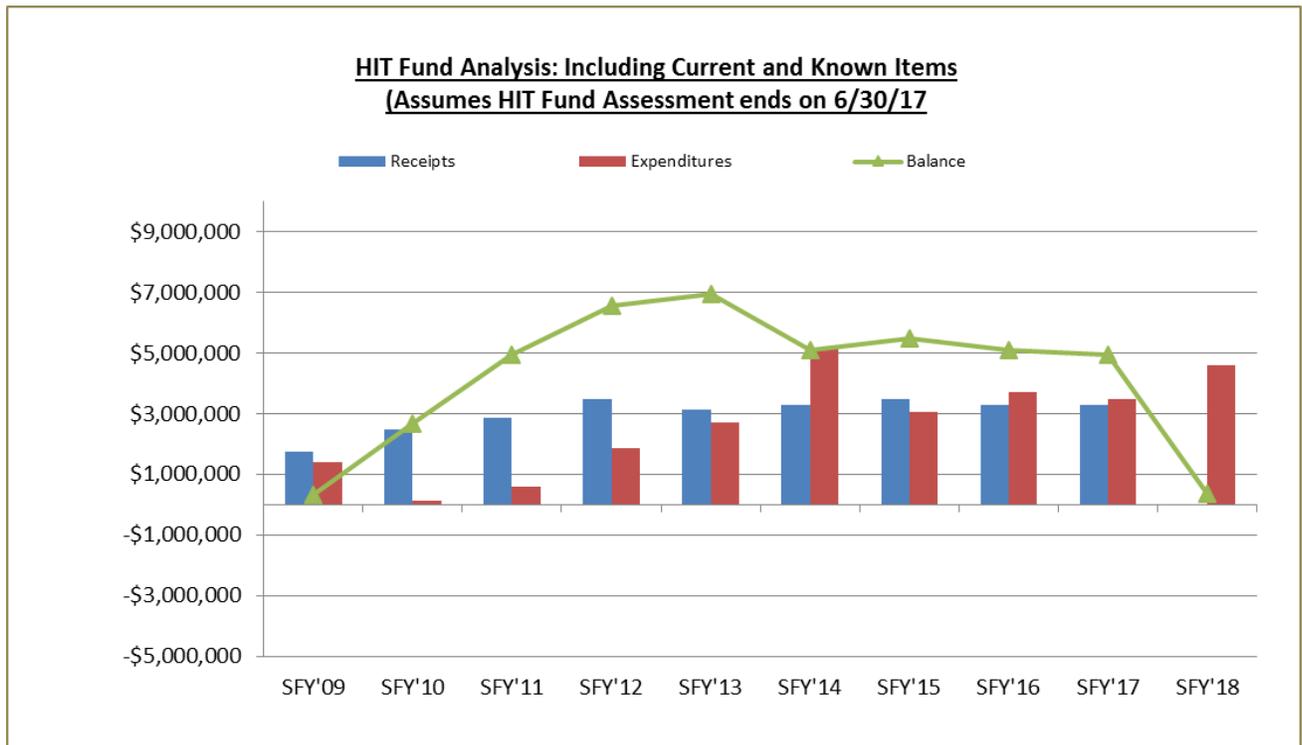

Figure 2: <u>SFY15</u> HIT Fund and Total Expenditures by Initiative

In SFY15, the State expended $3,053,859 from the HIT Fund to support total spending of $12,143,795.

The following graph shows an anticipated depletion of the fund following the termination of the supporting claims tax in SFY17, as is called for in H.295 of the 2013 legislative session:

HIT Fund Analysis: Including Current and Known Items (Assumes HIT Fund Assessment ends on 6/30/17

This graph reflects an 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 SFY15 are based on actual revenues and expenses. All future data represent a single set of assumptions basing future projections on current trends.

As a result of careful budget planning and approvals by the Administration and the legislature to increase the amounts of Global Commitment dollars eligible to be purchased with the Health IT-Fund, we are now in a position to support State HIT initiatives through SFY16 and SFY17, when the Health IT Fund portion of the Health Care Claims Tax is scheduled to sunset. The State has successfully leveraged the HIT Fund to obtain additional federal 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.

Appendix 1: SFY 15 Grants and Contracts Supported with Health IT-Funds

The table below lists the grants and contracts supported in SFY 15 with Health IT-Funds. The amounts listed are totals for each agreement and in each case include a mix of federal and State dollars (several different federal match rates are involved depending on the funding source and eligibility criteria). Some of the agreements, as noted, span more than one fiscal year, so the totals here do not necessarily match the SFY expenditure amounts listed earlier in the report.

Grantees/ Contractors	FY 15 Agreement Amounts	Summary	Comments
Vermont Information Technology Leaders (VITL)	$ 4,505,490.29	Grant for core operations and management of the VT Health Information Exchange Network and related products and services.	
Vermont Information Technology Leaders (VITL)	$ 1,319,513.00	Contract for development and expansion projects for VITL and VHIE.	Total amount spans State Fiscal years
Covisint Docsite	$ 1,275,000.00	Contract for provision and operation of Blueprint clinical data registry system to the State.	
Bi State Primary Care Association	$ 283,800.00	Grant to provide health information technology data analysis, quality improvement, data quality, and project management support to Vermont Health centers and the State's Health Reform initiatives	
Onpoint Health Data	$ 867,455.00	Contract for analysis and reporting regarding healthcare spending, healthcare utilization, healthcare quality measurement, and healthcare outcomes (healthcare analytic services) for the Blueprint for Health program	Total amount spans State Fiscal years
Stone Environmental, Inc.	$ 160,000.00	Contract for operation of a web accessible database application and expanding that functionality to allow practices, project managers, and State staff to easily enter, track, and report for the Blueprint.	Total amount spans State Fiscal years
Cathedral Square Corp.	$ 205,000.00	Grant to provide infrastructure and staffing to maintain and enhance Docsite functionality and process improvement in the Support and Services at Home (SASH) system as part of the Blueprint's electronic health information infrastructure	Total amount spans State Fiscal years

Capital Health Associates	$ 339,000.00	Contract that provides data quality project management and consulting services to the currently ongoing statewide end-to-end data quality and transmission initiatives (Blueprint "Sprint" and other projects). Also participated in the discovery process for a possible acquisition of a source code license to DocSite by the State and contributed expert technical resources to this evaluation.	Total amount spans State Fiscal years
Health Service Areas (see note below for grantees) *	$ 249,000.00	The Vermont Blueprint for Health issues grants to each of the 14 Health Service Areas (HSAs) in the state for local leadership infrastructure to manage the ongoing operations of the Blueprint healthcare delivery system reforms and related HIT requirements. These grants fund project management, data and clinical quality improvement and technical assistance to practices for data and HIT requirements.	Total amount spans State Fiscal years

* Brattleboro Memorial Hospital, Central Vermont Medical Center Inc., Copley Professional Services Group, Inc., Gifford Health Care, Inc., Little Rivers Heath Care Inc., North Country Hospital and Northeastern Vermont Regional Hospital, Northwestern Medical Center, Porter Hospital, Inc., Rutland Regional Medical Center, Springfield Medical Care Systems Inc., United Health Alliance, University of Vermont Medical Center, Windsor Hospital Corporation