# Missouri Statewide Health Information Exchange

## Finance Workgroup

**December 22, 2009**
**10:00 am – 12:00 pm CT**

# Agenda

| Topic | Facilitator(s) | Time |
|---|---|---|
| Welcome & Introductions | Co-Chairs | 10 minutes |
| Meeting Recap | Co-Chairs & Manatt | 10 minutes |
| Financing Model<br>➢ Approach<br>➢ Timeline | Co-Chairs & Manatt | 60 minutes |
| Questions & Discussion | All | 30 minutes |
| Next Steps | Co-Chairs & Manatt | 10 minutes |

# Welcome & Introductions

- **Co-Chairs**
  - John M. Huff, Director, Dept of Insurance
  - Donna Checkett, Senior Vice President, Aetna Medicaid

- **Staff**
  - Brian Kinkade, Deputy Department Director, Department of Social Services
  - Pat Luebbering, FSD/CD Financial Management & Operational Services, Fiscal Manager Band 2
  - Bill Bernstein, Partner, Manatt Health Solutions
  - Joseph Ray, Senior Manager, Manatt Health Solutions
  - Aaron Apodaca, Manager, Manatt Health Solutions
  - Kier Wallis, Senior Analyst, Manatt Health Solutions

# Governor Nixon's Remarks & Vision

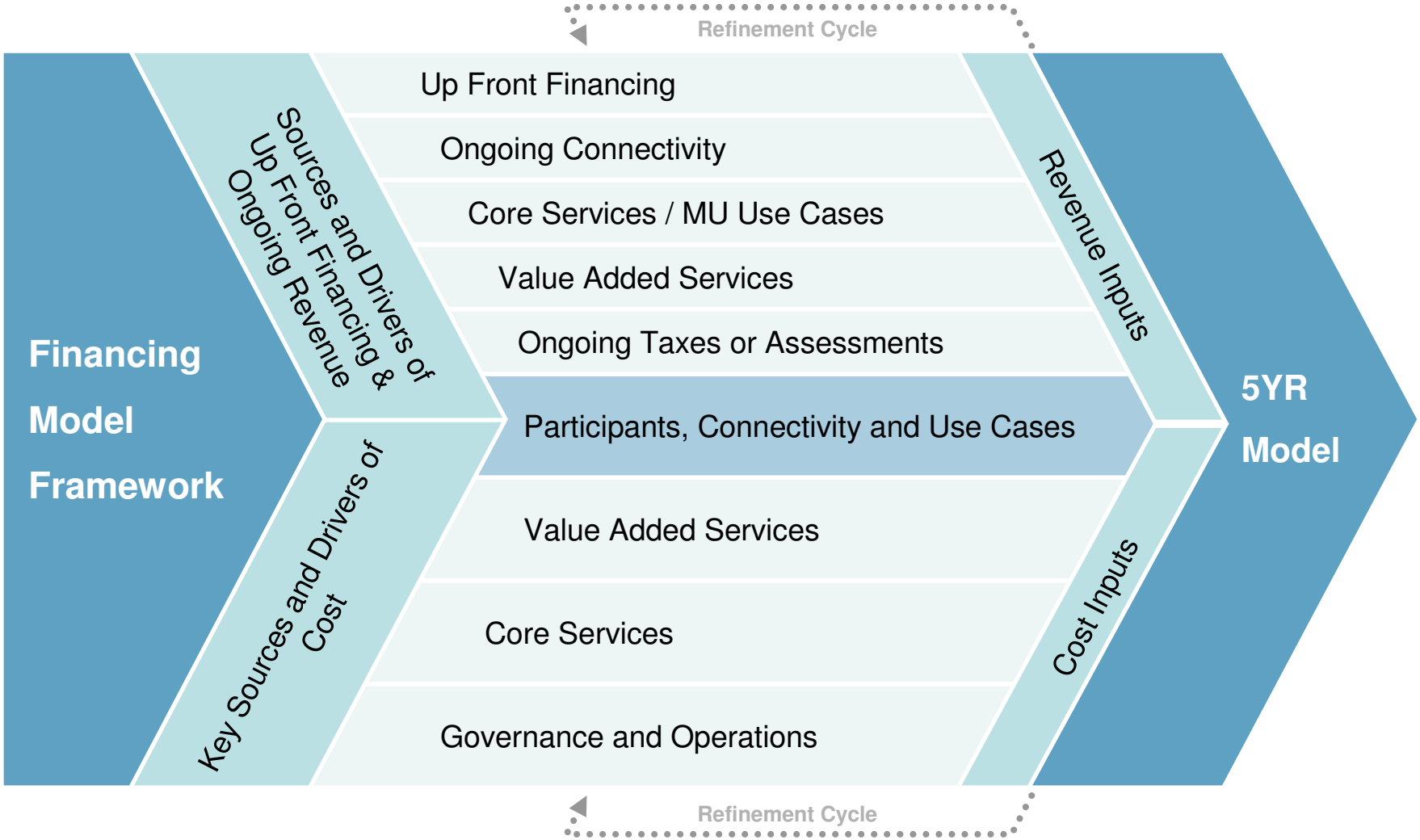
- **This is a tremendous opportunity for Missouri – to improve the affordability, quality and value of health care.**
- **It is also an opportunity to bring new investment to Missouri – potentially close to a billion dollars – to create new jobs and to improve public health**
- **Six objectives**
  - Electronic records can help **reduce costly and preventable medical errors** and avoid duplication of treatments and procedures.
  - HIE can dramatically **improve the coordination of care and the quality of decision-making**, even among health care providers who are miles away from one another.
  - This provides us with an opportunity to **give Missourians more complete, accurate and timely information** with which to make decisions about their own health care.
  - This **makes health information portable**, so that whether consumers are switching providers or become sick while on vacation, their health history is available at the point of care.
  - We believe that if done correctly, promoting the use of standardized electronic health records and interoperable systems with strict safeguards can **improve patient privacy**.
  - Moving from paper records to electronic health records has tremendous potential for lowering administrative costs and thus **making health care more affordable**.
- ***Thank you* for partnering with the state in taking critical first steps in building a new framework for health information technology in Missouri**

# Meeting Recap

***December 3, 2009***

- **Content Reviewed**
  - Project overview and timeline
  - Funding sources for building HIE across a state
- **Key Decisions**
  - Providers will face difficulties purchasing and implanting health IT/EHRs without some form of loan or capital assistance.
  - The Workgroup will review and vet a financial model to being costing out the build and operation of statewide HIE for Missouri.
  - No provider should be left behind.

# Financing Model Approach



# Framework for Financing Model

- **Timeframe is a 5 year window, beginning Jan 2010.**

- **Costs are identified for four activities:**
  1. Health Information Exchange (HIE) governance
  2. Core infrastructure and services required to meet Meaningful Use criteria
  3. Connectivity by participant adoption
  4. Value added services

- **Financing includes federal & state funds and is comprised of:**
  1. Start-up financing
  2. Ongoing revenue streams

# Key Assumptions

1. **Governance and operations costs will focus on the State-level HIE and not the governance and operations of any Regional Health Information Organizations (RHIOs) or local HIEs.**

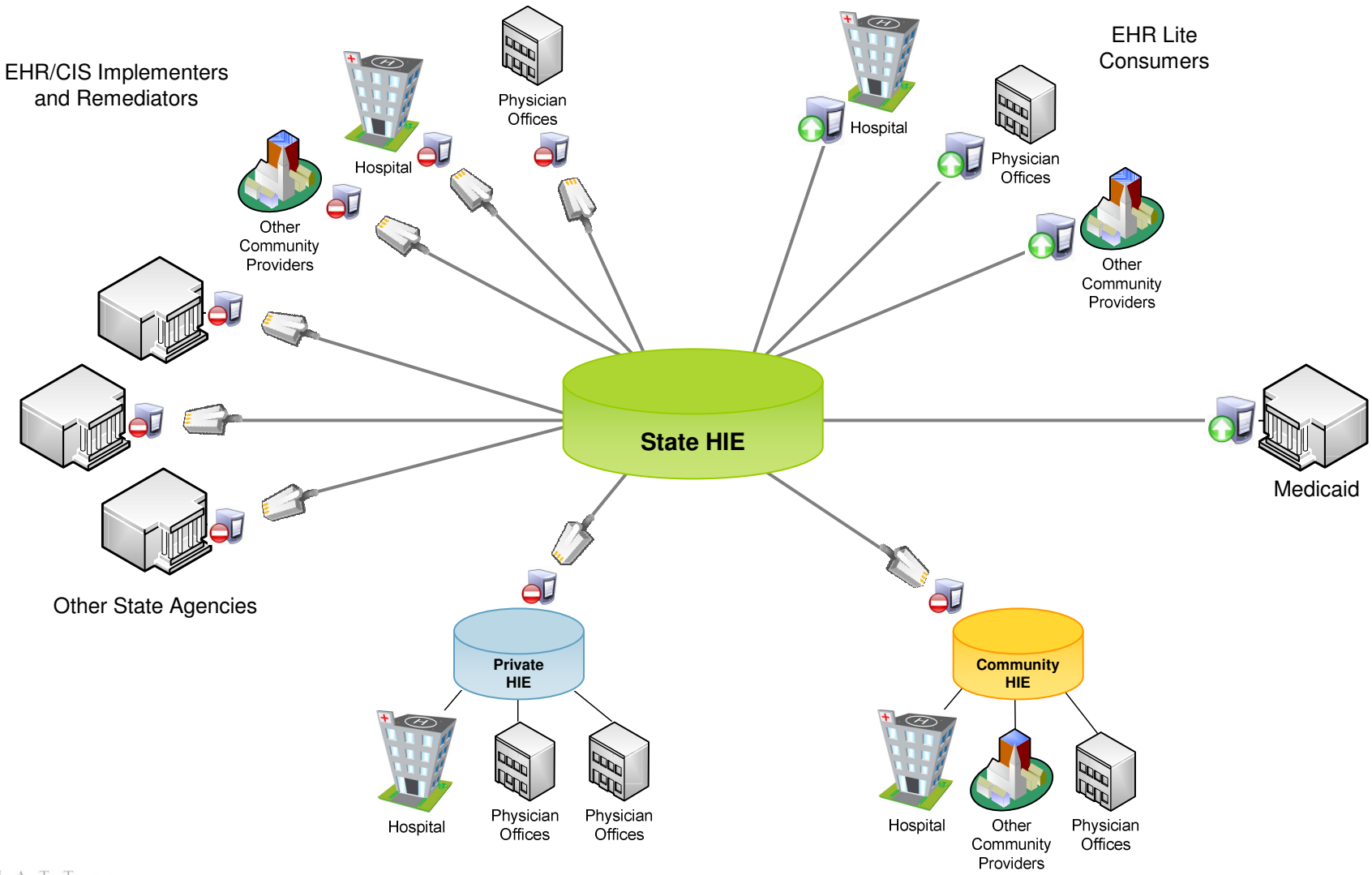
2. **Costs for participants' connectivity to the HIE based on adoption curves by participant type**

3. **Excludes participant costs to implement new EHRs or remediate existing clinical information systems (CIS), with the exception of:**
   - Medicaid system implementation or remediation required for HIE
   - Estimated cost for portion of providers to connect to HIE using an HIE provided EHR lite.

4. **Provider cost for the adoption of EHRs to connect to HIE will be based on an HIE provided EHR lite. Costs for providers implementing and utilizing more advanced CIS systems will not be included**

5. **Identify additional value added HIE products / services that can help drive revenue, including potential added costs for incremental development and/or delivery**

# EHR/CIS Implementation and Remediation Boundaries



# Key Sources of Cost

- Governance and operations
- Core infrastructure, including services required to support meaningful use criteria
- Participants and connectivity
- Additional value added services

# **Costs:** Governance and Operations

| Costs | Drivers |
|---|---|
| **Staffing** | ➢ Estimated staff by function and type (include positions for management, technology, policy, accreditation, training, communications and consumer relations, legal support, etc.)<br>➢ Growth in staffing positions over time, by type<br>➢ Average salary by type of staff<br>➢ Annual salary increase per year<br>➢ Benefits percent<br>➢ Existing state employees work effort dedicated to SLHIE regardless if provided in-kind or funded |
| **Contractors** | ➢ Contractors required for planning, implementation and operations – other than those provided through outsourcing or SAAS contracts<br>➢ Cost of contractors<br>➢ Contractor positions over time |
| **Datacenter** | ➢ State decision to outsource technology and/or operations or entering into SAAS contract; cost of contract<br>➢ Datacenter costs |
| **Overhead** | ➢ Determine based on line items or estimate as a percent of staff or using Federal Indirect Rate<br>➢ Rent<br>➢ Utilities<br>➢ Outreach and communication<br>➢ Legal services<br>➢ Liability insurance<br>➢ Office expenses / other SG&A |

# **Costs:** Core Infrastructure

| Costs | Drivers |
|---|---|
| **Core System** | ➢ Core systems (MPI, Authentication, integration engine, messaging, gateways, repositories, database/data warehouse, normalization)<br>➢ Modules required for meaningful use (Med History, lab, rad, discharge summaries, claims management, registries, etc.) and costs<br>➢ License fees and pricing model showing how cost are determined for core infrastructure and required modules (by processor, by population, by provider connectivity, by transaction, etc.)<br>➢ Adoption expectations by module for all participant types (providers by type, payers, labs, radiology, public health, etc.)<br>➢ Initial capital and on-going maintenance costs as a percent of initial capital |
| **Hardware or Hosting Fees** | ➢ Decision to provide system through an outsourcing contract or as SAAS<br>➢ Hardware required, cost and how needs are sized<br>➢ Hosting or outsourcing fees and how costs are determined<br>➢ Systems for production, testing, training and backup / recovery and required redundancy |
| **Network cost** | ➢ Use of public or private network<br>➢ Leverage existing or build out new network<br>➢ Required expansion to cover the state |
| **Implementation resources** | ➢ Not positions expected to be required for support and maintenance beyond system deployment<br>➢ Vendor and 3rd party contractor fees<br>➢ Project manager(s)<br>➢ Testing development and execution<br>➢ Training development |

# **Costs:** Participants and Connectivity

| Costs | Drivers | |
|---|---|---|
| **Providers** | ➢ Number of providers<br>➢ % of providers practicing<br>➢ % of providers eligible for Medicaid / Medicare<br>➢ Number of large provider groups<br>➢ % of physicians in hospital or health system | ➢ % of physicians in large practices<br>➢ Current CIS adoption (ready for HIE connection)<br>➢ CIS adoption estimates through end of model<br>➢ % physicians requiring EHR lite provided through HIE |
| **Hospital connectivity** | ➢ Number of acute care facilities<br>➢ Current CIS adoption | ➢ CIS adoption in final years of analysis |
| **Rural / FQHCs connectivity** | ➢ Number of acute care facilities<br>➢ Current CIS adoption | ➢ CIS adoption in final years of analysis |
| **Lab / Rad Connectivity** | ➢ Total Labs and Radiology centers<br>➢ Labs / Rads connected through hospitals<br>➢ Number of Lab/Rad chains<br>➢ % Lab/Rad in chains vs. independent | ➢ Current capability to provide electronic data through HIE<br>➢ Adoption in final year of analysis |
| **Payers** | ➢ Payers to be connected to HIE<br>➢ Lives covered by payer | ➢ Current capability to provide data through HIE<br>➢ Adoption in final year of analysis |
| **Connectivity costs** | ➢ Hardware and Software required at participant site<br>➢ Cost of HW and SW by participant type<br>➢ Implementation costs by participant type | ➢ Ongoing (monthly or annual) costs of connectivity |

# **Costs:** Additional Value Added Services

| Costs | Drivers |
|---|---|
| **Value-Added Services** | ➢ Identification and description of value-added service (e.g., advanced decision support, reporting, de-identified data for research, bio-surveillance)<br><br>***For each value-added service identified and defined:***<br>➢ Cost to design, implement and provide value added services<br>– Staffing<br>– Hardware<br>– Software<br>➢ Ongoing costs to maintain value added services<br>➢ Expected adoption of value added service by participant type |

# Upfront Financing

| Source | Total Amount | Anticipated Start Date | End Date | Distribution by period | Eligible Activities |
|---|---|---|---|---|---|
| HIE Cooperative Agreement Grant | | | | | |
| Beacon Community Program | | | | | |
| REC Grants | | | | | |
| Medicaid Administrative Funding | | | | | |
| State Appropriations | | | | | |
| Medicaid Managed Care Programs | | | | | |
| All Payor Assessment | | | | | |
| Provider Remittance Fees | | | | | |
| Insurance Claims Adjudication | | | | | |
| Medicare / Medicaid Incentives to Providers and Hospitals | | | | | |

# Ongoing Revenue

| Costs | Drivers |
|---|---|
| **Connectivity** | ➢ Initial connectivity charge – by participant type<br>➢ Base connectivity cost (monthly) – by participant type<br>➢ Adoption expectations – by participant type |
| **Core Meaningful Use Functionality** | ➢ Initial connectivity charge – by participant type<br>➢ Base functionality cost (monthly) – by participant type<br>➢ Adoption expectations – by participant type |
| **Value-Added Services** | ➢ Initial connectivity charge – by participant type<br>➢ Base functionality cost (monthly) – by participant type<br>➢ Adoption expectations – by participant type |
| **Ongoing Taxes or assessment** | ➢ Type<br>➢ Population levied against<br>➢ Calculation of amount<br>➢ Collection period (daily, monthly, quarterly, annual) |

# Timeline (tentative)

| Activity | Start Date | End Date |
|---|---|---|
| **Introduction to HIE Financing Model** | 12/22/09 | 12/22/09 |
| **Refine Approach and Finalize Data Requirements** | 2/8/10 | 2/14/10 |
| **Data Collection** | 2/15/10 | 2/28/10 |
| **Initial Modeling** | 3/1/10 | 3/14/10 |
| **1st Review** | 3/15/10 | 3/28/10 |
| **Updates and Additional Modeling** | 3/29/10 | 4/11/10 |
| **Final Model and Review** | 4/12/10 | 4/25/10 |

# Next Steps

- Provide feedback to kwallis@manatt.com by Monday, January 4, 2010.
- Review draft Strategic Plan language which will be provided in advance of next Workgroup meeting
- Review anticipated Notice of Proposed Rulemaking re: Meaningful Use, assuming that it is issued by year end
- Access Workgroup materials online at http://dss.mo.gov/hie/leadership.shtml

- **Next Meeting: Wednesday, January 13th, 2:30 – 5:00 pm**
  ***Location TBD***

  See future meeting schedule online at http://dss.mo.gov/hie/calendar.shtml