

**STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD**

In re: Review of Vermont Information)
Technology Leaders' FY2019 Budget)
and Core Activities)
_____)

**ORDER APPROVING
VERMONT INFORMATION TECHNOLOGY LEADERS'
2019 BUDGET**

Introduction

In its 2015 session, the legislature in Act 54 charged the Green Mountain Care Board (GMCB, or the Board) with oversight of the Vermont Information Technology Leaders' (VITL) budget and core activities. The legislature amended the statute in 2018 to remove the Board's charge to review VITL's core activities via Act 187 (2018) (effective May 28, 2018). Specifically, the legislation requires the Board to:

[a]nnually approve the budget, consistent with available funds, of the Vermont Information Technology Leaders, Inc. (VITL). This review shall take into account VITL's responsibilities pursuant to section 9352 of this title and the availability of funds needed to support those responsibilities.

18 V.S.A. §9375(b)(2)(C).

Background

In its 2017 session, the legislature in Act 73 charged DVHA with undertaking an external evaluation of Vermont's health information exchange (HIE), operated by VITL. This report, performed by contractor HealthTech Solutions, was published in November 2017 and has four major findings:

1. The health information exchange is expensive and difficult for all states.
2. HIE systems – which aggregate clinical data and share it with providers and health care organizations to support clinical care, quality measurement, and policymaking – are essential.
3. Vermont's HIE activities are not organized in a way that facilitates success.
4. Stakeholders lack confidence in VITL and the Vermont HIE (VHIE), and there is room for improvement.

The report makes 7 recommendations, quoted below from the report's Executive Summary:

- Implement an effective governance model;

- Develop and manage to a strong HIE strategic plan;
- Transparently tie program goals to financial decisions;
- Define outcomes and performance measures for all HIE investments;
- Make HIE operations accountable to all customers, including the state;
- Create an HIE Board of Directors consisting of a mix of stakeholders including subject matter experts and users;
- Ensure that the HIE operator is focused and delivers upon its core mission:
 - Connecting all patient data to the system,
 - Matching patients to records in the HIE,
 - Producing high-quality data, and
 - Ensuring ease of use of data to support quality care and health system improvement.

HealthTech Solutions Report: *Vermont Evaluation of Health Information Technology Activities* (Nov. 10, 2017), available at: <https://legislature.vermont.gov/assets/Legislative-Reports/VT-Evaluation-of-HIT-Activities-FinalReport-Secretary-Signature.pdf>.

The report also identifies opt-out HIE consent as a success factor for HIEs in other states, and identifies Vermont’s “opt-in” policy as a roadblock to broader VHIE participation. *Id.* at 42-43.

VITL’s leadership underwent major changes during 2017 and early 2018, with President and CEO John Evans retiring at the end of the 2017 calendar year after five years with the organization. On February 20, 2018, Michael K. Smith was appointed as Interim President and CEO for 2018-2019.

In early 2018, the House Committee on Health Care introduced H. 901, “An act relating to health information technology and health information exchange” which sought to increase accountability for VITL’s performance by VITL and DVHA in part as a response to the Act 73 report. The bill proposed additional reporting to the Legislature and the Green Mountain Care Board, removed the Board’s authority related to approval of VITL’s core activities, and made additional statutory changes related to VITL’s board of directors. It also extended the portion of the health care claims tax dedicated to the HIT Fund through July 1, 2019. H. 901 was signed into law as Act 187 of 2018 on May 28, 2018.

Review Process

Because contract negotiations between DVHA and VITL must occur in a timely manner if they are to enter into agreements at the start of the fiscal year, the Board elected to review and vote on VITL’s budget in May 2018. The Board selected this timing for its review to allow DVHA and VITL to submit contracts to their federal partners at the Centers for Medicare & Medicaid Services (CMS) at least 60 days prior to the contract start date (July 1); DVHA and VITL were confident that contracts would be fully negotiated but not yet executed during this period.

Since December 2017, the Board has received four presentations and discussions on the subject of VITL oversight at its weekly public meetings, plus one submission of documents:

- December 14, 2017: GMCB staff presented on the Board’s statutory authority related to VITL, the VHIE, and health information technology (HIT). *See GMCB Staff Presentation: GMCB Statutory Authority* (December 14, 2018), available at: <http://gmcboard.vermont.gov/sites/gmcb/files/FINAL%20VITL%20Oversight%20Slides%20for%20Board%20Compiled%2012%2014%202107.pdf>. HealthTech Solutions (DVHA contractor) presented on the results of the Evaluation of Vermont Health Information Technology Activities report, required under Act 73 of 2017. *See HTS Presentation: Evaluation of Vermont Health Information Technology Activities* (December 14, 2018), available at: <http://gmcboard.vermont.gov/sites/gmcb/files/FINAL%20VITL%20Oversight%20Slides%20for%20Board%20Compiled%2012%2014%202107.pdf>. VITL presented on the organization’s reaction to the Act 73 report. *See VITL Presentation* (December 14, 2017), available at: <http://gmcboard.vermont.gov/sites/gmcb/files/Dr.%20Bruce%20Bullock%20GMCB%20Slides%202017%2012%2014.pdf>. GMCB staff presented recommendations for VITL oversight and health information exchange planning for 2018. *See GMCB Staff Presentation: Recommendations for GMCB VITL Oversight and HIE/HIT Planning* (December 14, 2018), available at: <http://gmcboard.vermont.gov/sites/gmcb/files/FINAL%20VITL%20Oversight%20Slides%20for%20Board%20Compiled%2012%2014%202107.pdf>.
- February 26, 2018: DVHA presented an update on the VHIE, compliance with requirements proposed in H. 901, VITL contracting, and development of the State HIT Plan. *See DVHA Presentation: Health Information Exchange/Health IT Update to the Green Mountain Care Board* (February 26, 2018), available at: http://gmcboard.vermont.gov/sites/gmcb/files/DVHAUpdate%20to%20the%20GMCB_HIEandVITL_2.26.18.pdf. VITL provided a quarterly update. *See VITL Presentation: Vermont Health Information Exchange Update to the Green Mountain Care Board* (February 26, 2018), available at: <http://gmcboard.vermont.gov/sites/gmcb/files/UPDATED%20VITL%20-%20GMCB%2002262018.pdf>.
- May 9, 2018: DVHA presented an update on the VHIE, compliance with requirements proposed in H. 901, VITL contracting, and development of the State HIT Plan. *See DVHA Presentation: Health Information Exchange/Health IT Update to the Green Mountain Care Board* (May 9, 2018), available at: http://gmcboard.vermont.gov/sites/gmcb/files/Final%20Version%20-%20DVHAUpdate%20to%20the%20GMCB_HIEandVITL_May2018%20%28003%29.pdf. VITL provided a quarterly update. *See VITL Presentation: Quarterly Report* (May 9, 2018), available at: <http://gmcboard.vermont.gov/sites/gmcb/files/VITL%20-%20GMCB%2005092018%20Presentation%20-%20Final-3%20%28002%29.pdf>.

On April 23, 2018, VITL submitted a budget proposal according to Board specifications discussed at the February 26, 2018 meeting and communicated in writing to VITL leadership on April 9, 2018. This submission included:

1. Narrative: Included VITL’s assessment of their strategic objectives, opportunities and challenges; discussion of core work scope according to the Act 73 report (connecting clinical data to the HIE, matching patients to records in the HIE, producing high-quality

data, and ensuring ease of use) as well as non-core activities; transition update and Organizational Chart; and financial and operational projections.

2. Indirect and fringe rate calculations
3. Contracts with State (DVHA) and private entities.
4. 2017 Financial Data, including audited financial statements and IRS Form 990
5. 2018 Financial Data, including Profit & Loss Statement, Balance Sheets, and Cash Flow
6. Follow up from FY2018 Budget Order
7. FY2019 Request

The VITL budget submission was formally presented to the Board on May 9, 2018 by VITL President and CEO Mike Smith, CFO Robert Turnau, Interim Chief Technology Officer Frank Harris, and COO Kristina Choquette. *See* FY2019 Budget Review (May 9, 2018), *available at* <http://gmcboard.vermont.gov/sites/gmcb/files/VITL%20-%20GMCB%2005092018%20Presentation%20-%20Final-3%20%28002%29.pdf>.

The Board bases its review of VITL's FY2019 budget on four principles. *See* GMCB Website: Vermont Information Technology Leaders (VITL) Oversight *available at* <http://gmcboard.vermont.gov/hit/vitl-oversight>.

In light of the findings of the Act 73 report, leadership transitions at VITL, and Act 187 of 2018 which eliminated GMCB's review of VITL's core activities, GMCB staff suggested modifications to the existing review criteria which are listed below, along with corresponding GMCB staff findings:

1. *The review process will be transparent and will incorporate public input.*
 - Transparency was measured by compliance with budget guidance and overall transparency of the budget process.
 - VITL complied with all budget guidance.
 - A special public comment period was open from May 9 through May 23, 2018. No comments were received.
2. *The Board will review VITL's budget and core activities in order to determine whether they reflect a strategy and priorities consistent with the State's health care reform goals and the Health Information Technology (HIT) Plan. The Board will not direct the technical details of VITL's work or the details of VITL's contractual relationship with the State.*
 - The Board did not review VITL's proposed core activities in light of then-pending legislation (H. 901, signed into law as Act 187 on May 28, 2018).
 - The most recent HIT Plan was approved by GMCB in 2010. DVHA and stakeholders are currently developing an updated Plan for GMCB's consideration in Fall 2018. In lieu of a current Plan, alignment was assessed based on recommendations included in the Act 73 report.
 - VITL's contracts with DVHA are purposely aligned with the recommendations from the Act 73 HTS report. Section 1, Appendix A of the budget submission maps contract components to HTS recommendations.
3. *The Board's review process must be structured and timed in order to assist DVHA and VITL in negotiating timely, effective grant agreements each year.*

- In consultation with DVHA and VITL, the Board elected to perform its budget review in May this year; contract negotiations for the July-December 2018 contract extension were completed in late April 2018 and will not take effect until July 1, 2018.
4. *The process must result in Board decisions that are sufficiently clear to enable VITL to do its work and DVHA to support that work without requiring repeated clarification or intervention by the Board.*

Discussion

Revenue

Tasked with operating Vermont's statewide health information exchange, 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. Accordingly, FY2019 is the third budget that has been subject to Board review.

Overall, VITL forecasts total revenue of \$6,005,760 in FY2019, including the \$4,987,000 in combined state and federal revenue described above, plus \$1,018,760 from private sources. State and federal funds flow through two primary vehicles, described below, with federal funds flowing through DVHA as Medicaid matching funds:

- The DVHA Core Contract, which funds maintenance and operations of the VHIE and VITL's Health Data Mart, the VITLAccess provider portal, and development of interfaces between provider medical records systems and the VHIE. Given the findings of the Act 73 report, the transition in leadership at VITL, and the pending status of H. 901 throughout Spring 2018, DVHA and VITL planned to enter into a six-month extension of this contract for the July-December 2018 period, rather than a full year's contract. The amount of this six-month contract extension is \$1,932,780, with an additional \$1,868,264 estimated for January-June 2019, for an estimated CY2019 total of \$3,801,044.
- The DVHA Advanced Planning Document (APD) Contract, which funds ongoing design, development, and implementation for the VHIE. As with the DVHA Core Contract, DVHA and VITL planned to enter into a six-month extension of this contract for the July-December 2018 period, rather than a full year's contract. The amount of this six-month contract extension is \$638,166, with an additional \$505,790 estimated for January-June 2019, for an estimated CY2019 total of \$1,143,956.
- VITL also estimated that it would receive \$42,000 in additional state funds.

VITL anticipates a \$1 million reduction in revenue from state funds over FY2019-FY2020. The totals above represent a decrease of \$422,000 compared to VITL's FY2018 budget.*

* This is based on a comparison of FY2018 and FY2019 budgeted amounts. VITL's most recent FY2018 revenue forecast is slightly higher than budgeted due to carryover funds from FY2017, as well as an additional contract with DVHA for \$42,000 to support the Vermont Chronic Care Initiative.

Expenses

VITL's annual expenses are anticipated to drop from \$6,419,258 in the FY2018 budget to \$5,914,233 in the FY2019 budget, a reduction of \$505,035.

Investments in information technology account for \$1,019,921 of total VITL expenditures and are intended to enhance security, improve matching, and reduce future costs. Expenses for existing software and services were based on current costs and escalated by a 3.0% to bring to FY2019 levels, where practical. VITL has contracted with Medicity which has since 2011 provided VHIE hosting services that represent 18% of total VITL expenditures, approximately \$1,071,954. Medicity licensing and hosting expenses are maintained at FY2018 levels due to a reduction in the number of required interfaces.

VITL was able to limit expenditures and offset the reductions in state funding, as described above, by eliminating vacant positions, reducing office space starting in January 2019, and reducing some employee benefits. Personnel costs are projected to be \$2,943,387 and account for approximately 50% of VITL's total FY2019 expenditures. The FY2019 budget assumes no new positions, no bonuses for leadership, a 2.5% increase in employee contribution towards health insurance, and eliminates a 6.0% discretionary match for 401Ks. In the second half of FY2019, VITL will reduce its office space by approximately 3,000 square feet. After an initial fit-up expense of \$25,000 for the new office space, the move is expected to reduce VITL's overall occupancy expenses.

VITL incorporated a \$100,000 contingency account (approximately 1.7% of total expenses) to offset the risks of inflation and unforeseen costs. VITL asserts that given its lean organization and period of transition, loss of crucial talent may require contingency funds in order to successfully deliver contractual requirements. In addition, VITL has reserved \$122,653 to resolve legacy reconciliation issues with DVHA.

Additional reductions in state funding are planned for FY2020; VITL plans to balance these via use of carryforward funds from FY2019.

Decision

Following a special public comment period from May 9 through May 23, 2018, the Board voted to approve the VITL budget as presented, with the condition that VITL return in late 2018 to present an updated budget for January-June 2019 once contract negotiations with DVHA are completed.

ORDER

Based on the foregoing, the Board APPROVES the Vermont Information Technology Leaders FY2019 Budget effective as of May 30, 2018.

SO ORDERED.

Dated: June 20, 2018 at Montpelier, Vermont

<u>s/ Kevin Mullin, Chair)</u>	GREEN MOUNTAIN
<u>s/ Jessica Holmes)</u>	CARE BOARD
<u>s/ Tom Pelham)</u>	OF VERMONT
<u>s/ Maureen Usifer)[†]</u>	

[†] Board member Robin Lunge was absent from the May 30, 2018 Board meeting; however, she was present for prior presentations, reviewed the meeting recording, and concurs in the approval VITL's FY2019 budget.