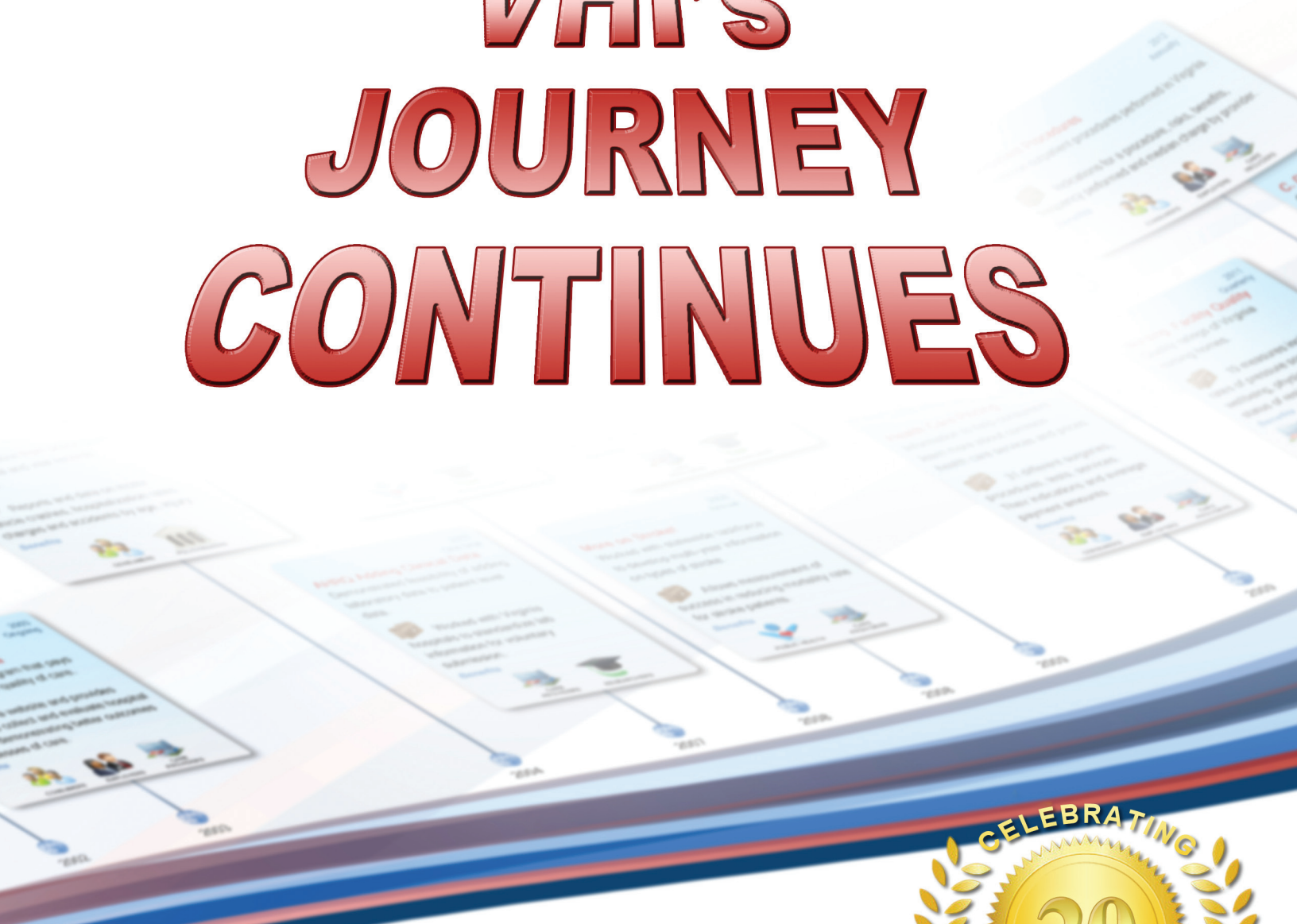




# VHI's JOURNEY CONTINUES



**VHI 2012** Annual Report and  
Strategic Plan Update



## ABOUT THIS REPORT

# What is Virginia Health Information (VHI)?

## What does it do?

## How is VHI financed and where is it going?

These and other questions are a part of VHI's 2012 Annual Report and Strategic Plan Update. *VHI's Journey Continues: Celebrating 20 Years of Service.*

VHI's report is required by Virginia law to report on our activities—both past and

planned along with a certified audit. You'll find these requirements and more in the Code of Virginia §32.1-276.4(A) and §32.1-276.4(B)(5). Consistent with our mission and the requirement above, the VHI Board of Directors submits this 2012 document as its Annual Report and Strategic Plan Update.

## STRATEGIC PLANNING

VHI's strategic plan guides our activities. It is not static, but malleable. Ongoing review helps us retool as events occur and times change. Stakeholder participation is critical as we adapt health information to meet their needs.

*As of now, the info you have is great. The VA Health Information website is a very useful tool. I am happy to have come across it. Thank you for your help.*

Melissa Pocock



### Support Virginia Health Care Reform

With expertise in health care analytics and innovative use of data



### Government Relations

Achieve positive legislative outcomes supporting VHI's mission



### Board Governance and VHI Administration

Advance VHI's mission through Board of Directors governance, leadership and commitment



### Financial Viability

Through health care information and services valued by consumers, business and others



### Public Awareness and Communication

Increase use of available information



## MESSAGE FROM THE LEADERSHIP

It's often reported that half of all small businesses fail within their first five years. Nonprofits have similar fates. The reasons vary, but lack of experience, insufficient capital and poor management are often cited as recipes for failure. So, as VHI enters our 20th year, we reflected on some key reasons we've moved past our early years to now—our twentieth.

As a private, nonprofit organization, VHI experienced the challenges any new company faces. Our main advantage? Our Board of Directors and their nominating organizations. Representing business, consumers, insurers, health care providers and state representatives, they've brought to VHI a vast pool of experience from both the public and private sector.

With the guidance of our Board, VHI has moved from 100% taxpayer support to just 12% in FY2012. At the same time, the health care information we provide in free or fee-based products has expanded to all major areas of health care. With this expansion, our revenues have diversified to the point we can invest capital when justified to develop new types of health care information like the All Payer Claims Database to help meet VHI's mission.

Finally, the strength of our Board provides strong strategic direction to VHI management. The Board's involvement provides VHI the benefit of the depth of the successful organizations represented on the Board.

VHI's Annual Report and Strategic Plan Update highlights our accomplishments over the past year, includes a timeline of our work over twenty years and charts our continued efforts through our Strategic Plan. We recognize that any success we've enjoyed is all about you—our stakeholders and supporters.

*Al Hinkle*  
President

*Michael Lundberg*  
Executive Director

## NEW

- Created and Published Consumer Outpatient Procedure Information
- Added online Nursing Home Quality Rankings
- Worked with Stakeholders and Legislators to create and pass All Payer Claims Database legislation
- Developed Consumer Health Information on Health Care Infections

## ONGOING

- Over 480,000 visitors came to [www.vhi.org](http://www.vhi.org) for health information
- Expanded Health Care Pricing Information
- Updated Hospital Patient Satisfaction Information
- Maintained Consumer Guides to hospitals, health insurance, long-term care, obstetrics and cardiac care
- Operated Virginia's Hospital Patient Level Data System
- Published 2011 provider Efficiency and Productivity rankings – EPICS
- Expanded and published Annual Licensure Survey Data
- Operated Virginia's Crash Outcome Data Evaluation System with the DMV
- Assisted Anthem Blue Cross and Blue Shield with their Pay-for-Performance Program in 13 states
- Developed information to support local Community Health Programs
- Assisted Virginia Stroke Systems Task Force with details on stroke occurrence across Virginia
- Reduced taxpayer funding to 12% of VHI revenues
- Updated Long-Term Care facility consumer costs and other information for assisted living, continuing care retirement communities, home health and nursing facilities

## VHI'S MISSION

- To create and disseminate health care information
- To promote informed decision making by Virginia consumers and purchasers, and
- To enhance the quality of health care delivery.



## ABOUT OUR WORK

Since established in 1993, VHI has worked with our stakeholders to collect, develop and publish health care data and reports to benefit all Virginians.

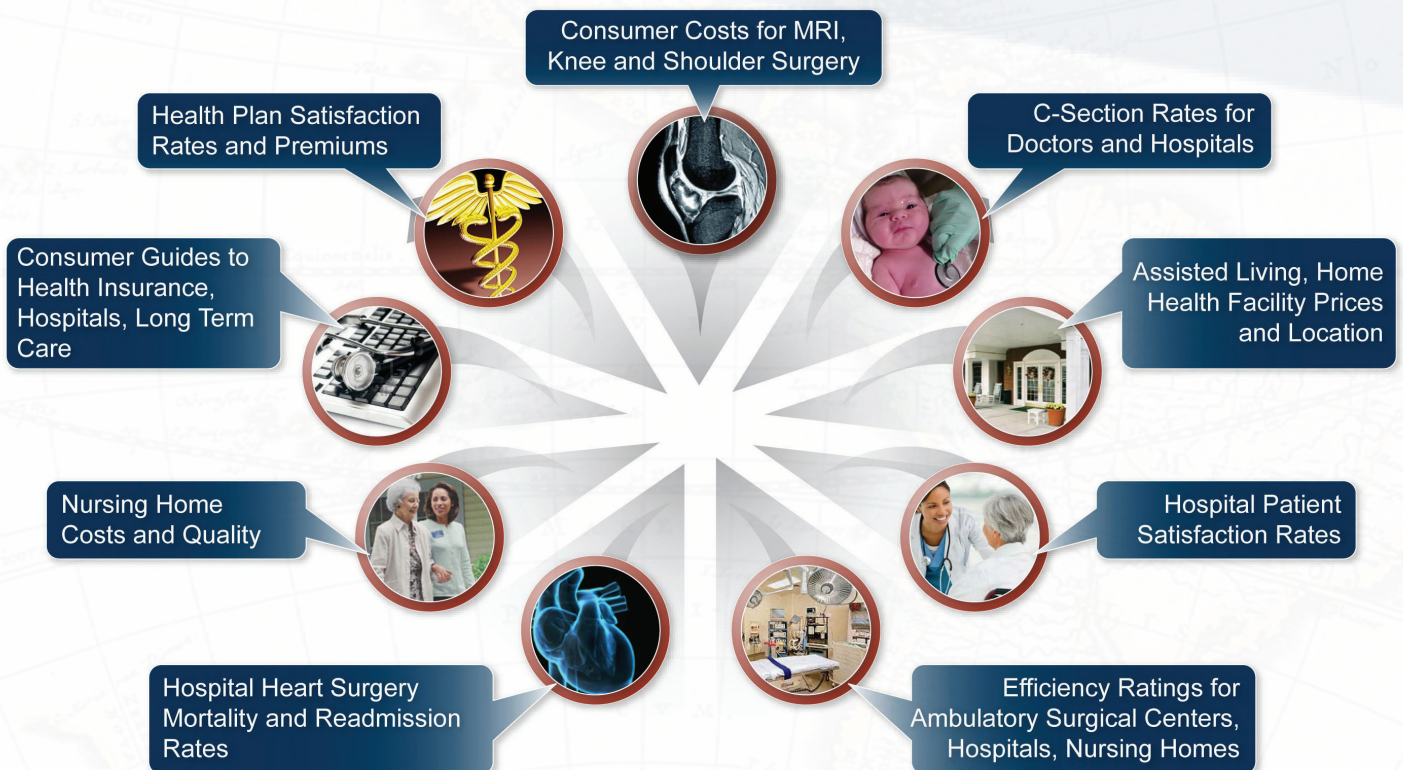
*The Prevention Quality Indicator and Behavioral Health Hospital Discharge Records will be used to help us make better decisions as a grantmaking organization. It is part of our health profile. We strive to help improve the health of our community and this data will serve as one of the resources that will enable us to do that.*

Stephen Batsche, Executive Director  
Potomac Health Foundation

*The Office of Family Health Services in the Virginia Department of Health utilizes VHI data on a regular basis for ongoing surveillance of chronic disease and injury. Some recent examples (over the past year) include: Computing performance measures for the Title V Maternal and Child Health Block Grant, Responding to data requests from O.F.H.S program managers to be used for policy and program planning, and Agency performance reporting.*

Derek Chapman, PhD  
State Maternal & Child Health Epidemiologist  
Virginia Department of Health

## VHI is Virginia's Consumer Health Information Portal



11-426-001-1



# VIRGINIA'S HEALTH DATA INITIATIVES THEIR VALUE AND POTENTIAL



Over the years, Virginia's health data reporting initiatives have expanded to reflect evolving needs for business, consumers and others. VHI health information is built on data provided by hospitals, physicians, nursing facilities and health plans. From the underlying data, consumer guides and data reports are developed.

- ▶ **Patient Level Data** (PLD) is collected for all discharges from Virginia hospitals. Databases are used by hospitals, physicians, health plans, public health workers and others.
  - VHI publications using PLD include hospital and physician rates of cesarean delivery, cardiac care mortality information and service line information
  - Public health uses include measurement of infant mortality, stroke survival rates, heart attack death rates, rates of uncontrolled diabetes, heart failure and the assessment and burden of many other illnesses
- ▶ **The Efficiency and Productivity Information System** (EPICS) ranks hospitals and nursing facilities. The rankings and underlying data are used by providers to improve the efficiency of their care, lower their costs and demonstrate their value to health care purchasers. Health insurance companies and consultants use EPICS for negotiating provider contracts and building provider networks.
- ▶ **HMO Cost and Quality** information provides consumers and businesses with measures of quality, satisfaction and financial operations.
- ▶ **Health Insurance Company Pricing** information gives consumers an idea of what the risks, benefits and costs might be for 31 commonly performed tests.

Who uses these data and what do they think about it?

## OFFICERS

ALFRED D. HINKLE, JR. – PRESIDENT  
S. HOPE JOHNSON – VICE-PRESIDENT  
BRUCE NAVE – TREASURER  
KAY W. LEWIS – SECRETARY  
DAVID D. ADAMS – PAST PRESIDENT

## DIRECTORS

### BUSINESS REPRESENTATIVES

BETH BORTZ, VIRGINIA CENTER FOR HEALTH INNOVATION  
JODI L. FULLER, MEADWESTVACO  
ALFRED D. HINKLE, JR., HINKLE & COMPANY  
S. HOPE JOHNSON, PYRAMIND, LLC  
BRUCE NAVE, TD BANK

### CONSUMER REPRESENTATIVES

W. BRYAN BLOCK, SRIS, PC  
JONATHAN P. DESHAZO, PHD, VIRGINIA COMMONWEALTH UNIVERSITY  
SHERRI ELLIS, NATIONAL MULTIPLE SCLEROSIS SOCIETY

### HEALTH INSURANCE REPRESENTATIVES

KAY W. LEWIS, KAISER PERMANENTE  
JAY SCHUKMAN, MD, ANTHEM BLUE CROSS & BLUE SHIELD

### HOSPITAL REPRESENTATIVES

TERESA EDWARDS, SENTARA LEIGH HOSPITAL  
PATRICK W. FARRELL, HOSPITAL CORPORATION OF AMERICA

### NURSING FACILITY REPRESENTATIVES

DAVID D. ADAMS, CENTRA HEALTH  
THOMAS S. DODSON, BIRMINGHAM GREEN NURSING FACILITY

### PHYSICIAN REPRESENTATIVES

PETER W. HOUCK, MD, JOHNSON HEALTH CENTER  
IBE MBANU, MD, MBA, MPH, NEXTCARE URGENT CARE CENTERS

### STATE REPRESENTATIVES

SENATOR R. EDWARD HOUCK, JOINT COMMISSION ON HEALTH CARE  
KAREN REMLEY, MD, MBA, VIRGINIA DEPARTMENT OF HEALTH

## EXECUTIVE DIRECTOR

MICHAEL T. LUNDBERG



1996  
Periodic

### Guide to Obstetrics

Consumer guide with quality ranking of doctors and hospitals delivering babies.



Explains types of deliveries, measures include rates of cesarean delivery and details of hospital features (such as NICU and High Risk deliveries), physician education, languages spoken, etc.

**Benefits:**



CONSUMERS



EMPLOYERS



CARE PROVIDERS

1998  
Annually

### Efficiency & Productivity Information Collection System (EPICS)

Ranking of hospitals and nursing facilities.



Includes costs, charges, profits, utilization, charity care.

**Benefits:**



CONSUMERS



EMPLOYERS



CARE PROVIDERS

1993  
Quarterly

### Patient Level Data

Standard, de-identified data for all patients discharged from Virginia hospitals.



Includes reason for admission, surgeries, tests, charges, doctors, outcomes, readmissions.

**Benefits:**



CONSUMERS



CARE PROVIDERS



PUBLIC HEALTH

1997  
Ongoing

### Health Insurance Options

Consumer primer on today's health insurance options.



Compares features of HMOs, PPOs and other health insurance types. Includes resource listings.

**Benefits:**



CONSUMERS



EMPLOYERS



RESEARCHERS

1998  
Ongoing

### Long Term Care Options

Explanation of types of care such as assisted living, continuing care retirement communities, home health care and nursing facilities.



Contains worksheets, community resources, prices, links for cost and quality.

**Benefits:**



CONSUMERS



CARE PROVIDERS

1993

1996

1997

1998

1998


*I know it belies my nerdiness, but I am giddy over that chunk of data you sent me. Thank you so very much! You have truly saved me days of work. I absolutely cannot thank you enough.*

Rick Curtis, Senior Analyst  
HealthGroup West





1999  
Ongoing

**Hospitals**  
Guide to Virginia hospitals, history, types and resources.

 Outlines types of hospitals, and how to find, compare services and choose.

**Benefits:**

   
CONSUMERS EMPLOYERS

1999

2000  
Annually

**HMO Cost and Quality**  
Quality measures and cost information.

 Contains 60+ quality measures and financial stability data.

**Benefits:**

     
CONSUMERS EMPLOYERS PUBLIC HEALTH RESEARCHERS

2000

2000  
Annually

**Annual Licensure Survey**  
Data on Virginia hospitals to assist Virginia Certificate of Need programs.

 Measures use of MRI, CT, open heart surgery and other regulated health care services.


**Benefits:**

    
CONSUMERS EMPLOYERS RESEARCHERS




2000

2002  
Annually

**Cardiac Care Mortality and Readmission Information**  
Guide on cardiac care in Virginia.

 Ranks hospitals on mortality and readmission outcomes of cardiac patients.

**Benefits:**

    
CONSUMERS EMPLOYERS CARE PROVIDERS

2002

2003  
Ongoing

**QHIP-Quality-In-Sights® : Hospital Incentive Program**  
Support by VHI for Anthem's program that rewards hospitals for better quality of care.

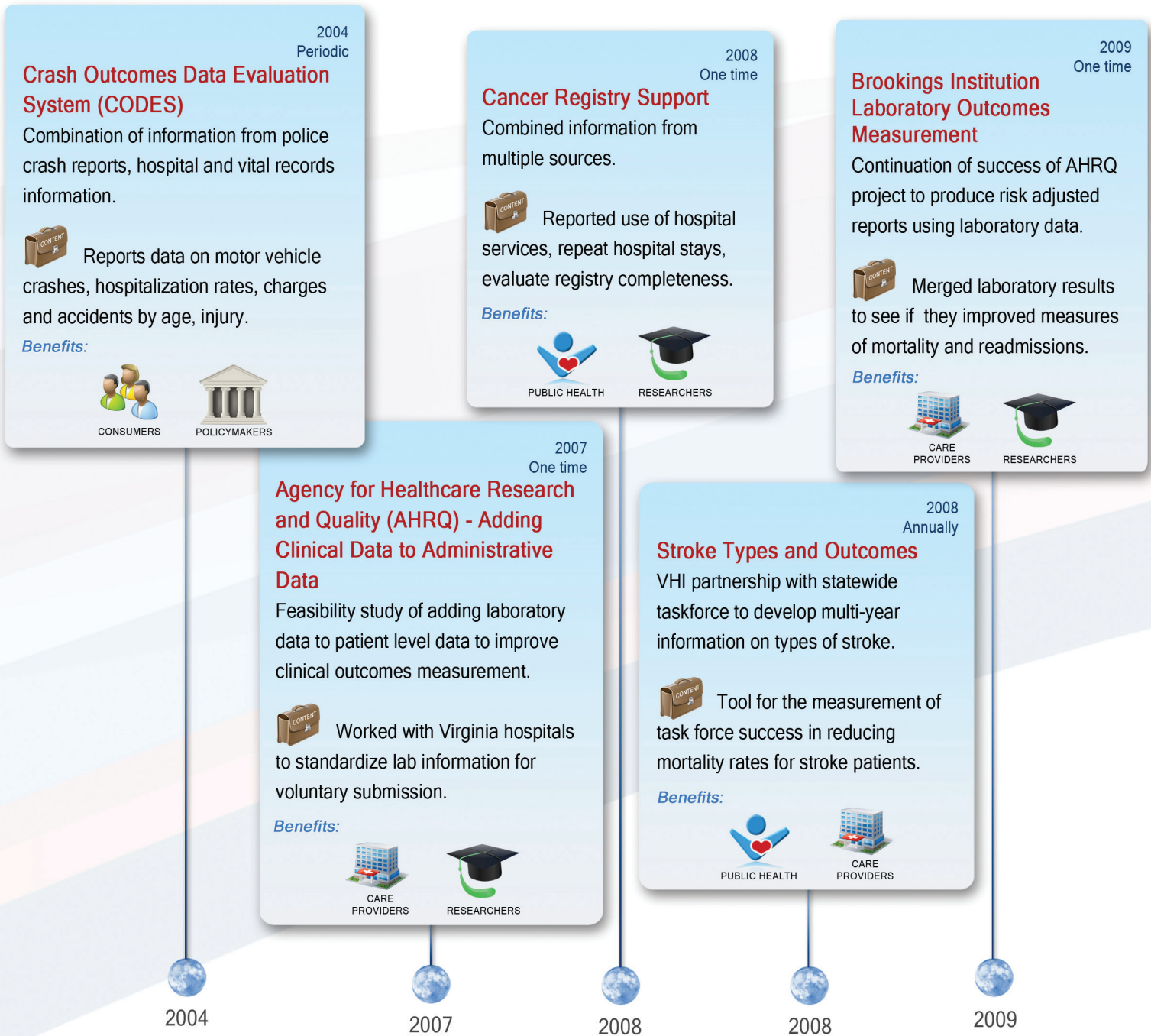
 Hosts a website and provides nurse review to collect and evaluate hospital information demonstrating better outcomes and processes of care.

**Benefits:**

    
CONSUMERS EMPLOYERS CARE PROVIDERS

2003








# Consumer Cost and Quality Measures are Expanding Across Care Settings

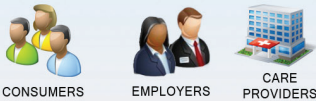
2010  
Quarterly

## Patient Satisfaction

Consumer ratings of Virginia Hospitals.

 Includes 10 satisfaction measures such as: would they recommend the hospital? clean rooms? quiet? pain controlled?

**Benefits:**



CONSUMERS


EMPLOYERS

CARE PROVIDERS

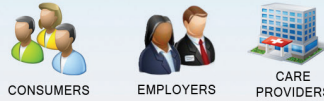
2012  
Annually

## Outpatient Procedures

Common outpatient procedures performed in Virginia.

 Provides reasons for a procedure, risks, benefits, frequency performed and median charge by provider.

**Benefits:**



CONSUMERS


EMPLOYERS

CARE PROVIDERS

2012  
Periodic

## C. Diff Infections

Consumer education on a deadly health care associated infection.

 Explains C.Diff infections, their complications, how to avoid and treat.

**Benefits:**



CONSUMERS

PUBLIC HEALTH


CARE PROVIDERS

2012

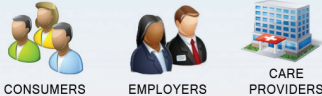
2009  
Annually

## Health Care Pricing

Information to help consumers learn more about common health care services and prices.

 Presents 31 different surgeries, procedures, tests, services, risks, benefits, and average payment amounts.

**Benefits:**



CONSUMERS

EMPLOYERS


CARE PROVIDERS

2009

2011  
Quarterly

## Nursing Facility Quality

Quality ratings of Virginia nursing homes.

 Displays 19 measures including: rates of pressure sores, well being, physical and mental status of residents.

**Benefits:**



CARE PROVIDERS

CONSUMERS

EMPLOYERS

2011

2012

*I want to thank you both for your hard work in reviewing everything that Bridgton Hospital submitted. We are very pleased with our score and appreciate the good feedback and help you gave us that allowed us to be successful. Hard work does pay off for everyone. Thanks again.*

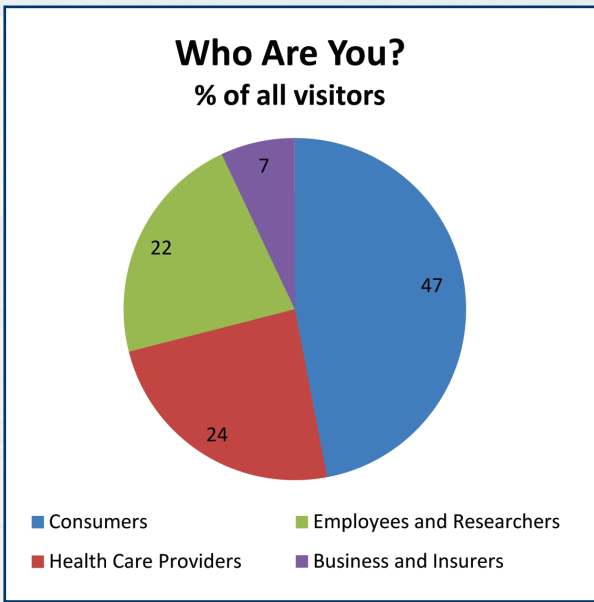
Helen Twombly, RN  
Infection Preventionist  
Clinical Quality Coordinator



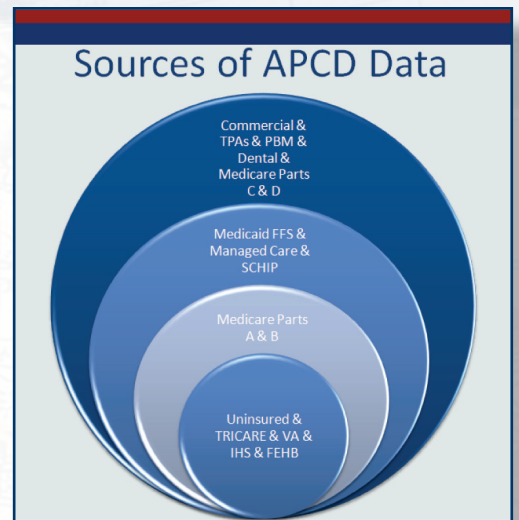
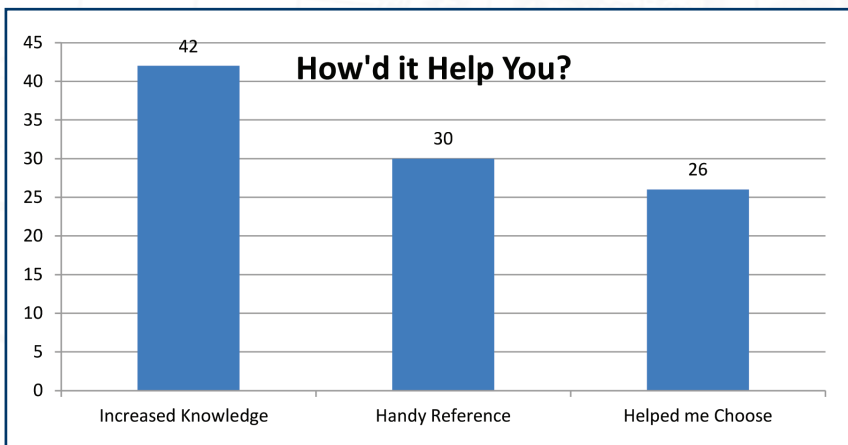
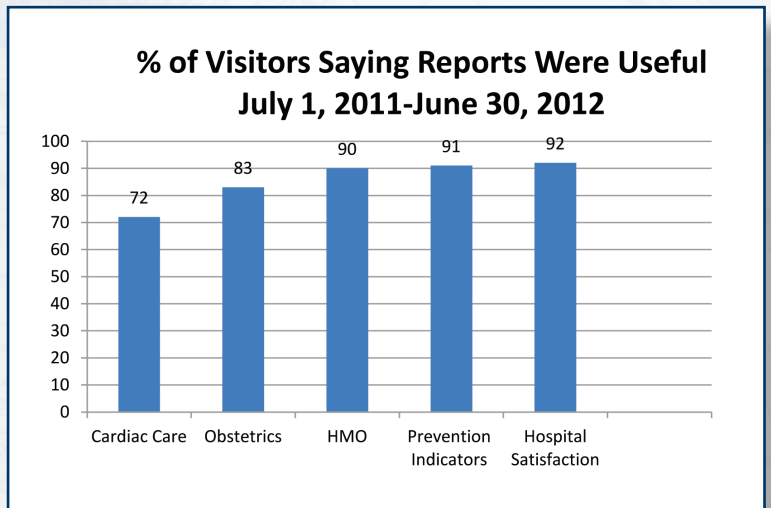
**VIRGINIA'S HEALTH DATA INITIATIVES  
THEIR VALUE AND POTENTIAL continued**

*Thank you for participating in the 20-12 Health and Wellness Fair for New Kent County residents. Your willingness to provide information, literature, and giveaways is greatly appreciated.*

Nancy Goodman  
Adult Services Worker  
NEW KENT DEPARTMENT OF SOCIAL SERVICES



According to a study funded by the Agency for Health Care Research and Quality, VHI enjoys a high rate of population-adjusted traffic compared to other Chartered Value Exchange sites nationally. Nearly two-thirds of respondents were consumers, in contrast to an average rate of 50 percent across all CVE sites.



**On the Horizon – Virginia's All Payer Claims Database**

During the 2012 Virginia General Assembly an All Payer Claims Database (APCD) was created to facilitate data-driven, evidence-based improvements in access, quality and cost of health care and to promote and improve the public health through the understanding of health care expenditure patterns and operation and performance of the health care system.

Joining states across the country, an APCD can help states support Virginia-directed health reform.

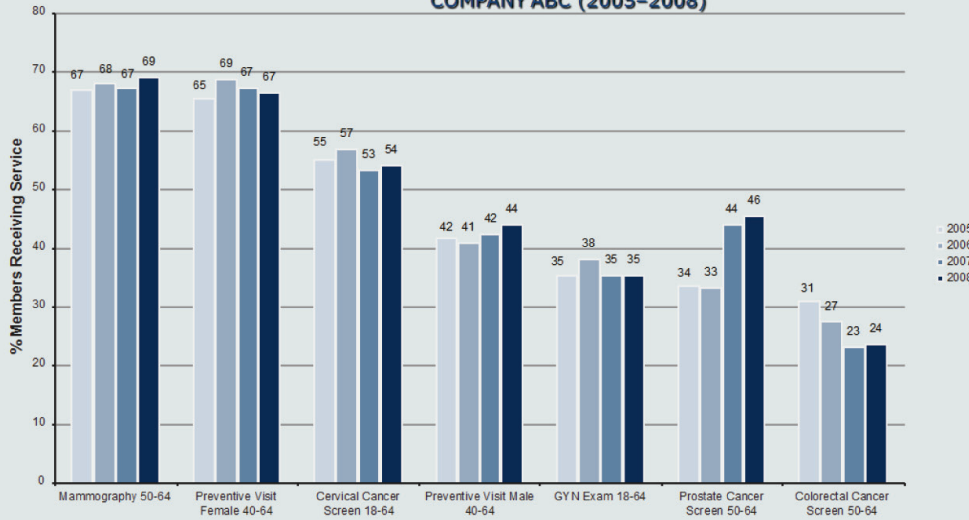
**APCDs include information on paid health insurance claims**



*better measure  
the health of  
the population*

## Percent Members Receiving Preventive Services

COMPANY ABC (2005-2008)



SOURCE: NHPGH

*compare health  
plans and  
health care  
providers*

14

Copyright 2009-2011, APCD Council, NAHDO, UNH

*provide cost  
information for  
services*

Now in planning stages, Virginia's voluntary program will be operated under the authority of the Virginia Department of Health with assistance from health care stakeholders. The Commissioner of the Virginia Department of Health has entered into a contract with VHI for the operation of the All Payer Claims Database as described in the Code of Virginia § 32.1-276.7:1. A report by the State Health Commissioner will detail progress on the APCD by December 1, 2012.

## Summary Metrics

COMPANY ABC and NH Benchmark

DEMOGRAPHICS	2005	2006	2007	2008	NH BENCHMARK 2008
Average Members	8,736	8680	8647	8786	114,457
Average Age (Yrs)	36.3	36.7	37.6	37.7	39.2
Percent Female (%)	53.4	53.2	52.8%	52.7%	53.0%
MEDICAL CLAIM PAYMENTS	2005	2006	2007	2008	NH BENCHMARK 2008
Total Plan Payments (Millions)	\$25.8	\$30.4	\$29.9	\$33.7	\$481.2
Plan Paid PMPM	246	291	\$288	\$320	\$350
Plan PMPM Trend from Previous Year	NA	19%	-1%	11	10%
Member Paid PMPM	\$9	\$9	\$8	\$9	\$8
PHARMACY PAYMENTS	2005	2006	2007	2008	NH BENCHMARK 2008
Total Pharmacy Payments (Millions)	\$5.1	\$5.9	\$6.6	\$7.3	NA
Plan Paid PMPM	\$49	\$57	\$63	\$69	NA
Plan PMPM Trend from Previous Year	NA	17%	12%	8%	NA
Member Paid PMPM	\$13	\$14	\$14	\$13	NA

Pharmacy data for some New Hampshire employers currently is under review.

SOURCE: NHPGH

31

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# REPORT OF INDEPENDENT AUDITORS



## Virginia Health Information

(A NON-PROFIT CORPORATION)

JUNE 30, 2012 AND 2011

### **FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED**

JUNE 30, 2012 AND JUNE 30, 2011

#### **THE BOARD OF DIRECTORS VIRGINIA HEALTH INFORMATION RICHMOND, VIRGINIA**

WE HAVE AUDITED THE ACCOMPANYING STATEMENTS OF FINANCIAL POSITION OF VIRGINIA HEALTH INFORMATION (A NON-PROFIT CORPORATION) AS OF JUNE 30, 2012 AND 2011 AND THE RELATED STATEMENTS OF ACTIVITIES, CASH FLOWS AND FUNCTIONAL EXPENSES FOR THE FISCAL YEARS THEN ENDED. THESE FINANCIAL STATEMENTS ARE THE RESPONSIBILITY OF VIRGINIA HEALTH INFORMATION'S MANAGEMENT. OUR RESPONSIBILITY IS TO EXPRESS AN OPINION ON THESE FINANCIAL STATEMENTS BASED ON OUR AUDIT.

WE CONDUCTED OUR AUDIT IN ACCORDANCE WITH AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA. THOSE STANDARDS REQUIRE THAT WE PLAN AND PERFORM THE AUDIT TO OBTAIN REASONABLE ASSURANCE ABOUT WHETHER THE FINANCIAL STATEMENTS ARE FREE OF MATERIAL MISSTATEMENT. AN AUDIT INCLUDES EXAMINING, ON A TEST BASIS, EVIDENCE SUPPORTING THE AMOUNTS AND DISCLOSURES IN THE FINANCIAL STATEMENTS. AN AUDIT ALSO INCLUDES ASSESSING THE ACCOUNTING PRINCIPLES USED AND SIGNIFICANT ESTIMATES MADE BY MANAGEMENT, AS WELL AS EVALUATING THE OVERALL FINANCIAL STATEMENT PRESENTATION. WE BELIEVE THAT OUR AUDIT PROVIDES A REASONABLE BASIS FOR OUR OPINION.

IN OUR OPINION, THE FINANCIAL STATEMENTS REFERRED TO ABOVE PRESENT FAIRLY, IN ALL MATERIAL RESPECTS, THE FINANCIAL POSITION OF VIRGINIA HEALTH INFORMATION AS OF JUNE 30, 2012 AND 2011, AND THE CHANGES IN ITS NET ASSETS AND ITS CASH FLOWS FOR THE FISCAL YEARS THEN ENDED, IN CONFORMITY WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA.

**WORCESTER AND COMPANY, CPA, PC**  
**AUGUST 22, 2012**



# STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2012 AND 2011

	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
CASH	\$1,047,707	\$1,110,623
INVESTMENTS	22,329	22,327
ACCOUNTS RECEIVABLE - NET	422,826	389,550
PROPERTY AND EQUIPMENT - NET	734,593	751,821
<b>TOTAL ASSETS</b>	<b>\$2,227,455</b>	<b>\$2,274,321</b>
<b>LIABILITIES</b>		
ACCOUNTS PAYABLE	\$22,117	\$24,846
EMPLOYEE WITHHOLDINGS	2,015	962
ACCRUED PENSION CONTRIBUTION	9,341	4,238
NOTE PAYABLE	0	401,721
<b>TOTAL LIABILITIES</b>	<b>\$33,473</b>	<b>\$431,767</b>
<b>NET ASSETS</b>		
UNRESTRICTED	\$2,193,982	\$1,842,554
<b>TOTAL NET ASSETS</b>	<b>\$2,193,982</b>	<b>\$1,842,554</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$2,227,455</b>	<b>\$2,274,321</b>

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.



# STATEMENTS OF ACTIVITIES

FOR THE FISCAL YEARS ENDED JUNE 30, 2012  
AND 2011

	2012	2011
<b>UNRESTRICTED NET ASSETS</b>		
<b>REVENUES AND GAINS</b>		
PATIENT LEVEL DATA SYSTEM CONTRACT FEES	\$247,313	\$247,313
EFFICIENCY AND PRODUCTIVITY CONTRACT FEES	344,960	344,960
DMV CODES CONTRACT FEES	195,917	224,461
PRODUCT/REPORT SALES AND PROGRAMMING	1,124,676	1,028,342
LATE FEES	9,060	3,960
NON-PROCESSED & VERIFIED FEES	16,149	14,069
INTEREST AND DIVIDENDS	3,503	2,036
<b>TOTAL REVENUES, GAINS, AND OTHER SUPPORT</b>	<b>\$1,941,578</b>	<b>\$1,865,141</b>
<b>EXPENSES AND LOSSES</b>		
PROGRAM EXPENSES		
PATIENT LEVEL DATA SYSTEM	\$374,161	\$345,799
EFFICIENCY AND PRODUCTIVITY	255,068	237,589
DMV CODES	279,860	227,307
OTHER PROJECTS	385,024	388,848
<b>TOTAL PROGRAM EXPENSES</b>	<b>\$1,294,113</b>	<b>\$1,199,543</b>
MANAGEMENT AND GENERAL EXPENSES	\$296,037	\$277,375
<b>TOTAL EXPENSES AND LOSSES</b>	<b>\$1,590,150</b>	<b>\$1,476,918</b>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	<b>\$351,428</b>	<b>\$388,223</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$351,428</b>	<b>\$388,223</b>
NET ASSETS BEGINNING OF YEAR	1,842,554	1,454,331
NET ASSETS END OF YEAR	\$2,193,982	\$1,842,554

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.



# STATEMENTS OF CASH FLOWS

## FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
CHANGE IN NET ASSETS	\$351,428	\$388,223
ITEMS NOT AFFECTING CASH		
DEPRECIATION AND AMORTIZATION	35,459	39,376
DECREASE (INCREASE) IN RECEIVABLES	(33,276)	(181,472)
INCREASE (DECREASE) IN PAYABLES	3,427	(9,633)
<b>CASH FROM (USED FOR) OPERATING ACTIVITIES</b>	<b>\$357,038</b>	<b>\$236,494</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
PURCHASE OF FIXED ASSETS	\$(18,231)	\$(6,731)
SALE (PURCHASE) OF INVESTMENTS	(2)	(2)
<b>CASH FROM (USED FOR) INVESTING ACTIVITIES</b>	<b>\$(18,233)</b>	<b>\$(6,733)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
INCREASE (DECREASE) IN NOTES PAYABLE	\$(401,721)	\$(12,640)
<b>CASH FROM (USED FOR) FINANCING ACTIVITIES</b>	<b>\$(401,721)</b>	<b>\$(12,640)</b>
<b>INCREASE (DECREASE) IN CASH</b>	<b>\$(62,916)</b>	<b>\$217,121</b>
CASH AT BEGINNING OF YEAR	1,110,623	893,502
CASH AT END OF YEAR	\$1,047,707	\$1,110,623

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.



# SCHEDULE OF FUNCTIONAL EXPENSES

## FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	TOTAL	PATIENT LEVEL DATA SYSTEM	EFFICIENCY & PRODUCTIVITY	DMV CODES	OTHER PROJECTS	MANAGEMENT & GENERAL
ACCOUNTING FEES	\$6,600	\$1,553	\$1,059	\$1,162	\$1,598	\$1,228
BANK CHARGES	2,015	474	323	355	488	375
DATA PROCESSING	182,228	182,228	0	0	0	0
DEPRECIATION & AMORTIZATION	35,459	8,343	5,688	6,241	8,586	6,601
DUES, LICENSES, & PERMITS	3,775	888	606	664	914	703
EMPLOYEE BENEFITS	233,944	33,744	27,634	47,918	61,940	62,708
EQUIPMENT RENTAL & MAINTENANCE	2,966	698	476	522	718	552
GRAPHIC DESIGN & PRINTING	7,699	1,177	3,500	880	1,211	931
INSURANCE	14,191	3,339	2,276	2,498	3,436	2,642
INTEREST	17,552	4,130	2,815	3,089	4,250	3,268
LEGAL FEES	14,381	3,384	2,307	2,531	3,482	2,677
MAINTENANCE & REPAIRS	7,695	1,811	1,234	1,354	1,863	1,433
MARKETING	5,309	1,047	1,574	783	1,077	828
MISCELLANEOUS	363	85	58	64	87	69
NETWORK MAINTENANCE	7,363	1,565	1,067	1,883	1,610	1,238
OFFICE SUPPLIES	6,248	1,585	978	1,073	1,477	1,135
PAYROLL ADMINISTRATION	1,538	362	247	271	372	286
PAYROLL TAXES	49,348	7,118	5,829	10,108	13,066	13,227
PHONE, FAX & TELECONFERENCING	13,450	3,146	2,161	2,416	3,238	2,489
POSTAGE & DELIVERY	7,031	1,424	1,951	1,065	1,465	1,126
PRODUCT DEVELOPMENT	12,940	3,045	2,076	2,277	3,133	2,409
REAL ESTATE TAXES	8,413	1,980	1,349	1,481	2,037	1,566
SALARIES	655,654	94,571	77,447	134,295	173,594	175,747
SUBCONTRACTOR SERVICES	166,929	10,826	108,766	27,631	11,140	8,566
TRAVEL & MEETING EXPENSES	13,426	3,356	2,092	2,392	3,158	2,428
UTILITIES	7,988	1,880	1,281	1,406	1,934	1,487
WEB SITE	105,645	402	274	25,501	79,150	318
<b>TOTAL EXPENSES</b>	<b>\$1,590,150</b>	<b>\$374,161</b>	<b>\$255,068</b>	<b>\$279,860</b>	<b>\$385,024</b>	<b>\$296,037</b>

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.



# SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	TOTAL	PATIENT LEVEL DATA SYSTEM	EFFICIENCY & PRODUCTIVITY	DMV CODES	OTHER PROJECTS	MANAGEMENT & GENERAL
ACCOUNTING FEES	\$6,000	\$1,405	\$965	\$923	\$1,580	\$1,127
BANK CHARGES	1,632	382	263	251	430	306
DATA PROCESSING	165,865	165,865	0	0	0	0
DEPRECIATION & AMORTIZATION	39,376	9,219	6,334	6,060	10,367	7,396
DUES, LICENSES, & PERMITS	3,425	802	551	527	902	643
EMPLOYEE BENEFITS	206,358	28,966	24,556	38,188	58,520	56,128
EQUIPMENT RENTAL & MAINTENANCE	2,463	577	396	379	648	463
GRAPHIC DESIGN & PRINTING	8,425	916	3,224	2,520	1,030	735
INSURANCE	11,723	2,745	1,886	1,804	3,086	2,202
INTEREST	27,594	6,461	4,439	4,247	7,265	5,182
LEGAL FEES	12,964	1,539	1,057	1,011	8,123	1,234
MAINTENANCE & REPAIRS	9,035	2,115	1,453	1,391	2,379	1,697
MARKETING	6,779	1,518	1,338	998	1,707	1,218
MISCELLANEOUS	1,275	273	297	179	307	219
NETWORK MAINTENANCE	6,050	1,094	752	2,097	1,230	877
OFFICE SUPPLIES	6,584	1,500	1,030	986	1,865	1,203
PAYROLL ADMINISTRATION	2,651	621	426	408	698	498
PAYROLL TAXES	44,712	6,276	5,321	8,274	12,680	12,161
PHONE, FAX & TELECONFERENCING	13,538	3,154	2,167	2,140	3,547	2,530
POSTAGE & DELIVERY	7,220	1,447	2,011	967	1,634	1,161
PRODUCT DEVELOPMENT	10,661	2,496	1,715	1,641	2,807	2,002
REAL ESTATE TAXES	8,663	2,028	1,394	1,333	2,281	1,627
SALARIES	584,192	82,000	69,518	108,110	165,669	158,895
SUBCONTRACTOR SERVICES	162,319	17,395	99,977	11,434	19,560	13,953
TRAVEL & MEETING EXPENSES	12,291	2,251	1,507	4,428	2,396	1,709
UTILITIES	10,016	2,345	1,611	1,542	2,637	1,881
WEB SITE	105,107	409	3,401	25,469	75,500	328
<b>TOTAL EXPENSES</b>	<b>\$1,476,918</b>	<b>\$345,799</b>	<b>\$237,589</b>	<b>\$227,307</b>	<b>\$388,848</b>	<b>\$277,375</b>

\*THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.



# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

## 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

### NATURE OF ORGANIZATION

VIRGINIA HEALTH INFORMATION (VHI) IS A NON-PROFIT, TAX-EXEMPT SECTION 501(C)(3) ORGANIZATION WHICH COMPILES, STORES, ANALYZES AND EVALUATES THE PATIENT LEVEL DATA FOR THE COMMONWEALTH OF VIRGINIA.

IN FEBRUARY OF 1993, THE COMMONWEALTH OF VIRGINIA JOINED 38 OTHER STATES THAT HAVE ESTABLISHED LEGISLATION TO CREATE A STATEWIDE PATIENT LEVEL DATABASE. THIS DATABASE, TO BE MAINTAINED BY VHI, IS VIRGINIA'S ONLY PUBLIC RESOURCE FOR ALL INPATIENT HOSPITAL DISCHARGE INFORMATION.

### SIGNIFICANT ACCOUNTING POLICIES

#### (A) METHOD OF ACCOUNTING

THE FINANCIAL STATEMENTS OF VHI HAVE BEEN PREPARED ON THE ACCRUAL BASIS OF ACCOUNTING IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

#### (B) FINANCIAL STATEMENT PRESENTATION

VHI HAS ADOPTED STATEMENT OF FINANCIAL ACCOUNTING STANDARDS (SFAS) No. 117, "FINANCIAL STATEMENTS OF NOT-FOR-PROFIT ORGANIZATIONS." UNDER SFAS No. 117, VHI IS REQUIRED TO REPORT INFORMATION REGARDING ITS FINANCIAL POSITION AND ACTIVITIES ACCORDING TO THREE CLASSES OF NET ASSETS: UNRESTRICTED, TEMPORARILY RESTRICTED, AND PERMANENTLY RESTRICTED. IN ADDITION, VHI IS REQUIRED TO PRESENT A STATEMENT OF CASH FLOWS.

#### (C) PROPERTY AND EQUIPMENT

PROPERTY AND EQUIPMENT IS STATED AT COST. DEPRECIATION IS COMPUTED ON THE DECLINING BALANCE METHOD OVER THE ESTIMATED USEFUL LIVES OF THE VARIOUS ASSETS. ESTIMATED USEFUL LIVES ARE 3 YEARS FOR COMPUTER EQUIPMENT AND SOFTWARE AND 7 YEARS FOR OFFICE FURNITURE AND FIXTURES AND 39 YEARS FOR REAL PROPERTY.

#### (D) INVENTORY

MINOR MATERIALS AND SUPPLIES ARE CHARGED TO EXPENSE DURING THE PERIOD OF PURCHASE. AS A RESULT, NO INVENTORY IS RECOGNIZED ON THE BALANCE SHEET.

#### (E) SOURCES OF FINANCIAL SUPPORT AND REVENUE

THE PRIMARY SOURCES OF FINANCIAL SUPPORT FOR VIRGINIA HEALTH INFORMATION ARE CONTRACTS WITH THE VIRGINIA DEPARTMENT OF HEALTH. FOR CONSIDERATION RECEIVED, VIRGINIA HEALTH INFORMATION PERFORMS THE FOLLOWING SERVICES:

- (1) VHI SERVES AS THE ENTITY RESPONSIBLE FOR THE COMPILATION, STORAGE, ANALYSIS, AND EVALUATION OF PATIENT LEVEL DATA PROVIDED BY INPATIENT HOSPITALS IN THE COMMONWEALTH OF VIRGINIA.
- (2) VHI SERVES AS THE ENTITY RESPONSIBLE FOR THE ADMINISTRATION OF THE METHODOLOGY FOR THE MEASUREMENT AND REVIEW OF THE EFFICIENCY AND PRODUCTIVITY OF HOSPITALS AND NURSING HOMES IN VIRGINIA.
- (3) VHI DEVELOPS AND DISSEMINATES HEALTH CARE COST AND QUALITY INFORMATION DERIVED FROM ANY AND ALL NEW PROJECTS DETERMINED BY VHI BOARD OF DIRECTORS.
- (4) VHI COLLECTS, COMPILES AND PUBLISHES HEDIS INFORMATION REPORTS VOLUNTARILY SUBMITTED BY HEALTH MAINTENANCE ORGANIZATIONS OR OTHER HEALTH CARE PLANS, AS APPROPRIATE.
- (5) VHI RECEIVES, MAINTAINS, AND PRESERVES CERTAIN DATA RECORDS AND PUBLICATIONS AND FILLS REQUESTS FOR INFORMATION RELATED TO THOSE RECORDS AND PUBLICATIONS.

IN ADDITION TO THE GOVERNMENT APPROPRIATIONS NOTED ABOVE, VIRGINIA HEALTH INFORMATION ALSO RECORDED REVENUE FROM:

- (1) A CONTRACT WITH THE VIRGINIA DEPARTMENT OF MOTOR VEHICLES (CODES).
- (2) THE PROCESSING AND VERIFICATION OF DATA RECEIVED DIRECTLY BY INPATIENT HOSPITALS AT SPECIFIC RATES.
- (3) THE SALE OF DATA TAPES RESULTING FROM INFORMATION COMPILED BY VHI.
- (4) INTEREST AND DIVIDENDS EARNED ON SURPLUS CASH AND INVESTMENTS IN SECURITIES.
- (5) INCOME FROM OTHER MISCELLANEOUS PROJECTS, SALES AND SOURCES.

#### (F) INCOME TAXES:

VIRGINIA HEALTH INFORMATION IS EXEMPT FROM INCOME TAXES UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE. IT IS ALSO EXEMPT FROM STATE INCOME TAX.

#### (G) USE OF ESTIMATES:

THE PREPARATION OF FINANCIAL STATEMENTS IN CONFORMITY WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES REQUIRES MANAGEMENT TO MAKE ESTIMATES AND ASSUMPTIONS THAT AFFECT CERTAIN REPORTED AMOUNTS AND DISCLOSURES. ACCORDINGLY, ACTUAL RESULTS COULD DIFFER FROM THOSE ESTIMATES.



# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

## 2. INVESTMENTS

AS REQUIRED UNDER STATEMENT OF FINANCIAL ACCOUNTING STANDARDS (SFAS) NO. 124, "ACCOUNTING FOR CERTAIN INVESTMENTS HELD BY NOT-FOR-PROFIT ORGANIZATIONS," INVESTMENTS ARE STATED AT FAIR MARKET VALUE.

## 3. ACCOUNTS RECEIVABLE

MANAGEMENT HAS DETERMINED THAT SOME ACCOUNTS RECEIVABLE WHICH HAVE BEEN OUTSTANDING FOR MORE THAN SIX MONTHS, PRIMARILY REPRESENTING FEES AND FINES FOR NON-PROCESSED AND VERIFIED DATA SUBMISSIONS FROM HOSPITALS, MAY BE UNCOLLECTIBLE. THE ACCOUNTS RECEIVABLE WERE WRITTEN OFF AS A BAD DEBT AS FOLLOWS:

	6/30/12	6/30/11
ACCOUNTS RECEIVABLE	\$422,826	\$389,696
ALLOWANCE FOR BAD DEBTS	( 0)	(146)
<b>ACCOUNTS RECEIVABLE – NET</b>	<b>\$422,826</b>	<b>\$389,550</b>

## 4. PROPERTY AND EQUIPMENT

PROPERTY AND EQUIPMENT IS SHOWN NET OF DEPRECIATION AS FOLLOWS:

	6/30/12	6/30/11
OFFICE BUILDING AND RENOVATIONS	\$764,017	\$764,017
COMPUTER EQUIPMENT AND SOFTWARE	140,845	124,194
OFFICE FURNITURE AND FIXTURES	97,954	96,374
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>\$1,002,816</b>	<b>\$984,585</b>
ACCUMULATED DEPRECIATION	(268,223)	(232,764)
<b>NET PROPERTY AND EQUIPMENT</b>	<b>\$734,593</b>	<b>\$751,821</b>

DEPRECIATION EXPENSE FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011 AMOUNTED TO \$35,459 AND \$39,376 RESPECTIVELY.

## 5. NOTE PAYABLE

ON JANUARY 15, 2008, VIRGINIA HEALTH INFORMATION PURCHASED AN OFFICE BUILDING AT 102 NORTH 5TH STREET IN RICHMOND, VA AND MOVED ITS OPERATIONS TO THIS LOCATION. THE BUILDING WAS PURCHASED WITH A COMBINATION OF CASH AND A TWENTY YEAR MORTGAGE NOTE OF \$440,800. ON FEBRUARY 1, 2012, THE NOTE WAS PAID OFF IN FULL.

## 6. EMPLOYEE BENEFITS

EMPLOYEE BENEFITS CONSISTED OF THE FOLLOWING:

	6/30/12	6/30/11
HEALTH AND DENTAL INSURANCE	\$149,931	\$137,362
SIMPLIFIED EMPLOYEE PENSION PLAN	65,380	53,898
DISABILITY INSURANCE	16,873	14,233
LIFE INSURANCE	910	865
PARKING	850	0
<b>TOTAL</b>	<b>\$233,944</b>	<b>\$206,358</b>

## 7. DATA PROCESSING

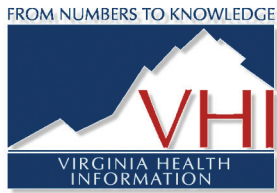
VIRGINIA HEALTH INFORMATION ENTERED INTO A CONTRACT WITH SYSTEM 13, INC. (FORMERLY COMMONWEALTH CLINICAL SYSTEMS, INC.), THE PURPOSE BEING FOR SYSTEM 13 TO PROVIDE COMPUTER PROGRAMMING, DATA PROCESSING, REPORTING, AND CONSULTING SERVICES FOR VIRGINIA HEALTH INFORMATION IN SUPPORT OF ITS EFFORT TO MANAGE AND ADMINISTER A PATIENT LEVEL DATABASE FOR THE STATE OF VIRGINIA. SYSTEM 13'S DUTIES AND FUNCTIONS CONSIST PRIMARILY OF DEVELOPING AND DELIVERING COMPUTER PROGRAMS FOR THE EDITING OF DATA, GENERATING ERROR SUMMARY REPORTS, AND PROVIDING MAGNETIC COPIES OF THE PROCESSED DATA. FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2012, VIRGINIA HEALTH INFORMATION INCURRED EXPENSES UNDER THE CONTRACT TOTALING \$165,865 AND \$182,228 RESPECTIVELY.

## 8. CONCENTRATION OF CREDIT RISK

AS OF JUNE 30, 2011, THE FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC) INSURES BALANCES UP TO \$250,000. THE COMBINED BALANCE OF ACCOUNTS AT SUNTRUST BANK TOTALED \$301,223 ON JUNE 30, 2011, AND \$289,129 ON JUNE 30, 2012.



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