

**STATE OF VERMONT  
GREEN MOUNTAIN CARE BOARD**

In re: Review of Vermont Information )  
Technology Leaders' FY2017 Budget )  
and Core Activities )  
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**ORDER APPROVING VERMONT INFORMATION TECHNOLOGY  
LEADERS' 2017 BUDGET AND CORE ACTIVITIES**

Introduction

In its 2015 session, the legislature in Act 54 charged the Green Mountain Care Board with oversight of the Vermont Information Technology Leaders' (VITL) budget and core activities. Specifically, the legislation requires the Board to:

[a]nnually review the budget and all activities of VITL and approve the budget, consistent with available funds, and the core activities associated with public funding . . . which shall include establishing the interconnectivity of electronic medical records held by health care professionals and the storage, management, and exchange of data received from such health care professionals, for the purpose of improving the quality of and efficiently providing health care to Vermonters.

18 V.S.A. §9375(b)(2)(C).

Once the Board approves VITL's budget and core activities, the Secretary of Administration or designee (the Department of Vermont Health Access, (DVHA)) "shall enter into procurement grant agreements" with VITL relative to its designation in the state's Health Information Technology (HIT) Plan "to operate the exclusive statewide health information exchange network." 18 V.S.A. § 9352(c)(1).

Review Process

Because contract negotiations between DVHA and VITL need to timely occur if the parties are to enter into agreements at the start of the fiscal year, VITL began to solicit stakeholder input in the latter half of 2015 with the goal of laying the groundwork for aligning funding sources with core activities. The Board, in consultation with VITL and DVHA, set a target date of April 1, 2016 for its budget approval.

Since the fall, VITL has presented to the Board at its weekly public meetings four times: November 15, 2015, December 17, 2015, February 4, 2016 and March 17, 2016. In addition, representatives from the Agency of Administration (AOA) and DVHA have participated and presented at these meetings to explain the state funding of VITL activities, including the sources of such funding. *See, e.g.,* AOA Presentation: *VITL Budget Discussion* (summarizing state funding from DVHA Core Grant, IAPD contract, VHCIP/SIM Grant, and Vermont Blueprint for Health) (Feb. 4, 2016) *available at*

[http://www.gmcboard.vermont.gov/sites/gmcboard/files/Meetings/VITL\\_Budget\\_Discussion.pdf](http://www.gmcboard.vermont.gov/sites/gmcboard/files/Meetings/VITL_Budget_Discussion.pdf). The Board took public comment at each of these meetings.

At the March 17, 2016 meeting, VITL provided the Board with its FY2017 budget projections that includes revenues received through state funding, a breakdown of expenses, and a comparative view of its budget and funding over time. See FY2017 Budget Review (March 17, 2016), available at [http://www.gmcboard.vermont.gov/sites/gmcboard/files/Meetings/VITL\\_Budget\\_Presentation\\_3\\_17\\_2016.pdf](http://www.gmcboard.vermont.gov/sites/gmcboard/files/Meetings/VITL_Budget_Presentation_3_17_2016.pdf). VITL President and CEO John Evans and CFO Nancy Brock discussed with the Board the challenges VITL faces in managing its cash flow and maintaining sustainable funding to cover ongoing costs. In addition to materials provided by VITL, the AOA submitted a memorandum and table describing how state contracts with VITL align with specific initiatives in Vermont's HIT Plan. See Memo: *VITL Budget Breakdown-State of Vermont Agreements* (March 16, 2016), available at <http://www.gmcboard.vermont.gov/sites/gmcboard/files/Meetings/GMCB%20VITL%20Budget%20Memo%203%2016%202016.pdf>; Table: *VITL Contractual Work by HIT Plan Initiatives*, available at <http://www.gmcboard.vermont.gov/sites/gmcboard/files/Meetings/VITL%20Budget%20document%20v5.pdf>.

## Discussion

Tasked with operating Vermont's statewide health information exchange (VHIE), VITL plays a critical role in our state's health care reform efforts. To help ensure its financial sustainability and its accountability to Vermonters, the legislature in 2015 charged the Board with annual review of VITL's budget and activities. Accordingly, FY2017 is the first budget that is subject to Board review.

VITL receives state funds through three sources. VITL receives an annual DVHA Grant that is used for VHIE operation, maintenance and expansion. At approximately \$4,900,000, the DVHA Grant is the primary source of VITL revenue and is implemented as a reimbursement grant, allowing payment to VITL for its work after its completion and once the state is invoiced. Although the contract period begins at the start of the state fiscal year (July 1), the contract has not been timely executed in past years; for FY2016, the contract was signed 72 days after the start of the contract period. To help VITL maintain financial fluidity, however, DVHA allocates approximately \$207,000 of grant funds monthly for VITL's services, notwithstanding the contractual delay.

VHCIP/SIM (SIM)<sup>1</sup> funds, scheduled to end in 2018,<sup>2</sup> are used for one-time projects related to accountable care organization (ACO) development. For FY2016 the SIM grant revenue is forecasted at \$957,000; for FY2017 it is projected at \$800,000. For calendar year 2015, the SIM grant agreement was not timely executed, with a gap of 312 days between the commencement of the contract period (January 1, 2015) and the signing of the second contract amendment.

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<sup>1</sup> In 2013, Vermont was awarded a \$45M State Innovation Model (SIM) grant from the federal government to expand and integrate innovative health care provider payment and HIT that supports more effective and efficient care delivery. Vermont named the project that will utilize the funds the Vermont Health Care Innovation Project (VHCIP).

<sup>2</sup> For FY2018, VITL's overall revenue will decrease to \$7,093,000 and state funding to \$5,900,000, largely due to the anticipated end of the VHCIP/SIM grant.

Last, APD (Advanced Planning Document) funds leverage federal matching dollars for specific development projects as approved by the Centers for Medicare & Medicaid Services, with matches as high as 90/10 federal to state dollars. VITL forecasts it will receive \$768,000 in APD funds in FY2016, and \$1,000,000 in FY2017. For FY2016, the APD contract was signed on February 8, 2016 and made retroactive 130 days, to October 1, 2015.

Overall, VITL forecasts total revenue of \$7,280,000 in FY2016, with \$5,860,000 of the revenue from these three funding sources. For FY2017, VITL projects total revenues of \$7,893,000, with \$6,700,000 from the three sources.

On the flip side of revenue, VITL's annual expenses are anticipated to grow from \$7,128,000 in FY2016 to \$7,873,000 in FY2017. VITL breaks down its expenditures into four major activity groupings: VHIE operations and maintenance; client services and outreach; technology infrastructure; and technology data quality, and allocates the cost of overhead across programs.

VITL's largest expense is for client services—projected to increase from \$2,283,000 in FY2016 to \$2,520,000 in FY2017—and includes salaries for approximately 13 FTEs to provide technical support, education and outreach, and the cost of the VITL Summit. As its next largest expense, VITL budgets \$2,520,000 for VHIE operations and maintenance in FY2017, including costs for seven FTEs and expenses for an HIE vendor (Medicity), an increase of approximately \$27,000 over FY2016. In addition, VITL projects that expenses for technology infrastructure will increase from \$1,771,000 to \$1,870,000, and data quality from \$581,000 to \$820,000, over the same time period.

### Decision

Based on our review, it is clear that VITL's uneven and unpredictable funding stream presents operational hurdles that challenge its ability to fully perform its core activities. Specifically, delays in finalizing contracts result in uncertainty about what terms will ultimately be agreed to or omitted, what work should be prioritized, and if and how to allocate staff, contractors and other resources to various projects. As its CEO and CFO explained at our public meeting, should VITL decide to proceed with a planned project during the contract period without a signed contract, it risks nonpayment for its work, even though VITL remains responsible for paying its employees and contractors. Alternatively, should VITL choose to withhold assigning staff and resources to a project until the contracting process is completed, it risks missing designated milestones and may fail to adequately and efficiently utilize available grant funding.

Notwithstanding the obstacles to maintaining a positive cash flow, VITL has presented a FY2017 budget that the Board finds is responsible and transparent, with an eye towards eliminating the so-called contract-lag so it can more effectively and efficiently fulfill its contractual obligations. To that end, VITL has periodically met with and solicited input from stakeholders, and is working with DVHA on an ongoing basis to finalize its grant contract before the start of the fiscal year. With our approval of its FY2017 budget and activities, we expect VITL to continue to work towards maintaining a predictable and stable revenue stream to support its important ongoing work and projects, and to support maintenance and upkeep of projects already funded.<sup>3</sup>

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<sup>3</sup> VITL estimates that projects funded through the SIM or APD grants can incur ongoing costs for maintenance and upkeep of from 20 to 40 percent of the original project cost.

**ORDER**

Based on the foregoing, the Board APPROVES the Vermont Information Technology Leaders FY2017 Budget and Core Activities, effective March 31, 2016.

**SO ORDERED.**

Dated: April 6, 2016 at Montpelier, Vermont

s/ Alfred Gobeille )

GREEN MOUNTAIN

s/ Con Hogan )

CARE BOARD

s/ Jessica Holmes )

OF VERMONT

s/ Betty Rambur )

s/ Allan Ramsay )