Iowa Health Information Network (IHIN)

Financials Information Sheet

Financial Model Scenario

There are many variables that may impact the budget and fee structure supporting the IHIN. These variables include projected versus actual participation rates, achieving implementation timelines, and projected versus actual expenditures. For this reason, Iowa e-Health examined a variety of potential financial scenarios in order to see how changes in expenses, participation levels, and revenues would impact the fee structure. After vetting numerous scenarios and gathering feedback from stakeholders, the following financial scenario is considered by the Business and Financial Sustainability Plan Workgroup, Executive Committee and Advisory Council, and State Board of Health as the most likely and realistic. This scenario maximizes available federal funding from the Office of the National Coordinator (State HIE Cooperative Agreement Program) and the Centers for Medicare and Medicaid Services (CMS HITECH funding).

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

The following assumptions were used in the creation of the financial model:

- Funding from CMS HITECH will be received to support the IHIN build (SFY12 – SFY15)
- State General Fund appropriations specifically for Iowa e-Health will end after SFY13
- State government agencies begin paying participation fees for services beginning in SFY14
- Participation by Iowa hospitals reaches 88% by the end of SFY17
- Participation by Iowa provider practices (primary and specialty care) reaches 50% by SFY17

Income

Build Income (startup capital) will account for the largest share of income during the development of the IHIN (SFY12 through SFY15). During this time period, the sources of this build income are: 1) ONC State HIE Cooperative Agreement Program ($7,818,633); 2) State General Fund Appropriations ($1,028,588); and 3) CMS HITECH 90/10 Funding ($7,450,000). Beginning in SFY16, build income is no longer available and the IHIN will be sustained through revenue generated from IHIN services.

Sustainability Income (operational revenue) will begin in SFY13 as participants connect to the IHIN and use services. The sources of operational revenue include hospitals, provider practices, state government agencies, payers, long-term care centers, home health providers, pharmacies, and labs. Participants will enter into Participation Agreements (i.e., contracts) with Iowa e-Health that will require participation fees be paid in order to use IHIN services. As Iowa e-Health begins collecting fees in SFY13, an estimated $709,500 will be collected from participants during that fiscal year. This amount increases dramatically as participation steadily grows. For example, in SFY17, Iowa e-Health estimates generating $4,312,000 in participation fees – an amount that exceeds expenses.

Expense

Expenses will be incurred during the build and on-going operation of the IHIN. The total expense over the 6-year timeframe is an estimated $28,013,468, averaging $4,668,911 annually. The expense items will, at a minimum, be reviewed annually by the Executive Committee and Advisory Council and approved by the State Board of Health. Expenses include IHIN infrastructure and services, funded depreciation, system improvement and development, technical assistance, communication and outreach, travel, legal services, indirect (i.e., administrative support, office space, fiscal services), and personnel.

Total Projected Revenue and Expense

Totals	SFY12	SFY13	SFY14	SFY15	SFY16	SFY17	Cumulative
Startup Capital	$ 4,910,442	$ 5,055,114	$ 4,631,665	$ 1,700,000	$ -	$ -	$ 16,297,221
Operational Revenue	$ -	$ 709,500	$ 2,204,750	$ 2,592,750	$ 4,056,750	$ 4,312,000	$ 13,875,750
Total Income	**$ 4,910,442**	**$ 5,764,614**	**$ 6,836,415**	**$ 4,292,750**	**$ 4,056,750**	**$ 4,312,000**	**$ 30,172,971**
Total Expense	**$ 4,910,442**	**$ 5,118,574**	**$ 4,718,756**	**$ 4,722,038**	**$ 4,235,157**	**$ 4,308,502**	**$ 28,013,468**

Budgeting

Budgets for the IHIN will be based on the state fiscal year beginning July 1. September will then begin the next year's strategic planning cycle in which the prior year's performance, actual revenue and expenses and future year forecasts can be combined to develop the next fiscal budget. That projected budget can then be modeled with possible fee adjustments to determine the next fiscal year budget and fees by January 30. This will allow participants time to integrate fee changes into their annual budgeting process.

Iowa Health Information Network (IHIN)
Fund and Participation Fees

Establishment of the Iowa e-Health Fund

It is the recommendation of the Business and Financial Sustainability Plan Workgroup, Executive Committee and Advisory Council, and the State Board of Health that legislation be introduced during the 2012 Iowa legislative session to create a separate fund within the state treasury where all fees collected and revenues arising from the operation of the IHIN will be deposited. Iowa Department of Public Health (IDPH) will expend monies in the fund only on activities and operations of Iowa e-Health. The legislation should also include provisions that monies in the fund will not revert at the end of the state fiscal year, and will be subject to financial and compliance audits by the auditor of state.

- An important benefit that the fund provides to the sustainability of the IHIN is to allow for the collection of working capital necessary for the fluctuating operational business expenses on a daily, weekly and monthly basis.
- HIE participant on-boarding will fluctuate in the startup years causing revenues to be inconsistent with expense requirements related to timing.

IHIN Participation Fees

Participation fees have been extensively discussed with stakeholders and approved by the Business and Financial Sustainability Plan Workgroup, Executive Committee and Advisory Council, and the State Board of Health. It is the recommendation of these bodies that legislation be introduced during the 2012 Iowa legislative session to give the department authority to collect fees from IHIN participants. This authority is critical to the success and sustainability of the IHIN.

Iowa e-Health has established the participation fee structure based on the following guidelines:

- For access and utilization of Iowa IHIN services
- Based on a State Fiscal Year (SFY), which is July 1 – June 30
- Determined during the Iowa e-Health annual budgeting process
- Recommended by the Iowa e-Health Executive Committee and approved by the State Board of Health
- Implemented as part of the Iowa e-Health participation agreement
- Allow for different fee levels for specific provider types such as hospitals, primary care, long term care, etc.

The fund will enable the department to collect revenue from IHIN participants and segregate those monies to ensure that revenues are used solely for the business purpose of operating and maintaining the IHIN. For budgetary predictability for the participants, it will be the goal of the Department to establish the fee structure by January 30 in order for stakeholders to plan their budgets for the ensuing fiscal year during their budgeting process.

Iowa Health Information Network (IHIN)

Participation Fee Schedule

	Fee					
	SFY12	SFY13	SFY14	SFY15	SFY16	SFY17
Project Phase	Build				Sustain	
Startup Capital (Build)						
Federal Funds (ONC)	Not Applicable - See Projected Total Revenue					
State General Appropriation						
Medicaid						
Operational Revenue (Sustainability)						
Direct Connect: Hospitals	**Per Hospital**					
Percent of Hospitals (total=118)						
Percent of Beds (total=11,303)						
Over $750M Annually	$ -	$ 50,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000
$500M - $750M Annually	$ -	$ 40,000	$ 80,000	$ 80,000	$ 80,000	$ 80,000
$250M - $499M Annually		$ 30,000	$ 60,000	$ 60,000	$ 60,000	$ 60,000
$150M - $249M Annually	$ -	$ 22,500	$ 45,000	$ 45,000	$ 45,000	$ 45,000
$100M - $149M Annually	$ -	$ 15,000	$ 30,000	$ 30,000	$ 30,000	$ 30,000
$50M - $99M Annually	$ -	$ 10,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000
$25M - $49M Annually	$ -	$ 5,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000
$15M - $24M Annually	$ -	$ 3,750	$ 7,500	$ 7,500	$ 7,500	$ 7,500
Under $15M Annually	$ -	$ 2,500	$ 5,000	$ 5,000	$ 5,000	$ 5,000
Direct Connect: Provider Practices	**Per Provider Practice / System**					
Percent of Facilities (total=948)						
Percent of Providers (total=6,475)						
Over 90 Providers	$ -	$ 2,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000
61 - 90 Providers	$ -	$ 1,500	$ 3,000	$ 3,000	$ 3,000	$ 3,000
31 - 60 Providers	$ -	$ 1,250	$ 2,500	$ 2,500	$ 2,500	$ 2,500
21 - 30 Providers	$ -	$ 1,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000
11 - 20 Providers	$ -	$ 750	$ 1,500	$ 1,500	$ 1,500	$ 1,500
6 - 10 Providers	$ -	$ 500	$ 1,000	$ 1,000	$ 1,000	$ 1,000
1 - 5 Providers	$ -	$ 250	$ 500	$ 500	$ 500	$ 500
FQHC/RHC	$ -	$ 250	$ 500	$ 500	$ 500	$ 500
Direct Connect: Pharmacies	**Per Pharmacy**					
Independent	$ -	$ 500	$ 1,000	$ 1,000	$ 1,000	$ 1,000
Chain (15 or fewer locations)	$ -	$ 2,500	$ 5,000	$ 5,000	$ 5,000	$ 5,000
Chain (16 or more locations)	$ -	$ 5,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000
Direct Connect: Labs	**Per Lab**					
Independent	$ -	$ 500	$ 1,000	$ 1,000	$ 1,000	$ 1,000
Affiliated (one fee per group)	$ -	$ 2,500	$ 5,000	$ 5,000	$ 5,000	$ 5,000
Direct Connect: LTC, AL, Nursing, and RCF	**Per Provider Organization**					
Over 400 Beds	$ -	$ 1,500	$ 3,000	$ 3,000	$ 3,000	$ 3,000
301 - 400 Beds	$ -	$ 1,375	$ 2,750	$ 2,750	$ 2,750	$ 2,750
201 - 300 Beds	$ -	$ 1,125	$ 2,250	$ 2,250	$ 2,250	$ 2,250
151 - 200 Beds	$ -	$ 875	$ 1,750	$ 1,750	$ 1,750	$ 1,750
101 - 150 Beds	$ -	$ 625	$ 1,250	$ 1,250	$ 1,250	$ 1,250
51 - 100 Beds	$ -	$ 375	$ 750	$ 750	$ 750	$ 750
1 - 50 Beds	$ -	$ 250	$ 500	$ 500	$ 500	$ 500
Direct Connect: HH, Behavioral Health, Therapies, Other	**Per Provider Organization**					
Over 90 Providers	$ -	$ 1,500	$ 3,000	$ 3,000	$ 3,000	$ 3,000
61 - 90 Providers	$ -	$ 1,375	$ 2,750	$ 2,750	$ 2,750	$ 2,750
31 - 60 Providers	$ -	$ 1,125	$ 2,250	$ 2,250	$ 2,250	$ 2,250
21 - 30 Providers	$ -	$ 875	$ 1,750	$ 1,750	$ 1,750	$ 1,750
11 - 20 Providers	$ -	$ 625	$ 1,250	$ 1,250	$ 1,250	$ 1,250
6 - 10 Providers	$ -	$ 375	$ 750	$ 750	$ 750	$ 750
1 - 5 Providers	$ -	$ 250	$ 500	$ 500	$ 500	$ 500
Provider Portal (per facility)	**Per Facility**					
Over 90 Providers	$ -	$ 2,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000
61 - 90 Providers	$ -	$ 1,500	$ 3,000	$ 3,000	$ 3,000	$ 3,000
31 - 60 Providers	$ -	$ 1,250	$ 2,500	$ 2,500	$ 2,500	$ 2,500
21 - 30 Providers	$ -	$ 1,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000
11 - 20 Providers	$ -	$ 750	$ 1,500	$ 1,500	$ 1,500	$ 1,500
6 - 10 Providers	$ -	$ 500	$ 1,000	$ 1,000	$ 1,000	$ 1,000
1 - 5 Providers	$ -	$ 250	$ 500	$ 500	$ 500	$ 500
State Government Agencies*	**Per Agency**					
Medicaid	$ -	$ -	$ -	$ -	$ 500,000	$ 500,000
Public Health	$ -	$ -	$ 25,000	$ 25,000	$ 25,000	$ 25,000
Payer IHIN Service	**Per Payer**					
Over 500,000 covered lives	$ -	$ 250,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000
100,000 - 499,000 covered lives	$ -	$ 150,000	$ 300,000	$ 300,000	$ 300,000	$ 300,000
Under 100,000 covered lives	$ -	$ 50,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000

Strategies That Avoid General Fund Appropriations for Sustainability

Iowa e-Health recognizes that IHIN sustainability must occur without the ongoing use of dedicated General Fund appropriations. To that end, the financial model scenario included in Section XIII of the Business and Financial Sustainability report shows a clear path of sustaining the IHIN with participation fee revenue, and no dedicated General Funds. In SFY12, the e-Health program received $514,294 in General Funds to ensure Iowa meets State HIE Cooperative Agreement Program match requirements. The Iowa Department of Public Health (IDPH) anticipates receiving the same e-Health program funding in SFY13, after which time dedicated General Fund appropriations cease.

To further emphasize the importance of IHIN sustainability without General Fund appropriations, Iowa e-Health will implement the following strategies:

1. Annual review of IHIN participation fees, as outlined in Section XIII.
2. Development of monthly, quarterly and annual financial statements that report IHIN participation rates, revenue and expenses, and whether projections are being met.
3. If projections are not on target, Iowa e-Health will develop and submit to the Executive Committee and Advisory Council action steps to implement changes to meet targets and projections (e.g., increase marketing, offer additional services).
4. Iowa e-Health must cultivate business relationships with other potential IHIN participants, and implement new IHIN services to meet future business needs of stakeholders.
5. The department will establish a Funded Depreciation Account for the planned replacement of current equipment assets, and an Improvement and Development Account to dedicate revenue to the future enhancement of the IHIN (e.g., additional functionality and services)

Funded Depreciation and Improvement and Development Accounts

Funded Depreciation Account: A Funded Depreciation Account and an Improvement and Development Account will be established for planned future expenses. The Funded Depreciation Account will be established and used for the planned obsolescence of the technology equipment (e.g., servers) necessary for operation of the IHIN. Estimates have been established for a $200,000 replacement cost at the end of a five-year useful life.

Improvement and Development Account: The Improvement and Development Account will be funded consistent with technology industry norms at a range of 7% to 10% (current rate used is 7%) of annual operational revenue, with a minimum amount set at $200,000 annually which starts in SFY 2013. This funding will be used for investment in additional IHIN functionality and services. Examples of potential IHIN services include, but are not limited to: credentialing, enrollment eligibility, vital records (birth and death), newborn metabolic screening, and radiology images.

Transitioning of Technical Infrastructure, Business Operations, and Governance

The governance structure of the IHIN is currently state government-led, with a public/private Executive Committee and Advisory Council. IDPH manages all business and technical operations of the IHIN, with recommendations provided by the Executive Committee and Advisory Council, with oversight and authority of the State Board of Health. IDPH, the Business and Financial Sustainability Plan Workgroup, and Executive Committee and Advisory Council have discussed and considered the following alternative forms of future governance structure:

- **Not-for-Profit**
  Not-for-profit health information exchanges (HIEs) are driven by their charter to help consumers and the community in which they provide services. Their tax-exempt status helps reduce funding challenges and provide special tax credits/incentives.[1]
- **For-Profit**
  For-profit HIEs are supported with private funding and have firm return on investment targets. These organizations look to reap financial benefits from supporting transactions and have solid start-up funding.[1]
- **Public Utility**
  Public utility HIEs are created and maintained with the assistance of federal/state funds and are provided direction by the federal/state government. The organization's funding source is the primary differentiator for this category along with highly regulated fees and strict monitoring. [1]
- **Quasi-Governmental or Public-Private Partnership**
  The HIE is a private entity started by a public organization. In this model, the board is comprised of both state and private sector representatives. The board is responsible for setting policy and may be also responsible for operation of the HIE.
- **State Led or Public Entity (Current)**
  The HIE is solely governed by the state government. While there may be private sector representation on governance committees, the state government is responsible for the work produced, and is the final authority on the policies and operations of the HIE. The public entity may contract with a non-governmental entity to implement components of the HIE.

Transition Plan

During the final year of the term of the State HIE Cooperative Agreement Program (ending March 14, 2014), the Executive Committee, Advisory Council, and State Board of Health will review IHIN governance, business and technical operations to determine a new recommendation regarding the transition in governance, business and technical operations of the IHIN.

The recommendation, which will be submitted to the General Assembly and Governor by December 1, 2013, will take into consideration the following critical elements:

- Recognition that a change in governance, business and technical operations has broad implications and may take significant time to plan and execute.
- Expenses may change if governance, business and technical operations are moved to a non-governmental entity (e.g., liability coverage, staffing, fiscal processes).
- Expectations and requirements for CMS funding.
- New forms of governance may develop as the IHIN matures and the health care landscape evolves over time.

[1] Deloitte Center for Health Solutions. (2006). Health Information Exchange (HIE) Business Models: The Path to Sustainable Financial Success.