

FROM NUMBERS TO KNOWLEDGE

BIG DATA

FOR BETTER HEALTH CARE



AUTHORITY

Health care transparency and the use of data to improve health has long been a Virginia priority. Back in 1996, House Bill 1307 was signed into Chapter 7.2, Health Care Data Reporting of the Virginia Code. Through this legislation the Commissioner of Health is directed to contract with a nonprofit health data organization to develop and implement health data projects that provide useful information to consumers and purchasers of health care, to providers including health plans, to hospitals and to nursing facilities and physicians. In implementing §32.1-276.4(A) of the Code of Virginia, the Commissioner contracts with Virginia Health Information (VHI) to serve as the health data organization that provides these services.

Section §32.1-276.4(B)(5) requires the VHI Board to submit annual reports to the Board of Health, the Governor and the General Assembly. These annual reports must include a certified audit (See Financial Statements) and provide information on the accomplishments, priorities and current and planned activities of Virginia Health Information.

Also, within the law, Section §32.1-276.4(B)(6) requires the Board of Directors of the nonprofit data organization (i.e., the VHI Board) to submit, as appropriate, strategic plans to the Board of Health, the Governor and the General Assembly.

As required, the strategic plan shall:

- Recommend specific data projects to be undertaken and specify the data elements that will be required from health care providers
- Incorporate similar activities of other public and private entities to maximize the quality of data projects and to minimize the cost and duplication of data projects
- Evaluate the continued need for and efficacy of current data initiatives and
- Include the use of patient level data for public health purposes.

VHI's Board of Directors is pleased to provide this, its 2014 Annual Report and Strategic Plan Update.

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.



VHI IS ALL HEALTH CARE STAKEHOLDERS

- VHI is an independent, nonprofit, 501(c)(3) health information organization established in 1993
- VHI administers Virginia health care data reporting initiatives and
- Supports other public and private health information programs.



PRESIDENT'S WELCOME



Big Data for Better Health Care is our theme for VHI's 2014 Annual Report and Strategic Plan Update. In this year's report, we will highlight our efforts, accomplishments and plans for the future and how they relate to the creation, use and value of big data.

During the past year, we have continued to publish information on health plans, hospitals, nursing facilities, long-term care providers and physicians. Three new projects include the implementation of Virginia's All Payer Claims Database, Virginia's Psychiatric Bed Registry and the development of almost two dozen nationally endorsed hospital quality measures. We are also proud to be in our 11th year of support for Anthem's Quality-In-Sights®: Hospital Incentive Program—an award winning Pay-for-Performance program for hospitals operating in 14 states.

As you might expect, data—both big and small—is behind each of these efforts. However, there is another factor that is much more fundamental—collaboration. Each and every initiative begins with an idea, an idea that is evaluated, discussed and finally embraced. This is the heavy lifting, the consensus building that the VHI's Board of Directors fosters through open dialogue, respect for differing views and a willingness to find common sense approaches in order to meet our collaborative mission.

Much of what we have accomplished has been the development of quality and utilization measures and programs that did not previously exist or were in their infancy. A few examples include VHI's Cardiac Care Mortality and Readmission rankings, efficiency measures, health care prices, quality and now the All Payer Claims Database. As VHI's President, I've seen this consensus-driven approach work again and again.

As a reader of this year's report, I invite you to see the results of stakeholders supporting our 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. Enjoy!

A handwritten signature in black ink that reads "Kay W. Lewis". The script is fluid and cursive.

Kay W. Lewis, RN, MS, CPHQ
2014 VHI President

FROM THE EXECUTIVE DIRECTOR



About this year's theme, you may wonder what Big Data we're talking about and how it can affect your health. After all, VHI has collected data and published health information since 1993. What's different now? The answer is simply . . . a lot!

Working with our stakeholders, VHI has continued our successful implementation of Virginia's All Payer Claims Database (APCD). APCDs are built around the collection and integration of information from multiple payers—both public and private. In Virginia this includes commercial health insurance companies, Medicaid and Medicare. The *Big* comes from medical claims, pharmacy information, enrollment and provider data. Shake this up with powerful risk adjustment and episodes of care calculations and you have information to support public and population health evaluation and management. Consumers will have unrivaled access to cost and quality information. Virginia's APCD will also help support the design and evaluation of alternative health care payment models.

Virginia's Psychiatric Bed Registry was finalized and implemented this year. Now, emergency services personnel have a useful tool to help find available psychiatric beds across the Commonwealth. Additional information on whether patients were or were not placed is collected to help Virginia improve access to psychiatric care.

Virginia's patient level database system continues to be used by VHI and others across the Commonwealth and US. VHI publications include Cardiac Care, Obstetric Services and other special reports. Health plans provided information on health care prices on 31 services, HMOs on their quality. Under the hood of each effort has been data and a commitment by stakeholders to make the good better and support health care reform efforts currently underway in the Commonwealth.

Long-term care information identifies where nursing homes are located, their prices, quality and similar information on assisted living facilities, continuing care retirement communities and home health care.

VHI's most important tool in developing new information, establishing trust and developing share funding models is communication. It is in this spirit that we share this year's Annual Report and Strategic Plan Update.

A handwritten signature in black ink that reads "Michael T. Lundberg". The signature is written in a cursive, flowing style.

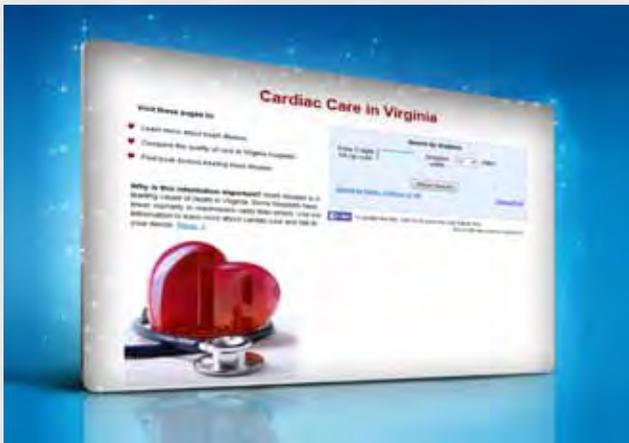
Michael T. Lundberg
Executive Director

VIRGINIA'S PATIENT LEVEL DATA SYSTEM – THE COMMONWEALTH'S FIRST BIG HEALTH DATA

Established by law in 1993, all Virginia acute care hospitals provide an electronic summary of hospital discharges to VHI. Information in the patient level data system includes diagnoses, surgical procedures, charges, the number of days in the hospital, treatment results and other information routinely collected as part of hospital bills.

After VHI edits the data, we work with researchers, health care providers and others to develop public reports to help consumers learn about specific types of hospital care and the importance of discussing their care with their doctor to share their wishes. Two consumer guides using patient level data are:

VHI's *Cardiac Care in Virginia* with hospital information on mortality and readmissions, information on heart disease, preventing heart attacks and stroke. This guide, developed under the leadership of the VHI Board of Directors, was designed to level the playing field when comparing hospitals that treat the sickest patients. Not limited to just patients with Medicare coverage, VHI rankings include all patients a hospital treats.



Another report is *Virginia's Obstetric Hospitals and Physicians*.

Using this guide, consumers can learn about the delivery process and compare doctors and hospitals on their rates of cesarean delivery, ability to perform high-risk deliveries, special services provided and other key measures. Updates are planned during 2015. Visit www.vhi.org/ob to see the report.

VHI is working with health care providers to add up

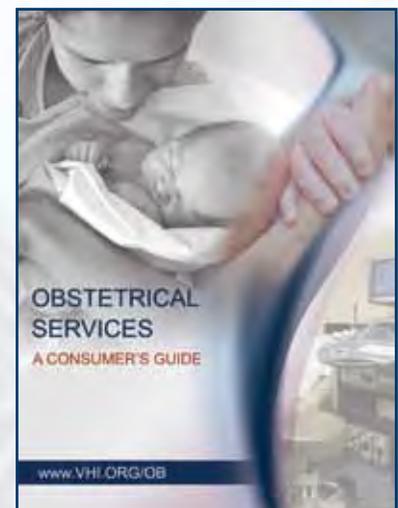
to 21 new quality measures endorsed by national health care groups. The measures cover adult and children's quality of care and patient safety.

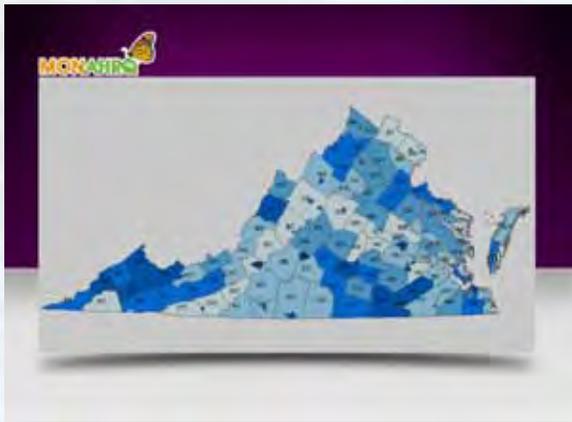
VHI creates many custom reports as well as shares the patient level database to support public policy, quality improvement and health services research. Full details on public use database may be found at www.vhi.org/pld.asp.

Public health professionals utilize these data for a variety of analyses, reports and programs. Examples include reducing the rate of babies with a low birth weight, cardiovascular disease, stroke, diabetes and other priority conditions of the Virginia Department of Health and other public health professionals.

"Hospital discharge data from many states is what's under the hood of Intellimed's analytic tools. We find that the data provided by VHI is complete, accurate and easy to use. VHI data helps ensure Intellimed's support engines for provider profiling, market analysis, data visualization and other features of our IntelliClient product run smoothly."

-Art Layne,
President, Intellimed





MONAHRO is software that VHI uses with patient level data to allow a consumer to develop reports and maps on hospital care by city, county and statewide. Now in our second year of publication, the general public has access to reports and maps from the patient level data available at www.vhi.org/healthcare.asp.

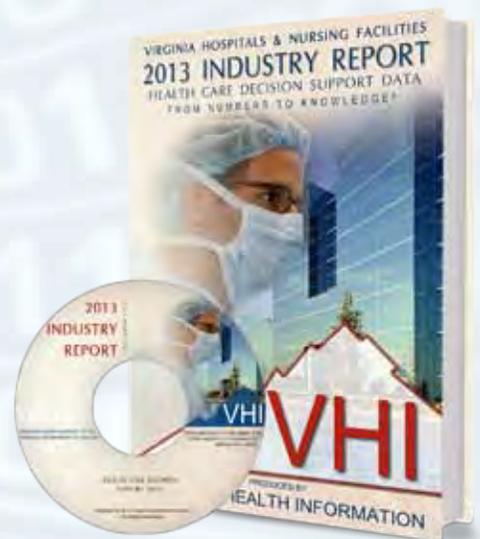
The software and VHI data help visitors learn more about Virginia hospital care; where it's provided and at what cost.

Public health and policymakers can better evaluate the rates and cost of care on potentially avoidable conditions and admissions including low birth weight, diabetes, heart disease and asthma. The Agency for Healthcare Research and Quality developed the software which VHI updates annually.

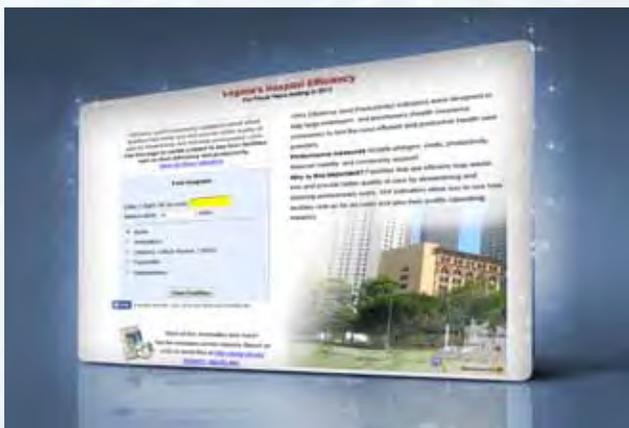
EPICS – A TOOL FOR FINDING BIG EFFICIENCIES IN HEALTH CARE

Virginia employers, health care providers and researchers came together more than 20 years ago to develop information that highlights health care providers that control their costs, support their communities and achieve sound financial results. Virginia's Efficiency and Productivity Information Collection System (EPICS) is Virginia's trusted source for finding the most efficient health care providers.

EPICS financial and operational information includes rankings of providers within their regions and across the state. In a continuing effort to present data relevant to current health care trends, VHI now ranks acute hospitals using a statewide quartile system and uses Medicare's Wage-Price Index to adjust charge and cost indicators for significant differences in regional cost structures. Information collected is based on audited financial statements and operational information. VHI collects and verifies this information. Nursing facilities and ambulatory surgical hospitals are also included in the program.



Industry Report measures include average paid amount, profits, community support, occupancy rates and 10 or more relevant financial and operational measures.

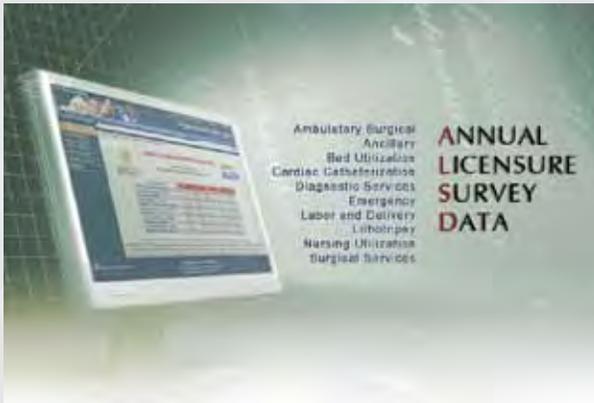


Service line information is created from the patient level data system and compares care across hospitals including orthopedic surgery, heart care, trauma care and 36 other medical categories.

Health insurance companies, banks, providers, researchers and others utilize this information available both online and in an annual Industry Report that includes reports in Excel files.

Compare hospitals' overall EPICS performance and 18 other categories at www.vhi.org/efficiency_compare.asp.

ANNUAL LICENSURE SURVEY – UNDERSTANDING VIRGINIA HEALTH SERVICES USING BIG DATA



Each fall, VHI publishes detailed utilization information on services by health care provider and region.

In 1998 VHI began collecting the Annual Licensure Survey Data from acute, children’s, psychiatric and rehabilitation hospitals as well as nursing facilities and ambulatory surgical centers. These data are utilized in Virginia’s Certificate of Need Program administered by the Virginia Department of Health’s Office of Licensure and Certification. The information is organized into 10 topic areas with over 600 data elements.

Health planners, researchers, consultants and health care providers often use this utilization data for planning and marketing analyses. All Annual Licensure Survey Data is available in Microsoft Excel spreadsheets and allows the user to analyze data by provider by planning region and district.

VHI – VIRGINIA’S CONSUMER HEALTH INFORMATION PORTAL

While VHI has been Virginia’s go to source for consumer health information since 1993, this role was again recognized by the Governor in 2007. As Virginia’s Consumer Health Information Portal, VHI is dedicated to helping consumers and employers make better informed health care decisions. Meeting this challenge has led VHI to develop consumer guides on health care prices, obstetrical services, outpatient procedures, patient satisfaction, cardiac care and others.

VHI’s guides explain industry terms, detail what services are offered and help consumers decide what is important to them when choosing care. The guides include links to our provider performance on costs, efficiency and quality.

VHI guides are on the web at www.vhi.org and are printed for those without access to the internet. VHI has information on all health care providers and links to other trusted sources in Virginia and the nation.

“VHI’s Annual Licensure Survey Data is an important source of information helping our clients better understand what health care services are currently used and to project future demand. Another tool, VHI’s Industry Report for Hospitals and Nursing Facilities, is recognized as the gold standard for understanding how efficiently individual providers deliver health care services.”

-Sam Phillips,
Walker-Phillips
Healthcare Consulting



OUTPATIENT SURGERY – BIG CHANGES IN SURGICAL CARE

The success and availability of surgical procedures has come a long way. Cataract surgery was one of the first documented surgeries and dates all the way back to the 5th century BC. Surgery was performed by striking the eye with a blunt object restoring limited but completely unfocused vision. In the 1970s cataract surgery was much more delicately performed but often required hospital stays. Today, the surgery may be performed in the morning with vision restored in just a few hours.

And so it goes. Today, thanks to technological and other advances, surgery and diagnostic tests are often performed in a doctor's office, freestanding surgery center or hospital outpatient department.

At www.vhi.org/outpatient consumers can learn about the risks involved with a procedure, how to prepare and recover after surgery. The webpages allow for an easy search of which hospitals, surgery centers or doctors' offices perform the procedures. Facility specific information details how often a provider performs the procedure and their charges. For some procedures, you can even get an idea of what insurance companies typically allow for payment.

VHI has information on procedures including breast surgery, colonoscopy, facial surgery, laparoscopic surgery, hernia repair, liposuction and knee arthroscopy. These procedures are performed hundreds of thousands of times each year.



HMO COST AND QUALITY RANKINGS – A BIG DEAL FOR CONSUMERS AND BUSINESSES CHOOSING A HEALTH PLAN

With over 1 million Virginians enrolled in HMOs, VHI's nationally endorsed HMO rankings should be on every employer's and consumer's short list. VHI takes national quality and performance measures and makes it easy to compare the care that members receive and how happy they are with their plan. VHI adds premiums paid, physician and enrollment information from the State Corporation Commission's Bureau of Insurance. Check this information out at www.vhi.org/hmo.

VHI's companion *Consumer Guide to Health Insurance Options* helps readers navigate through the many different types of coverage available today. Taking this one step further, VHI includes links to private and government sponsored health insurance websites where quotes for insurance coverage are often available.

Health insurance coverage is a big deal to Virginians. VHI is your independent source of reliable information on health insurance in Virginia.

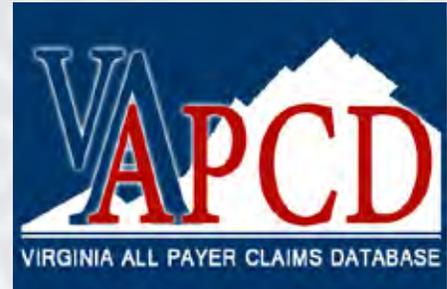


Over 1 million Virginians are enrolled in HMOs and VHI's Compare HMOs provides member satisfaction and quality ratings for HMOs on over 60 measures.

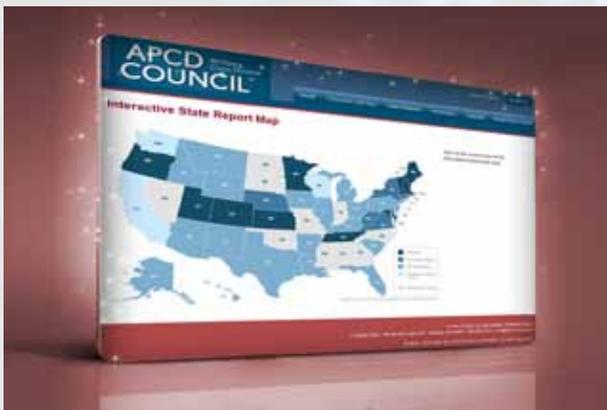
NEW MEANING TO BIG DATA – VIRGINIA’S ALL PAYER CLAIMS DATABASE

A welcome change is occurring in health care—both in Virginia and nationwide. Our traditional fee-for-service program still exists, but is slowly giving way to a strategy to help prevent disease and, when it occurs, to provide more effective treatment and management. This shift is not possible without information to better understand the health of members within a population. This focus on population health is a concept long a part of public health efforts and is now being ushered into use by Accountable Care Organizations (ACOs). ACOs represent partnerships between health care providers and those that pay the health care bills.

Key to an effective ACO is data—not only to understand the current health of a population but also to predict future needs. ACOs have a direct investment in the health of the population as they are financially incented to manage care to the benefit of the member. An important tool used to measure the health of a population and support strategies to maintain or improve their health is an All Payer Claims Database (APCD).



APCDs provide the ability to understand how and where health care is being delivered and how much is being spent.



APCDs include claims data for a full range of services including primary and specialty care, outpatient services, inpatient stays, laboratory testing and pharmacy data. The data comes from multiple payers. APCDs provide the ability to understand how and where health care is being delivered and how much is being spent.

After several years of study by the Virginia Health Reform Initiative and Joint Commission on Health Care, in 2012, §32.1-276.7:1 was enacted by the Virginia General Assembly to create the Virginia All Payer Claims Database (APCD). The APCD's purpose is to facilitate data-driven, evidence-based improvements in access, quality and cost of health care. The

APCD is also intended to promote and improve public health through the understanding of health care expenditure patterns and operation and performance of the health care system.

Stakeholders were clear when forming the APCD that it should be:

- Used to improve public health surveillance and population health including
 - reports on injuries and chronic diseases such as asthma, diabetes, cardiovascular disease, hypertension, arthritis, cancer and health conditions of pregnant women, infants and children and
 - geographic and demographic information for use in community health assessment, prevention education and public health improvement
- Available to health care purchasers including employers and consumers to compare quality and efficiency of health care including comparing providers statewide between and among regions of the Commonwealth
- Designed to allow the identification and comparison of health plans by public and private health care purchasers, providers, employers, consumers and others with regard to their provision of safe, cost-effective and high-quality health care services and
- Complete enough to allow the reporting of data that permits design and evaluation of alternative delivery and payment models.

The Virginia Department of Health (VDH), in cooperation with the Bureau of Insurance, is responsible for Virginia's APCD. VDH contracts with VHI to implement and operate the APCD. Virginia's APCD includes data on the fully insured, self insured, Medicare and Medicaid populations.

To meet the varied needs of stakeholders including public reporting of cost and quality information, support for VDH public health programs and the needs of Virginia employers and health care providers, VHI will offer information in a variety of formats.



“As a national carrier participating in many APCDs, UnitedHealthcare experiences many approaches and welcomes the ongoing collaboration with VHI in our support of the APCD effort in Virginia. VHI’s willingness to embrace national standards created by the APCD Council has produced a more consistent and repeatable process decreasing the overall reporting burden with data collection. This approach helps focus efforts on data quality and timeliness to meet the strategic goals set forth by the APCD executives and board members.

Bernie Inskeep,
Regulatory Financial Operations,
APCD Program Director

A powerful set of online dashboards and reporting capabilities will be available by subscription to provide both routine and custom analyses for employers, public health workers, health insurance companies and providers. Public reports will be derived from the de-identified datasets to help consumers choose providers based on cost and quality.

One example of cost information for consumers is planned use of the APCD to produce health care pricing information. Since 2008, VHI has received pricing information for 31 health care services from health insurance companies. Now that APCD data on all services is also provided by these companies, VHI has stopped requiring information on the 31 health care services. VHI has begun work with stakeholders to develop new and expanded information while avoiding duplication of efforts.

VHI has partnered with Virginia health plans and hospitals to provide \$3.2 million dollars in funding for the APCD during the first thirty months. This financial commitment is based on our belief that the APCD can provide meaningful information to measure the effectiveness of the health care system, support payment reform and help consumers make more informed health care decisions.

As the value to the Commonwealth and its stakeholders are demonstrated, an “All In” approach to further share the costs among those benefitting from the APCD is planned.

Virginia’s APCD reflects a strong commitment on part of all stakeholders, leadership in initial funding and a clear view of how this information will be used by stakeholders to improve access, quality and cost of health care and public health.

Diabetes Care - Quality and Cost



Information on the quality and cost for persons with Diabetes is one of many examples of how the APCD may be used.

HEALTH CARE PRICING TRANSPARENCY – A BIG HELP IN COMPARING PRICES

For years insured consumers seemed to have little interest in the cost of health care. Now, more and more consumers feel the pinch as their annual insurance deductibles rise from hundreds of dollars to thousands. In 2013, Mercer noted that average deductibles for small group PPOs rose to more than \$1,600. Many plans averaged much more.

Legislation passed by the Virginia General Assembly in 2008 led to our multi-stakeholder program to develop health care price information on over 30 services including mammograms, doctor's visits, hip replacements, hernia surgery and infant deliveries. Through this law, health insurance companies provide VHI with their average allowed amount for these services. VHI then calculates a statewide average.

VHI adds information about the surgery, the risks, benefits and where to go for more information. Our goal is to help consumers learn more about care they might receive, the potential costs and provide information to help them talk with their doctor about what is important to them. Get an idea of what you might pay at www.vhi.org/healthcareprices.

While a few states go further with specific costs by health plan and hospital, Virginia provides more information on related costs including average amounts for surgeons, radiology and follow-up care. Virginia's law and approach to health care pricing transparency is changing and the information available is expanding.



Health care pricing information starts with easy-to-understand explanations about a procedure. Pricing information on a service with details on the different types of bills you might receive are also included.

WORKING WITH STAKEHOLDERS TO IMPROVE CARE – ANTHEM'S QUALITY-IN-SIGHTS®: HOSPITAL INCENTIVE PROGRAM (Q-HIP®)

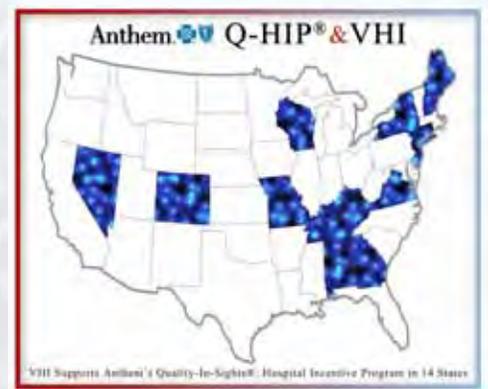
It's no secret that health care is changing. Health plans have been part of these changes for years. For example, Anthem Blue Cross and Blue Shield of Virginia has rewarded hospitals that provide high quality care with higher payments. This notion, quite unique ten years ago, is now becoming part of payment system reform across the country. In fact, VHI is proud to support Anthem's award winning Quality-In-Sights®: Hospital Incentive Program (Q-HIP®).

Now in our tenth year, the collaborative efforts between VHI and Anthem have helped hospitals across the US improve their quality of care. Anthem's incentive program rewards hospitals for how well they deliver care (the process) and how well patients recover (outcomes).

VHI support includes:

- An interactive website to gather, display and score information from hospitals and their vendors and provide feedback to hospitals on their performance
- VHI nurses who analyze and validate the information and work with hospitals as they document their work in improving the care they provide.

Q-HIP® quality measures include patient safety, heart care, customer satisfaction measures, infection rates and computerized medication controls among other nationally endorsed measures of quality.



VIRGINIA'S PSYCHIATRIC BED REGISTRY

In March 2014 Virginia's Psychiatric Bed Registry was fully launched. The registry was designed to help emergency services personnel locate potentially available psychiatric beds for persons needing mental health care.

The registry was initially developed with input from the Joint Commission on Health Care, their Behavioral Health Subcommittee and the Department of Behavioral Health and Developmental Services (DBHDS).

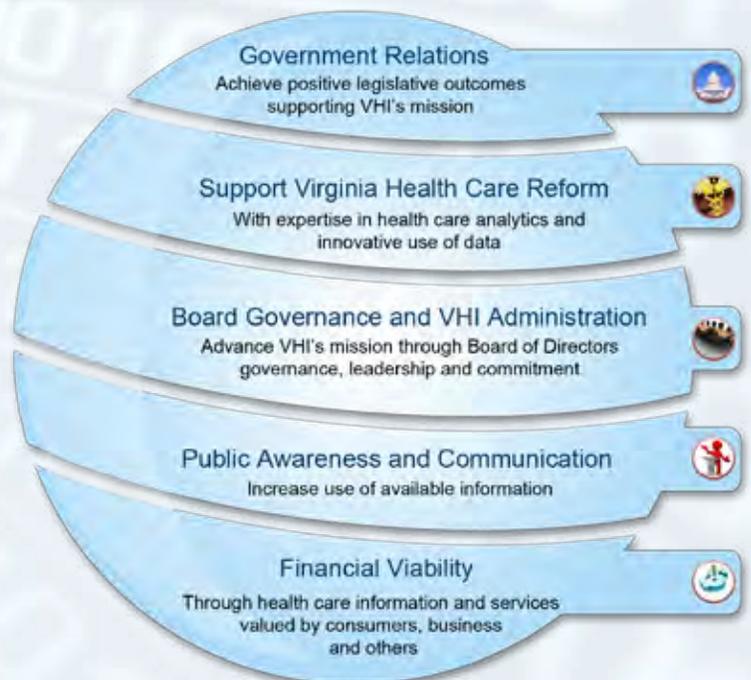
In April 2014 Governor McAuliffe signed into law a requirement for hospitals to participate in the registry and additional specifications on how often the registry is to be updated. During the spring and summer of 2014, VHI, the subcontractor to DBHDS, collaborated with a workgroup of representatives from hospitals, Community Services Boards (CSBs), DBHDS and others to continue development and modification of the registry and reports to meet the needs of CSBs and other users.

Virginia is making a number of changes to availability of psychiatric care in the Commonwealth. The registry is one of those tools helping CSBs save time when attempting to place a patient in need of inpatient psychiatric care.



STRATEGIC PLANNING – BRINGING STAKEHOLDERS AND GOALS TOGETHER

Virginia Health Information created a strategic plan focusing on five objectives. Each objective is designed to support our 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.



SUMMARY – VIRGINIA’S BIG IDEA IS STILL WORKING!

When conceived over twenty years ago, few could have predicted how successful a multi-stakeholder nonprofit collaboration could be. Through this partnership, VHI provides relevant and varied health information to businesses and consumers. VHI public reporting efforts are valued by consumers and supported by the providers they measure. Making actionable information available helps improve the quality of care and spurs competition.

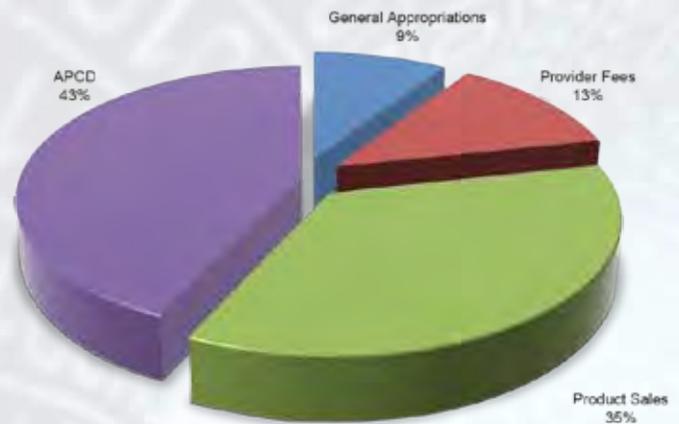
VHI’s reach is broad with data and reports on ambulatory surgical centers, assisted living facilities, continuing care retirement communities, HMOs, hospitals, nursing facilities, other long-term care providers and physicians.

- Data and reports from VHI are used by businesses, consumers, hospitals, legislators, policymakers and others
- VHI data are used in national, statewide, regional and local reports
- The Commonwealth of Virginia has been recognized nationally as a leader in health care pricing transparency, which reflects our engaged legislature and support by health care stakeholders
- VHI updates and maintains consumer guides on cardiac care, hospitals, health insurance options, obstetrics and long-term care and
- During the next year, VHI will work to fully implement the All Payer Claims Database, maintain and update existing publications and work to develop new quality information for consumers.

Funding for VHI was initially based exclusively on General Funds, i.e.; taxpayer dollars. Today dependence on taxpayer dollars is just over 9%. Grants, consulting, license fees, data product sales and special dedicated revenues have allowed VHI to develop consumer guides, reports and invest in the initial development of the All Payer Claims Database.

Big ideas coupled with big data have led to success in Virginia’s health care reporting initiatives—both past and present. Virginia’s Health Care Data Reporting initiatives are a collaboration to make **Big Data** work for Virginians. This past year’s programs required the dedicated time and financial support from many who support VHI’s mission and commitment to our citizens. Virginia Health Information’s Board of Directors and staff are grateful for the interest, efforts and continued dedication of our stakeholders and colleagues.

FY2014 REVENUES REFLECT THE VALUE OF VHI PROGRAMS AND INFORMATION TO STAKEHOLDERS



General Appropriations started as 100% of VHI Revenues in FY1993 and were just above 9% in FY2014.



VIRGINIA HEALTH INFORMATION

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Ibe Mbanu, MD, MBA, MPH - Vice-President

Timothy McManus - Treasurer

S. Hope Johnson - Secretary

Alfred D. Hinkle, Jr. – Past President

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University of Richmond, Robins School of Business

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Joint Commission on Health Care

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State Corporation Commission, Bureau of Insurance

Cindi Jones, Department of Medical Assistance Services

Dr. Marissa Levine, State Health Commissioner

REPORT OF INDEPENDENT AUDITORS

FROM NUMBERS TO KNOWLEDGE



VIRGINIA HEALTH INFORMATION

(A Non-Profit Corporation)

June 30, 2014 and 2013

FINANCIAL STATEMENTS for the Fiscal Years Ended

June 30, 2014 and 2013

**The Board of Directors
Virginia Health Information
Richmond, Virginia**

We have audited the accompanying statements of financial position of Virginia Health Information (a nonprofit corporation) as of June 30, 2014 and 2013, 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, 2014 and 2013, 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 18, 2014

STATEMENTS OF FINANCIAL POSITION

June 30, 2014 and 2013

	2014	2013
Assets		
Cash	\$ 2,209,098	\$ 1,413,145
Investments	22,333	22,331
Accounts receivable - net	237,007	672,294
Property and equipment - net	691,216	703,901
Total Assets	\$ 3,159,654	\$ 2,811,671
Liabilities		
Accounts payable	\$ 193,833	\$ 23,992
Employee withholdings	1,737	4,263
Accrued pension contribution	6,680	14,894
Total Liabilities	\$ 202,250	\$ 43,149
Net Assets		
Unrestricted	\$ 2,957,404	\$ 2,768,522
Total Net Assets	\$ 2,957,404	\$ 2,768,522
Total Liabilities and Net Assets	\$ 3,159,654	\$ 2,811,671

The notes to financial statements are an integral part of these statements.

STATEMENTS OF ACTIVITIES

**For the Fiscal Years Ended
June 30, 2014 and 2013**

	2014	2013
Unrestricted Net Assets		
Revenues and gains		
Patient Level Data System contract fees	\$ 247,313	\$ 242,367
Efficiency and Productivity contract fees	344,960	344,960
DMV CODES contract fees	685	180,599
All Payer Claims Database funding	1,260,096	630,048
Product/Report sales and programming	1,066,048	1,065,577
Late fees	4,590	2,112
Non processed & verified fees	10,182	12,721
Interest and dividends	2,653	3,167
Total revenues, gains, and other support	\$ 2,936,527	\$ 2,481,551
Expenses and losses		
Program expenses		
Patient Level Data System	\$ 353,941	\$ 336,447
Efficiency and Productivity	201,045	249,426
DMV CODES	43,827	190,707
APCD	1,134,284	288,666
Other Projects	375,759	366,191
Total program expenses	\$ 2,108,856	\$ 1,431,437
Management and general expenses	638,789	475,574
Total expenses and losses	\$ 2,747,645	\$ 1,907,011
Change in Unrestricted Net Assets	\$ 188,882	\$ 574,540
Change in Net Assets	\$ 188,882	\$ 574,540
Net assets beginning of year	2,768,522	2,193,982
Net assets end of year	\$ 2,957,404	\$ 2,768,522

The notes to financial statements are an integral part of these statements.

STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended
June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Change in net assets	\$ 188,882	\$ 574,540
Items not affecting cash		
Depreciation and amortization	28,902	32,386
Decrease (increase) in receivables	435,286	(249,468)
Increase (decrease) in payables	159,101	9,676
Cash from (used for) operating activities	\$ 812,171	\$ 367,134
Cash flows from investing activities		
Purchase of fixed assets	\$ (16,216)	\$ (1,694)
Sale (purchase) of investments	(2)	(2)
Cash from (used for) investing activities	\$ (16,218)	\$ (1,696)
Cash from (used for) financing activities	\$ 0	\$ 0
Increase (decrease) in cash	\$ 795,953	\$ 365,438
Cash at beginning of year	1,413,145	1,047,707
Cash at end of year	\$ 2,209,098	\$ 1,413,145

The notes to financial statements are an integral part of these statements.

SCHEDULE OF FUNCTIONAL EXPENSES

**For the Fiscal Year Ended
June 30, 2014**

	Total	Patient Level Data System	Efficiency and Productivity	DMV CODES	APCD	Other Projects	Management and General
Accounting fees	\$ 7,101	915	520	113	2,931	971	1,651
APCD funding from VHI	262,520	0	0	0	0	0	262,520
Data processing	870,402	176,742	0	0	693,660	0	0
Depreciation and amortization	28,902	3,723	2,115	461	11,931	3,953	6,719
Dues, licenses, and permits	6,245	804	457	100	2,578	854	1,452
Employee benefits	333,248	39,379	40,094	8,834	86,993	71,264	86,684
Equipment rental and maintenance	3,995	515	292	64	1,649	546	929
Graphic design and printing	13,530	1,425	2,980	176	4,864	1,513	2,572
Insurance	35,741	4,604	2,615	570	14,755	4,888	8,309
Legal fees	18,439	417	237	52	16,537	443	753
Maintenance and repairs	10,218	1,316	748	163	4,218	1,397	2,376
Marketing	5,929	764	434	95	2,447	811	1,378
Miscellaneous	1,139	116	188	14	371	241	209
Network maintenance	4,723	590	335	216	1,891	626	1,065
Office supplies	5,477	817	376	82	2,205	802	1,195
Payroll administration	529	68	39	8	219	72	123
Payroll taxes	59,769	7,063	7,191	1,584	15,602	12,781	15,548
Phone, fax and teleconferencing	13,913	1,770	1,005	222	5,840	1,882	3,194
Postage and delivery	5,847	802	1,281	75	1,947	645	1,097
Product development	14,197	1,681	2,105	208	5,386	1,784	3,033
Real estate tax	8,027	1,034	587	128	3,314	1,098	1,866
Salaries	822,834	97,216	98,983	21,808	214,762	175,931	214,134
Subcontractor services	90,837	6,705	35,251	8,175	21,487	7,118	12,101
Travel and meeting expenses	24,555	3,001	1,807	373	10,769	3,188	5,417
Utilities	8,337	1,074	610	133	3,442	1,140	1,938
Website	91,191	1,400	795	173	4,486	81,811	2,526
Total expenses	\$ 2,747,645	353,941	201,045	43,827	1,134,284	375,759	638,789

The notes to financial statements are an integral part of these statements.

SCHEDULE OF FUNCTIONAL EXPENSES

**For the Fiscal Year Ended
June 30, 2013**

	Patient Level Data System	Efficiency and Productivity	DMV CODES	APCD	Other Projects	Management and General	Total
Accounting fees	\$ 6,750	1,191	883	675	1,022	1,296	1,683
APCD funding from VHI	131,260	0	0	0	0	0	131,260
Data processing	171,487	171,487	0	0	0	0	0
Depreciation and amortization	32,387	5,714	4,236	3,239	4,902	6,219	8,077
Dues, licenses, and permits	3,385	597	443	339	512	650	844
Employee benefits	282,828	34,561	41,995	33,597	28,910	65,427	78,338
Equipment rental and maintenance	3,274	578	428	327	496	629	816
Graphic design and printing	7,630	770	3,269	1,002	661	839	1,089
Insurance	10,403	1,835	1,361	1,040	1,575	1,998	2,594
Legal fees	102,849	55	40	31	102,587	59	77
Maintenance and repairs	9,832	1,735	1,286	983	1,488	1,888	2,452
Marketing	5,166	1,131	1,065	429	649	823	1,069
Miscellaneous	1,125	123	285	70	344	134	169
Network maintenance	5,724	918	680	1,043	787	999	1,297
Office supplies	7,696	1,306	968	740	1,416	1,421	1,845
Payroll administration	656	116	86	66	99	126	163
Payroll taxes	53,835	6,579	7,994	6,395	5,502	12,454	14,911
Phone, fax and teleconferencing	14,081	2,422	1,796	1,415	2,388	2,636	3,424
Postage and delivery	5,535	814	1,540	474	698	874	1,135
Product development	12,940	2,283	1,692	1,294	1,959	2,485	3,227
Real estate tax	8,836	1,559	1,156	884	1,337	1,697	2,203
Salaries	734,731	89,783	109,094	87,277	75,103	169,967	203,507
Subcontractor services	172,504	7,213	66,402	28,203	52,639	7,851	10,196
Travel and meeting expenses	10,851	1,802	1,336	1,221	1,983	1,962	2,547
Utilities	8,729	1,540	1,142	873	1,321	1,676	2,177
Website	102,517	335	249	19,090	288	82,081	474
Total expenses	\$ 1,907,011	336,447	249,426	190,707	288,666	366,191	475,574

The notes to financial statements are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2014 and 2013

1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Virginia Health Information (VHI) is a nonprofit, 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.
- 6) Implementation of Virginia's All Payer Claims Database.

(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.

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 accounts receivable outstanding for more than six months, primarily representing fees and fines for non-processed and verified data submissions from hospitals, may be un-collectible. The accounts receivable have been written off as a bad debt as follows:

	6/30/14	6/30/13
Accounts receivable	\$ 237,007	\$ 672,294
Allowance for bad debts	(0)	(0)
Accounts receivable - net	\$ 237,007	\$ 672,294

4. PROPERTY AND EQUIPMENT

Property and equipment is shown net of depreciation as follows:

	6/30/14	6/30/13
Office building and renovations	\$ 772,734	\$ 764,017
Computer equipment and software	148,787	142,539
Office furniture and fixtures	99,206	97,954
Total property and equipment	\$1,020,727	\$ 1,004,510
Accumulated depreciation	(329,511)	(300,609)
Net property and equipment	\$ 691,216	\$ 703,901

Depreciation expense for the fiscal years ended June 30, 2014 and 2013, amounted to \$28,902 and \$32,387 respectively.

5. EMPLOYEE BENEFITS

Employee Benefits consisted of the following:

	6/30/14	6/30/13
Health and Dental Insurance	\$228,993	\$192,698
Simplified Employee Pension Plan	82,270	73,473
Education	8,265	0
Disability Insurance	7,717	13,894
Life Insurance	3,423	1,743
Parking	2,580	1,020
Total	\$333,248	\$282,828

6. 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, 2014 and 2013, Virginia Health Information incurred expenses under the contract totaling \$176,742 and \$171,487 respectively.

Virginia Health Information entered into a contract with Milliman, Inc. to provide data processing services related to development of the Virginia All Payer Claims Database. For the fiscal year ended June 30, 2014, Virginia Health Information incurred expenses under the contract of \$693,660.

7. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 18, 2014, the date which the financial statements were issued, and has determined there are no issues which would affect the financial statements as presented.

8. CONCENTRATION OF CREDIT RISK

The Federal Deposit Insurance Corporation (FDIC) insures cash balances up to \$250,000. The combined balance of cash in accounts at SunTrust Bank totaled \$1,240,314 on June 30, 2014, and \$544,580 on June 30, 2013.

9. COMMITMENTS AND CONTINGENCIES

During the year ended June 30, 2013, Virginia Health Information signed a participation agreement to support the development of the Virginia All Payer Claims Database (APCD). The purpose of the APCD is to develop information to facilitate data-driven, evidence-based improvements in access, quality, cost and efficiency 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 subject to applicable law.

The budget for the initial thirty months in the development and implementation of the APCD is \$3,281,500 and Virginia Health Information will provide 20% of the initial budget. The remaining 80% of the budget is shared equally by participating members of the Virginia Association of Health Plans (the VAHP Members) and members of the Virginia Hospital and Healthcare Association (the VHHA Members).

As of June 30, 2014, Virginia Health Information has funded \$393,780 of the APCD budget. Virginia Health Information's remaining obligation under the participation agreement is \$262,520 for the fiscal year ending on June 30, 2015.

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