

**STATE OF VERMONT  
GREEN MOUNTAIN CARE BOARD**

**ORDER RE VERMONT INFORMATION TECHNOLOGY LEADERS (VITL)  
FY2020 BUDGET**

In re: Vermont Information Technology )  
Leaders (VITL) FY2020 Budget )  
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**INTRODUCTION**

On April 29, 2019, Vermont Information Technology Leaders (VITL) submitted its Fiscal Year 2020 (FY2020) budget to the Green Mountain Care Board (GMCB or Board). VITL’s budget anticipates more than \$6,000,000 in revenue that will come from contracts with the State of Vermont and other sources and expenses totaling more than \$6,200,000.

On June 5, 2019, the Board unanimously voted to approve VITL’s FY2020 budget for the reasons set forth below.

**LEGAL FRAMEWORK**

VITL operates Vermont’s statewide health information exchange network (VHIE) – a critical component of Vermont’s Health Information Technology Plan (HIT Plan or HIE Plan). 18 V.S.A. § 9352(c)(1); *see also* 18 V.S.A. § 9351. The Vermont Legislature has tasked the Board with oversight of VITL’s annual budget.<sup>1</sup> Specifically, the Board must:

[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); *see also* 18 V.S.A. § 9352(c)(1).

The Board’s review of VITL’s budget is governed by four principles:

- The review process will be transparent and will incorporate public input.
- 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 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.

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<sup>1</sup> In its 2015 session, the Vermont Legislature charged the Board with oversight of VITL’s budget *and* its core activities. 2015 Sess., No. 54. The Legislature amended the statute in 2018, limiting the Board’s oversight of VITL to reviewing and approving VITL’s annual budget. *See* 2018 Sess., No. 187 (effective May 28, 2018).

- The Board’s review process must be structured and timed in order to assist the Department of Vermont Health Access (DVHA) and VITL in negotiating timely, effective grant agreements each year.
- 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.

See GMCB Website: Vermont Information Technology Leaders (VITL) Oversight, *available at* <http://gmcboard.vermont.gov/hit/vitl-oversight> (VITL Oversight).

FY2020 is the fourth year that VITL’s budget has been subject to the Board’s review.

### **REVIEW PROCESS**

The VITL FY2020 budget review process occurred between April and June 2019. This timing was selected in consultation with DVHA and VITL to ensure that the Board’s vote would occur prior to the start of VITL’s fiscal year, which begins on July 1.

The GMCB issued guidelines for VITL’s FY2020 budget submission on April 1, 2019. VITL submitted its proposed budget on April 29, 2019. Members of VITL’s senior management presented the proposed budget at a public GMCB meeting on May 15, 2019. Following VITL’s presentation, the Board held a special public comment period from May 15, 2019 to June 3, 2019.<sup>2</sup> On June 5, 2019, the Board voted to approve VITL’s FY2020 budget.

### **FINDINGS**

#### *General Board Oversight*

1. During Fiscal Year 2019 (FY2019), VITL and DVHA presented to the Board five times on matters related to the VHIE and the Health Information Exchange Plan (HIE Plan). These presentations included updates on the VHIE program, the 2018-2019 HIE Plan and new connectivity criteria, and VITL’s FY2020 proposed budget. *See generally* 2019 Board Meeting Information; 2018 Board Meeting Information.
2. In addition, the Board reviewed and approved the 2018-2019 HIE Plan, proposed by DVHA, in November 2018, including updated VHIE Connectivity Criteria developed and presented by VITL. GMCB Meeting Minutes (Nov. 19, 2019); GMCB Meeting Minutes (Nov. 7, 2018). The HIE Plan is intended to “envision a future where [the health information exchange] is valuable and provide policy makers and regulators with a way to hold the HIE program accountable for creating that value.” Vermont’s Health Information Exchange Strategic Plan 2018-2019, 3.<sup>3</sup>

#### *VITL’s FY2020 Proposed Budget*

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<sup>2</sup> Materials related to VITL’s presentations to the Board are available at <https://gmcboard.vermont.gov/board/meeting/minutes/2019>.

<sup>3</sup> [https://gmcboard.vermont.gov/sites/gmcb/files/HIEPlan\\_SubmittedbyDVHAtoGMCB\\_11.1.18.pdf](https://gmcboard.vermont.gov/sites/gmcb/files/HIEPlan_SubmittedbyDVHAtoGMCB_11.1.18.pdf).

3. On April 29, 2019, VITL submitted a budget proposal according to Board specifications which included the following sections:
  - Narrative: Including 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 VHIE, matching patients to records in the VHIE, 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.
  - Indirect and fringe rate calculations
  - Contracts with State (DVHA) and private entities.
  - FY2018 Financial Data, including audited financial statements and IRS Form 990
  - FY2019 Financial Data, including Profit & Loss, Balance Sheets, and Cash Flow
  - Follow up from FY2019 Budget Order
  - FY2020 Request

VITL FY2020 Budget Submission (Budget Submission).<sup>4</sup>

4. FY2020 will be VITL’s second year of a three-year fiscal plan that it presented to the Board in 2018. Budget Submission, Memorandum from Michael K. Smith, VITL Interim President and CEO to Kevin Mullin, Chair, Green Mountain Care Board, 1 (April 29, 2019). Under that plan, VITL intended to conclude FY2019 with a surplus that would cover VITL’s projected operating deficit for FY2020. *Id.* VITL intends to spend the next two years seeking additional, diversified revenue sources to cover its anticipated expenditures. *Id.*; *see also* VITL FY2020 Budget Presentation to GMCB, PowerPoint Presentation, 5 (May 15, 2019) (VITL PowerPoint). VITL’s FY2020 budget proposal focuses on the organization’s sustainability. *See* Budget Submission, Memorandum from Michael K. Smith to Kevin Mullin, 1.
5. When VITL management presented its FY2020 budget to the Board, VITL Interim CEO Michael K. Smith confirmed that VITL’s FY2019 budget is “balanced,” and VITL projects a \$600,000 surplus at the conclusion of FY2019. VITL PowerPoint, 6.
6. VITL proposes a FY2020 budget that anticipates almost \$6.1 million in revenue and more than \$6.2 million in expenses, resulting in a loss of more than \$186,000, which is consistent with VITL’s three-year fiscal plan. *Id.* at 10, 14.
7. VITL expects its FY2020 revenue will come from both State sources (including federal match) and non-State sources – including nearly \$4.7 million in State contracts and nearly \$1.4 million from other sources. VITL PowerPoint, 10; Budget Submission, Section 2.1, Entity Level Stmt of Activities (updated May 10, 2019). Projected FY2020 revenue represents an increase of almost \$50,000 over the expected revenue approved in VITL’s FY2019 budget. Budget Submission, Section 2.1, Entity Level Stmt of Activities (updated May 10, 2019).

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<sup>4</sup> Additionally, at its Board presentation, VITL provided the Board with an updated statement of activities with FY2019 projections based financial information that was current as of May 10, 2019.

8. Revenue from State sources: DVHA and VITL continue to operate on a 12-month contract term aligned with the calendar year, with more than \$2.4 million awarded for the July – December, 2019 period (the second half of the existing CY19 contract) and an additional \$2.2 million in revenue estimated for January – June 2020 (based on projections for VITL’s CY20 contract with DVHA). Budget Submission, Section 2.1, Budget Introduction, 1. The combined revenue VITL expects to receive in FY2020 through its two contracts with DVHA is anticipated to exceed \$4.6 million.<sup>5</sup> VITL PowerPoint, 10.
9. Revenue from non-State sources: VITL expects that its remaining FY2020 revenue will come from non-State sources, including two primary sources and several value-added products it has created. VITL PowerPoint, 10; Budget Submission, Section 2.1, Entity Level Stmt of Activities, 4. VITL expects non-State sources to provide the following revenue for FY2020:
  - OneCare Vermont (OCV): VITL anticipates that OCV will continue to fund VITL’s data feed at current levels, generating \$810,000 in revenue.
  - Collaborative Services Initiative: VITL plans to continue the shared services arrangement it has with several partners, including the Blueprint for Health/Capital Health Associates (CHA), OCV, and DVHA, to share costs associated with mutual technology projects (the Collaborative Services Initiative). This initiative is expected to generate nearly \$400,000 in revenue for FY2020.<sup>6</sup>
  - “Value-added” products and services: VITL anticipates an additional \$153,000 in revenue from its “value-added” products, including admission, discharge, and transfer alerts (provided in partnership with PatientPing) and VITLDirect.<sup>7</sup>

Budget Submission, Section 2.1, Entity Level Stmt of Activities, 4. VITL’s budget submission was formally presented to the Board on May 15, 2019, by VITL’s President and CEO Mike Smith, CFO Robert Turnau, Interim Chief Technology Officer Frank Harris, and Client Services Director Andrea De La Bruere. VITL PowerPoint, 1.

10. VITL’s annual expenses are anticipated to increase from more than \$5.9 million (budgeted for FY2019) to more than \$6.2 million in FY20, an increase of more than \$300,000. *Id.* However, VITL’s revenue is expected to remain relatively stable. *Id.* As a result, VITL projects it will incur a loss in FY2020 of approximately \$185,000. *Id.* VITL plans to use a portion of its surplus from FY2019 to cover the anticipated deficit in FY2020. Budget Submission, Memorandum from Michael K. Smith to Kevin Mullin, 1. VITL’s financial solvency has steadily improved since FY2017, as evidenced by its \$600,000 surplus in FY2019 and an increase in days cash on hand from 47 days (FY2017) to a projected 150 days (FY2019). VITL PowerPoint, 10, 14, 20.

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<sup>5</sup> Since fiscal year 2017, VITL’s revenue from State contracts continues to decline and is anticipated to decrease by an additional \$330,000 in FY2020. VITL PowerPoint, 10.

<sup>6</sup> *See generally* VITL PowerPoint, 24. The offsetting expenses associated with Collaborative Services Initiative are budgeted at \$675,000 in FY2020. VITL PowerPoint, 15.

<sup>7</sup> VITL plans to expand its value-added products in an effort to diversify revenue sources in FY2021. *See* Budget Submission, Memorandum from Michael K. Smith to Kevin Mullin, 3.

11. VITL's FY2020 expenses are expected to generally be flat, with minor adjustments in several key categories:

- *Personnel*: Labor costs are held flat in FY2020 through efforts to reduce staffing levels, down by 26% since FY2017, largely by streamlining VITL's organizational chart. VITL PowerPoint, 16-18. Personnel costs are budgeted to be \$2,890,527 in FY2020 and account for approximately 46% of total expenses. *Id.* at 18. The FY2020 budget assumes no new positions, that two open positions will be filled, no bonuses for leadership, and a merit increase of 3%. Budget Submission, Section 2.1, Budget Introduction, 1.
- *Existing Software and Services*: Expenses for existing software and services are predominately based on current levels and increased by 3.0% to bring to FY2020 levels. *Id.* at 2. VHIE licensing and hosting fees through Health Catalyst, who acquired Medicity in July 2018, are forecasted to match FY2019 levels. *See id.* VHIE hosting services represent 17% of total VITL expenditures – more than \$1 million. VITL PowerPoint, 19.

12. VITL's FY2020 expenses are expected to increase in two key areas:

- *Technology enhancements*: VITL continues to invest in information technology to enhance security and improve infrastructure. VITL PowerPoint, 14. VITL's materials/services expenses are relatively steady as compared to F2019, except for technological investments to support its Collaborative Services Initiative. *See* VITL Powerpoint, 14; Budget Submission, Section 2.1, Entity Level Stmt of Activities, 4.
- *Executive Recruitment*: VITL budgets \$75,000 for one-time recruitment costs related to its efforts to hire a permanent CEO in FY2020. *See* Budget Submission, Section 2.1, Entity Level Stmt of Activities, 4.

13. The GMCB issued guidelines for VITL's FY2020 on April 1, 2019. VITL submitted a complete budget proposal, including all required subsections, on April 29, 2019.

14. VITL presented its FY2020 budget to the GMCB at a public meeting, held May 15, 2019.

15. Though the GMCB accepts public comment at any time, the Board held a special public comment period regarding VITL's FY2020 budget from May 15, 2019-June 3, 2019. No written public comments were submitted.

## CONCLUSIONS

The Board reviewed VITL's FY2020 budget proposal in accordance with statutory requirements and the four enumerated review principles. *See* Legal Framework, *supra* 1.

### *Statutory Requirements*

Under Vermont's HIT Plan, VITL operates the VHIE, and the Board is responsible for ensuring that VITL's annual budget allows it to meet its statutory obligations. *Id.* Consistent with its three-year plan, VITL's FY2020 budget proposes funding sufficient to ensure it meets its essential duty – managing the VHIE – while also laying the groundwork for long-term sustainability. *See* Findings, ¶¶ 4-12. Though VITL expects to have a net loss in FY2020 of

approximately \$186,000, it planned for this deficiency and anticipates its expected surplus from FY2019 will cover its projected losses in FY2020. *Id.* ¶¶ 4, 6. VITL’s long-term financial plan contemplates efforts to become less reliant on State funding and find alternative funding sources, including the development of its own “value-added” products that it can market. *See id.* ¶ 4.

At its core, VITL’s budget proposal contemplates that its FY2020 funding sources will be the State, OCV, the Collaborative Services Initiative, and its “value-added” products. *Id.* ¶¶ 8-9. VITL’s FY2020 expenses relate to personnel, existing software and services, technological enhancements, and one-time costs related VITL’s search for a new CEO. *Id.* ¶¶ 10-12.

Based on our review, we conclude that VITL’s FY2020 budget is consistent with its responsibility to oversee the VHIE and designed to build a sustainable system going forward.

### *Review Principles*

The Board’s review process was transparent and incorporated public comment in the following ways:

- During FY2019, VITL and DVHA presented on VHIE-related topics at numerous public Board meetings;
- VITL’s budget submission was complete and complied with the Board’s guidance;
- VITL presented its budget to the Board at a public meeting and GMCB staff presented their recommendations regarding VITL’s FY2020 budget at a second public meeting;
- Both public meetings included the opportunity for public comment; and
- The Board held a special public comment period from May 15, 2019-June 3, 2019.

*Id.* ¶¶ 1-3, 13-15; *see generally* VITL Oversight.

The Board reviewed VITL’s budget to ensure the budget supports strategies and priorities consistent with the State’s health care reform goals and the HIT Plan. The Board’s review did not direct the technical details of VITL’s work or the details of VITL’s contractual relationship with the State. The Board assessed VITL’s alignment with health care reform goals and the HIT Plan in the following ways:

- The Board reviewed the VITL budget in the context of the 2018-2019 HIE Plan. VITL’s budget and work in FY2020 will advance the goals of the 2018-2019 HIE Plan, which are to: 1) Create one health record for every person; 2) Improve health care operations; and 3) Use data to enable investment and policy decisions.
- VITL’s proposed budget reflects its mission to push toward more effective foundational services (including identity management, the Collaborative Services Initiative; security; and an updated consent policy), exchange services (includes data extraction and aggregation and data access), and end-user services (including notification services and analytics services) as defined in the 2018-2019 HIE Plan. *See Findings*, ¶ 12.

