



SF 2318 – Iowa Health Information Network (LSB 5257SZ)
Analyst: Aaron Todd (Phone: 515-281-6764) (aaron.todd@legis.state.ia.us)
Fiscal Note Version – New

Description

[Senate File 2318](#) creates a statewide health information network referred to as the Iowa Health Information Network (IHIN). The Bill includes the following:

- Outlines necessary definitions and articulates findings and intent;
- Replaces the word “system” with “network” throughout all code references to the IHIN;
- Requires a financial sustainability plan to be created and authorizes the establishment and collection of participant fees annually for the IHIN;
- Authorizes the Department of Public Health (DPH) to administer the IHIN as approved by the [State Board of Health](#);
- Creates the IHIN Fund in the state treasury;
- Establishes mechanisms for technical support for the secure exchange of health information;
- Requires recommendations concerning the long-term governance of the IHIN to be provided to the [State Board of Health](#) by March 2014; and
- Requires a report to be delivered to the General Assembly concerning the use of protected health information for research purposes.

Background

Section 111 of [HF 649 \(FY 2012 and FY 2013 Health and Human Services Appropriations Act\)](#) required the DPH to convene a workgroup to develop a business model and financial sustainability plan for implementation of a statewide health information technology network. The [report](#) was required to include:

- Recommendations on fees to be paid by participants who choose to use the network;
- Strategies to avoid using General Fund money to sustain the network;
- Establishment of a dedicated health information network fund; and
- Recommendations concerning potential transition of technical infrastructure, business operations, and governance of the network to a nongovernmental agency.

[Senate File 2318](#) incorporates the recommendations of this workgroup.

Assumptions

General Assumptions

- The [State Board of Health](#), with the support of the DPH and e-Health Advisory Council, will establish and annually review and update a business and financial sustainability plan for the IHIN. The plans will include fees paid to access and use the IHIN. The fee schedule will use fair share, value-based principles.
- The IHIN Fund, created as a separate fund in the state treasury under the control of the [State Board of Health](#), will receive all revenues, donations, gifts, interest, participant fees, and other moneys relative to the operation and administration of the IHIN. Funds are to be expended on the administration and operation of the IHIN by the DPH, and will not revert to

the General Fund or any other fund at the end of any fiscal year and will be made available for expenditure in future fiscal years.

- The General Assembly appropriated \$150,307 from the General Fund and \$363,987 from the Health Care Transformation Account in FY 2012, for a total of \$514,294, in [HF 649 \(Health and Human Services Appropriations Act\)](#). Status quo funding is anticipated for FY 2013 in the Health and Human Services Appropriations Bill. These funds are used to coordinate the development of the IHIN and match federal State Health Information Exchange Cooperative Agreement Program funds. Subsequent fiscal years will receive no state funding as IHIN operations will rely on a combination of federal funds and user fees.

IHIN Projected Annual Budget: FY 2012 to FY 2017

The following pro-forma budget was created by the e-Health Advisory Council and reviewed by the [State Board of Health](#) for FY 2012 through FY 2017.

Pro Forma Budget

Income	SFY12	SFY13	SFY14	SFY15	SFY16	SFY17
Startup Capital (Build)						
ONC Federal Funds	\$ 2,246,148	\$ 2,640,820	\$ 2,931,665	\$ -	\$ -	\$ -
State General Appropriation	\$ 514,294	\$ 514,294	\$ -	\$ -	\$ -	\$ -
Medicaid CMS HITECH Funds	\$ 2,150,000	\$ 1,900,000	\$ 1,700,000	\$ 1,700,000		
Operational Revenue (Sustainability)						
Direct Connection: Hospitals	\$ -	\$ 396,250	\$ 1,053,750	\$ 1,104,250	\$ 1,389,250	\$ 1,419,250
Direct Connection: Provider Practices	\$ -	\$ 17,750	\$ 126,000	\$ 253,000	\$ 319,000	\$ 420,000
Direct Connection: Other Provider Types	\$ -	\$ 10,500	\$ 65,500	\$ 119,000	\$ 179,500	\$ 251,250
Provider Portal	\$ -	\$ 35,000	\$ 134,500	\$ 191,500	\$ 244,000	\$ 296,500
State Government Agencies	\$ -	\$ -	\$ 25,000	\$ 25,000	\$ 525,000	\$ 525,000
Payer IHIN Service	\$ -	\$ 250,000	\$ 800,000	\$ 900,000	\$ 1,400,000	\$ 1,400,000
Income	\$ 4,910,442	\$ 5,764,614	\$ 6,836,415	\$ 4,292,750	\$ 4,056,750	\$ 4,312,000
= Total Income	\$ 4,910,442	\$ 5,764,614	\$ 6,836,415	\$ 4,292,750	\$ 4,056,750	\$ 4,312,000
Expense						
HIE Infrastructure & Services						
Non-Recurring	\$ 3,065,222	\$ -	\$ -	\$ -	\$ -	\$ -
On-Going Operations	\$ 646,357	\$ 2,940,393	\$ 2,647,721	\$ 2,647,721	\$ 2,647,721	\$ 2,647,721
Funded Depreciation Account	\$ -	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000
Improvement and Development Account	\$ -	\$ 200,000	\$ 200,000	\$ 200,000	\$ 283,973	\$ 301,840
Personnel						
Salaries and Fringe	\$ 560,366	\$ 670,499	\$ 724,138	\$ 782,069	\$ 844,635	\$ 912,206
Indirect Expense	\$ 148,497	\$ 177,682	\$ 191,897	\$ 207,248	\$ 223,828	\$ 241,735
Technical Assistance for Participants	\$ -	\$ 650,000	\$ 600,000	\$ 600,000	\$ -	\$ -
Communication and Outreach	\$ 350,000	\$ 300,000	\$ 200,000	\$ 150,000	\$ 100,000	\$ 70,000
Travel	\$ 25,000	\$ 25,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
Legal Services	\$ 80,000	\$ 80,000	\$ 60,000	\$ 40,000	\$ 40,000	\$ 40,000
Other Expenses	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000
Total Expense	\$4,910,442	\$5,118,574	\$4,718,756	\$4,722,038	\$4,235,157	\$4,308,502
Annual Ending Balance	\$ 0	\$ 646,040	\$ 2,117,659	\$ (429,288)	\$ (178,407)	\$ 3,498
Cumulative Ending Balance	\$ 0	\$ 646,040	\$ 2,763,699	\$ 2,334,411	\$ 2,156,004	\$ 2,159,503

Source: [Iowa e-Health Business and Sustainability Plan](#)

The following assumptions were used in the creation of the budget:

- Funding from the Center for Medicaid Services Health Information Technology for Economic and Clinical Health will be received to support startup.
- State General Fund and other fund appropriations for e-Health will end after FY 2013.
- Fee collection begins for most participants in FY 2013.
- State agencies begin paying participant fees for services beginning in FY 2014.
- Participation by Iowa hospitals reaches 88.0% by the end of FY 2017.
- Participation by Iowa provider practices reaches 50.0% by FY 2017.

The [Iowa e-Health Business and Sustainability Plan](#) provides more details about the IHIN projected budget and fee schedule.

Fiscal Impact

There is no impact in FY 2013 other than the previously enacted appropriations in HF 649 and anticipated status quo appropriations. In FY 2014 and subsequent years, the cost of the IHIN will be self-supporting through federal funds and user fees.

The DPH is projected to expend \$25,000 annually on user fees from existing funds beginning in FY 2014. The Iowa Medicaid Enterprise (IME) is projected to expend \$500,000 annually on user fees beginning in FY 2015. The IME is projecting that annual savings from the use of the IHIN will meet or exceed those costs and, thus, will not impact State funding.

Sources

Department of Public Health
Department of Human Services

/s/ Holly M. Lyons

March 12, 2012

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the correctional and minority impact statements were prepared pursuant to [Iowa Code section 2.56](#). Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
