

FROM NUMBERS TO KNOWLEDGE



If You Build it,
THEY WILL COME
Health Information to Achieve the Triple Aim



VHI'S MISSION



To create and disseminate healthcare information

To promote informed decision making by Virginia consumers and purchasers and

To enhance the quality of healthcare delivery.

VHI IS ALL HEALTHCARE STAKEHOLDERS

- VHI is an independent, nonprofit, 501(c)(3) health information organization established in 1993
- Administers Virginia healthcare data reporting initiatives
- Supports other public and private health information programs and
- Works with our stakeholders to increase healthcare transparency across all types of healthcare.





PRESIDENT'S WELCOME



Virginia Health Information's (VHI's) 2015 Annual Report and Strategic Plan Update focuses on our commitment to the *Triple Aim of Health* to achieve better health, better care and lower costs. Keep reading as we highlight our efforts, accomplishments and plans for the future and how they relate to the Triple Aim.

Over the past twelve months, VHI has published information across the continuum of healthcare. Our online reports and databases include comparative information on health plans, hospitals, nursing facilities, long-term care providers and physicians.

We've completed initial implementation of three new efforts to take public reporting and access to psychiatric care to new levels. Twenty new nationally endorsed hospital quality measures are now available to help consumers compare care among Virginia hospitals. VHI's initial collection and processing of four years of information for Virginia's All Payer Claims Database (APCD) is complete with advanced analytical tools available to support the Triple Aim. Virginia's Psychiatric Bed Registry is fully implemented to help community services board emergency services personnel find hospitals with potentially available psychiatric beds that may meet their clients' needs.

VHI is also in our 12th 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. VHI's Annual Report includes detail on each of our efforts. A common thread is the focus on one or more aspects of the Triple Aim. Each goal also requires Virginians to take action to improve or maintain their health, use information to choose best healthcare providers for their needs and be informed and proactive to help reduce their healthcare costs.

VHI's governance is unique in our fundamental and lasting commitment to collaboration with stakeholders. VHI gathers input to identify the health information needs of Virginians and then works to meet them. There is nothing easy about this. The process requires open dialogue, respect for differing views and a willingness to find common sense approaches in order to meet our collaborative mission.

The Triple Aim presents new challenges to create actionable information for consumers, businesses, healthcare providers and policymakers. As you read this year's report, I invite you compare our efforts against the goals of the Triple Aim and help us keep our efforts focused on creating actionable information for Virginians.

Kay W. Lewis, RN, MS, CPHQ
2015 VHI President

FROM THE EXECUTIVE DIRECTOR



Build it and they will come. That may seem like a tag line from Kevin Costner's 1989 movie, *Field of Dreams*, but it is also what VHI is all about. Since 1993 VHI has collected data and published health information. We started building healthcare reports based on the data available to us. Over the years you've helped us identify what businesses and consumers want and then work collaboratively to develop it.

Collaboration is the key. Working with our stakeholders, VHI publishes cost and quality information on nursing facilities to complement our Consumer's Guide to Long-Term Care. Health plan information rankings include premium information, member satisfaction rankings and how often appropriate care is provided. For hospitals you'll find financial, efficiency and quality of care reports. I could keep going, but keep reading instead.

So if we are building, are they coming? They sure are! During this year well over 140,000 visitors viewed more than a half million web pages. VHI's nursing home, hospital, physician and healthcare pricing information were among the most popular pages. While some surveys indicate that women most often cruise the web for health information, we found that about 54% of our visitors are male. We are pleased that

young consumers are also interested in healthcare with 60% of our visitors between 18 and 34 years old.

Within this year's Annual Report, we'll cover our existing healthcare transparency efforts, fill in the gaps on where we are going with future work, outline our strategic initiatives and provide information.

VHI's most important tool in developing new information, establishing trust and developing shared funding models is communication. It is in this spirit that we share our 2015 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 – GROWING IN VALUE TO THE COMMONWEALTH

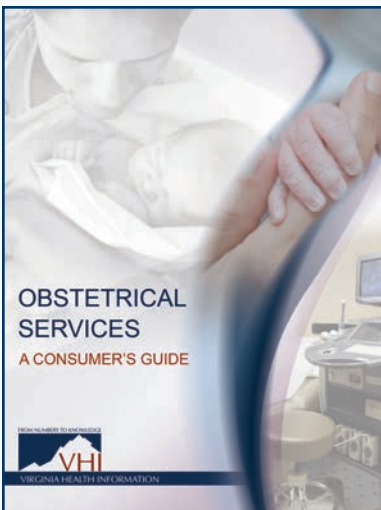
“Given the complexity of today’s healthcare landscape, timely access to accurate data has never been more important. Sg2’s clients expect our MarketEdge tool to perform critical market share and volume analyses, enabling them to anticipate demand and better meet the needs of the communities they serve. VHI’s reliable and efficient delivery of data, coupled with fantastic customer service, helps ensure we always meet that expectation.”

Chad Z. O’Connor
VP, Product Management
Sg2, a MedAssets company

Established by law in 1993, all licensed Virginia hospitals provide an electronic summary of acute 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, healthcare 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. 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 2016. Visit www.vhi.org/ob to see the report.

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.



MONAHRQ 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. This spring, VHI expanded the information available in MonAHRQ by publishing 20 new quality measures endorsed by national health care groups. The measures cover adult and children's quality of care and patient safety.

MonAHRQ Software was developed by the Agency for Healthcare Research and Quality, and VHI adds new data annually.



EPICS — VHI BUILT A TOOL FOR MEASURING EFFICIENCIES IN HEALTHCARE

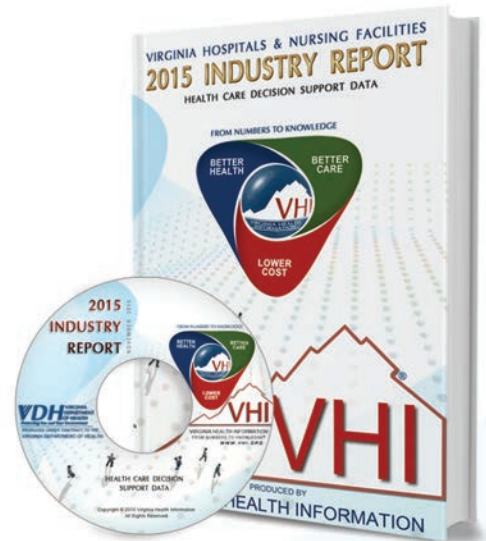
Virginia employers, healthcare providers and researchers came together more than 20 years ago to develop information that highlights healthcare providers that control their costs, support their communities and achieve sound financial results. Virginia's Efficiency and Productivity Information Collection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

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.



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



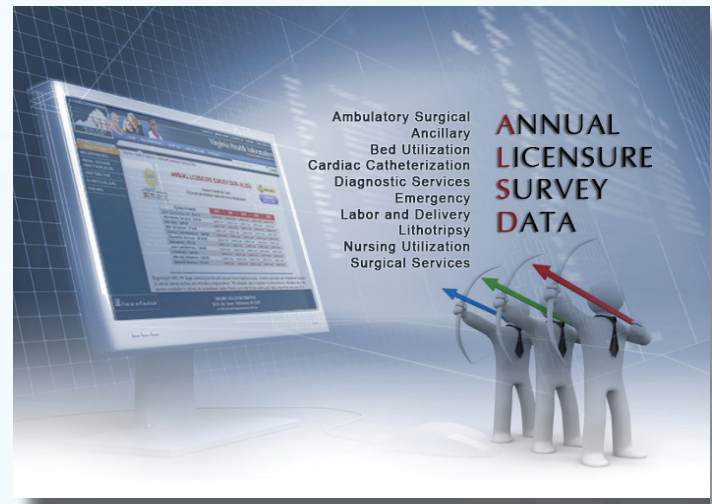
ANNUAL LICENSURE SURVEY – SIZING UP VIRGINIA HEALTH SERVICES

"The VHHA makes extensive use of VHI information and considers it a valued commodity. The data is useful for its breadth – including information on staffed and licensed beds, admissions, discharges, and Virginia hospitals' financial condition – and its convenient location in one central repository. Having ready access to that information provides substantial benefit. It enables visitors to learn about hospitals' payer mix, infant deliveries performed at each hospital, and plenty of other key hospital traits critical for cogent analysis and charting trends. Data available through VHI further enables users to track declines in hospital operating margins attributable to payment cuts brought on by the Affordable Care Act. In addition to facilitating analytical observation of negative trends, the availability of this information is helpful in making the case for pro-health care legislation."

Jay Andrews,
VP of Financial Policy
Virginia Hospital & Healthcare
Association

As part of our commitment to serve the Commonwealth, VHI has collected the Annual Licensure Survey Data from hospitals as well as nursing facilities, ambulatory surgical centers and some freestanding facilities. 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.

This survey information is used by health planners, researchers, consultants and healthcare providers for planning and marketing analyses. VHI provides all Annual Licensure Survey Data in Microsoft Excel spreadsheets. Data can be analyzed by provider by planning region and district.



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

VHI.ORG — BUILT TO BE VIRGINIA'S CONSUMER HEALTH INFORMATION PORTAL

Recognized by the Governor as Virginia's Consumer Health Information Portal since 2007, VHI provides www.vhi.org as a tool to help consumers and employers make better informed healthcare decisions.

With over 140,000 visitors last year, VHI provides consumer guides on healthcare prices, obstetrical services, outpatient procedures, patient satisfaction, cardiac care and others.

VHI's strives to 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. Because not all Virginians have access to the web, we are pleased to print and mail them free of charge to those without access to the internet.



OUTPATIENT SURGERY — ONGOING CHANGES IN SURGICAL CARE

There was a time when surgery was almost universally performed in a hospital and required one or more days to recover before going home.

Both the success and availability of surgical procedures have come a long way. 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. VHI updates this information annually to help keep pace with the rapid changes in outpatient surgery.





HMO COST AND QUALITY RANKINGS – BUILDING CONFIDENCE FOR CONSUMERS AND BUSINESSES CHOOSING A HEALTH PLAN

What's important to you when choosing a health plan—price? Quality? Availability? Member Satisfaction? All of the above? You are fortunate.

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.

There are more than 1 million Virginians enrolled in HMOs. VHI's nationally endorsed HMO rankings should be on every employer's and consumer's short list.

Need help in understanding health insurance plans? 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.

HEALTHCARE PRICING – EXPANDING TO MEET CHANGING NEEDS



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 healthcare price information on over 30 services including mammograms, doctor's visits, hip replacements, hernia surgery and infant deliveries. Through this law, health insurance companies provided VHI with their average allowed amount for these services. VHI then calculated a statewide average.

Healthcare 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.

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. With the development of Virginia's All Payer Claims Database, VHI receives paid claims from health insurance companies. VHI has begun the process of developing this information directly from the APCD and will work with consumers and others to add new types of services on which they are seeking pricing information.

BUILDING A NEW APPROACH TO IMPROVE CARE — ANTHEM'S QUALITY-IN-SIGHTS®: HOSPITAL INCENTIVE PROGRAM (Q-HIP®)

For many years healthcare providers were reimbursed based on what care was provided. The quality of care...not so much. For years, Anthem Blue Cross and Blue Shield in Virginia has been a leader in paying more to hospitals that can demonstrate high quality of care. 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 eleventh 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.

“We are appreciative of Virginia Health Information's work. This represents a continuation of years of collaborative efforts between Anthem and VHI to improve healthcare delivery by hospitals.”

Lindsey Gilbert,
Director, Regional Network
Performance
Anthem Blue Cross and Blue Shield

Anthem  Q-HIP® & VHI



VHI Supports Anthem's Quality-In-Sights®: Hospital Incentive Program in 14 States



OUR LARGEST CONSTRUCTION EVER — VIRGINIA'S ALL PAYER CLAIMS DATABASE



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

What information is needed to know how healthy Virginians are? How about information to assist in developing ways to help Virginians maintain and improve their health? How do you find more comprehensive information on where healthcare is provided and where more access is needed? How can consumers learn about the cost of healthcare and find the best care for their needs? Until recently, these were just questions. Now, we can say the answer is Virginia's All Payer Claims Database (APCD).

Across the nation a dozen or more APCDs have been established. APCDs include health insurance claims data for a full range of services including primary and specialty care, outpatient services, inpatient stays, laboratory testing and pharmacy data. APCDs provide the ability to understand how and where healthcare 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 healthcare. The APCD is also intended to promote and improve public health through the understanding of healthcare expenditure patterns and operation and performance of the healthcare 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

"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 Inskip
Regulatory Financial Operations,
APCD Program Director



- Available to health care purchasers including employers and consumers to compare quality and efficiency of healthcare 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 healthcare services and
- Complete enough to allow the reporting of data that permits design and evaluation of alternative delivery and payment models.

MedInsight Analytics	<ul style="list-style-type: none"> • Online advanced analytics for novice to expert • Broad tool chest of dashboards, pre-formatted reports and custom design for employer, payer, provider, policymaker needs
Direct Access to De-identified Tables	<ul style="list-style-type: none"> • Efficient access for advanced users • Allows mirroring of existing employer report formats and special needs
De-identified Data Extracts	<ul style="list-style-type: none"> • Creating own database for offline access • Greatest flexibility for power users

Virginia's major health insurance companies and government programs all voluntarily provide data to VHI. 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.

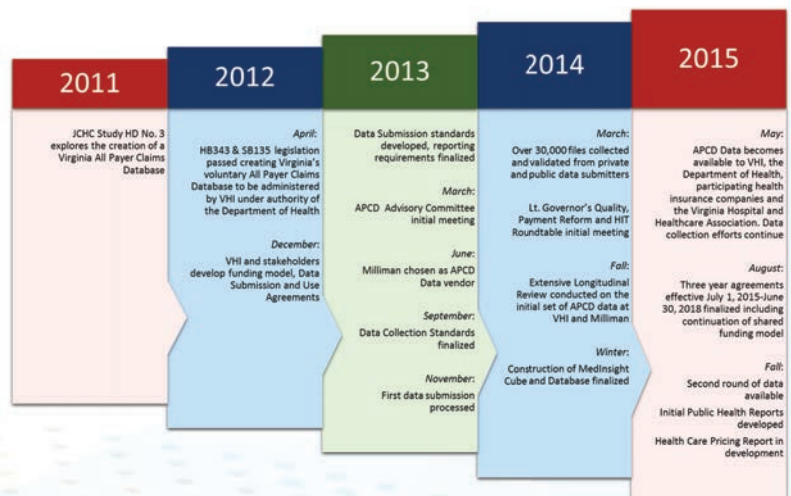
To meet the varied needs of stakeholders including public reporting of cost and quality information, support for VDH public health programs and the needs of Virginia employers and health care providers, VHI is offering information in a variety of formats. A powerful set of online dashboards and reporting capabilities is available to provide both routine and custom analyses for employers, public health workers, health insurance companies and providers.

VHI will develop public reports based on de-identified data to help consumers learn more about the cost and quality of common healthcare services.

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

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

Building Tomorrow's Health Data Systems Today A Timeline of Virginia Efforts





VIRGINIA'S PSYCHIATRIC BED REGISTRY

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



"The Virginia Psychiatric Bed Registry, created with VHI, is innovative for the behavioral health field. As a result, many states are recognizing Virginia's leading efforts to incorporate technology and data into systems of care. VHI has demonstrated responsiveness to the needs of the community and they are consistently willing to incorporate feedback into already existing systems. The partnership between VHI and DBHDS has proven to be a beneficial and rewarding relationship."

**Cleopatra L. Booker, Psy.D.,
Virginia Department of Behavioral
Health & Developmental Services**

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. The workgroup meets regularly to further refine the registry collection system, gather more information on the success in placing those in need of psychiatric care and monitor the ease of use of the registry.

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.

SUPPORTING VIRGINIA'S HEALTHCARE REFORM EFFORTS

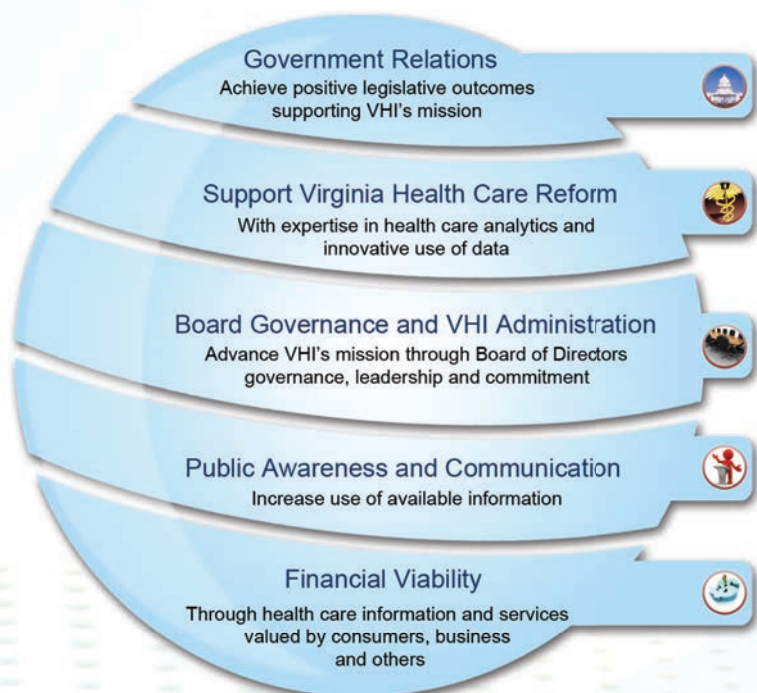
VHI provides a variety of information to support Virginia healthcare reform efforts. Hospital discharge data, Annual Licensure Survey Data, hospital financial and operational data (EPICS) and APCD data is furthering the information used for health reform. In addition to data, VHI participates in a number of workgroups related to health reform. They include:

- Health information Needs Workgroup: VHI established and operates the Health Information Needs workgroup as required by §32.1-276.9:1.

- Lieutenant Governor’s Health Information Technology (HIT) and Quality Roundtable: VHI participates in this effort and is working with others to develop Virginia’s HIT plan to support the Lt. Governor’s HIT efforts.
- Virginia Center for Health Innovation (VCHI): VHI participates on VCHI workgroups and is a contractor to VCHI to support development of the Virginia Health Innovation plan via the State Innovation Model (SIM) grant program through funding by the Center for Medicare and Medicaid Services.
- Psychiatric Bed Registry: To improve access to hospital psychiatric care, VHI created and maintains Virginia’s Psychiatric Bed Registry under contract to the Department of Behavioral Health and Developmental Services.
- Virginia Million Hearts Learning Collaborative: VHI was chosen to participate in this effort to increase hypertension control in diagnosed populations and reduce undiagnosed hypertension among high risk populations. This effort includes designing a system that effectively connects and integrates public health, healthcare providers, hospitals and state and community partners to improve identification and treatment of hypertension of Virginia citizens.
- Data and Monitoring Workgroup of the Governor’s Prescription Drug and Heroin Abuse Task Force: To provide immediate and long-term measures to tackle prescription drug and heroin abuse and addiction by sharing and integrating data among relevant licensing boards, state and local agencies, law enforcement, courts, healthcare providers and organizations and programs such as the Prescription Monitoring Program, to clarify and address public safety and public health concerns, understand emerging trends and utilize data driven decision-making to mitigate harm.

With health data, VHI staff and Board member participation, VHI works to assist the Commonwealth in its health reform efforts.

STRATEGIC PLANNING – BRINGING STAKEHOLDERS AND GOALS TOGETHER



Virginia Health Information’s strategic plan, work plans and day-to-day operations focus on five objectives. Each objective is designed to support our mission to create and disseminate healthcare information, to promote informed decision making by Virginia consumers and purchasers and to enhance the quality of healthcare delivery.



SUMMARY — VIRGINIA'S BUILDING IT SO THEY WILL COME

Twenty years ago, who knew the level of stakeholder support VHI would enjoy? Our stakeholders have guided our strategic direction, provided financial support, helped develop and use our information and worked with legislators with VHI-related legislation and policy. Through this partnership, VHI works to provide relevant and varied health information to business and consumers. VHI public reporting efforts are used by consumers and supported by the providers they measure. Making actionable information available helps improve the quality of care and spurs competition.

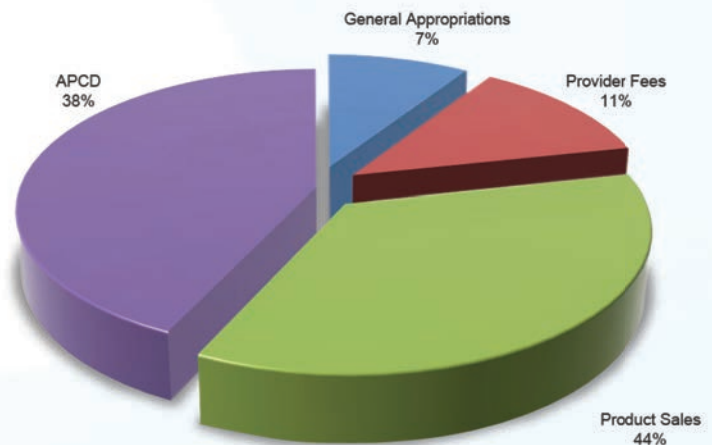
The information VHI provides is broad with data and reports on ambulatory surgical centers, assisted living facilities, continuing care retirement communities, HMOs, hospitals, nursing facilities, other long-term care providers and physicians.

- ▶ 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 healthcare pricing transparency, which reflects our engaged legislature and support by healthcare 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.

VHI revenues were initially based solely on General Funds, i.e.; taxpayer dollars. Today dependence on taxpayer dollars is just 7%. Grants, consulting, license fees, data product sales and special dedicated revenues have allowed VHI to develop consumer guides, reports and invest 20%—over \$600,000—in the initial development of the All Payers Claims Database.

Virginia's Healthcare Data Reporting initiatives are a collaboration to build better information to support healthcare reform and the **Triple Aim of Better Health, Better Care and Lower Costs**. Our programs in 2015 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 your interest, efforts and continued dedication of stakeholders and colleagues.

FY2015 REVENUES REFLECT THE VALUE OF VHI PROGRAMS AND INFORMATION TO STAKEHOLDERS





VIRGINIA HEALTH INFORMATION

OFFICERS

Kay W. Lewis, RN, MS, CPHQ - President
Ibe Mbanu, MD, MBA, MPH - Vice-President
Timothy McManus - Treasurer
S. Hope Johnson - Secretary
Alfred D. Hinkle, Jr. – Past President

DIRECTORS

Business Representatives

Beth Bortz, Virginia Center for Health Innovation
Alfred D. Hinkle, Jr., Hinkle & Company
S. Hope Johnson, Pyramind, LLC
Courtney M. Malveaux, Thompson McMullan, PC
Scott Schoenborn, Mallinckrodt Enterprises

Consumer Representatives

Jonathan P. DeShazo, PhD, MPH,
Virginia Commonwealth University
Charles “Rusty” Maney, Walgreens
Guillermo A. Pardo, DuPont Protection Technologies

Health Insurance Representatives

Kay W. Lewis, RN, MS, CPHQ, Kaiser Permanente
John B. Syer, Jr., Anthem Blue Cross and Blue Shield

Hospital Representatives

Timothy McManus, Hospital Corporation of America
Stephan F. Quiriconi, Bon Secours Richmond Health System

EXECUTIVE DIRECTOR

Michael T. Lundberg

Nursing Facility Representatives

Thomas S. Dodson, Birmingham Green Nursing Facility
David W. Tucker, Commonwealth Care of Roanoke

Physician Representatives

Ibe Mbanu, MD, MBA, MPH, Bon Secours Virginia
Kay Stout, MD, MBA, CPE, Virginia Women’s Center

State Representatives

Senator George L. Barker,
Joint Commission on Health Care
Jacqueline K. Cunningham,
State Corp. Comm., Bureau of Insurance
Cindi Jones, Department of Medical Assistance Services
Marissa Levine, MD, MPH, FAAFP,
State Health Commissioner



REPORT OF INDEPENDENT AUDITORS

FINANCIAL STATEMENTS for the Fiscal Years Ended

June 30, 2015 and 2014

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

We have audited the accompanying financial statements of Virginia Health Information (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015 and 2014, and the related statements of activities, cash flows, and functional expenses for the years then ended and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Worcester and Company, CPA, PC
August 13, 2015

STATEMENTS OF FINANCIAL POSITION

June 30, 2015 and 2014

	2015	2014
Assets		
Cash	\$ 2,294,832	\$ 2,209,098
Investments	22,335	22,333
Accounts receivable - net	489,579	237,007
Property and equipment - net	667,227	691,216
Total Assets	\$ 3,473,973	\$ 3,159,654
Liabilities		
Accounts payable	\$ 28,868	\$ 193,833
Employee withholdings	3,449	1,737
Accrued pension contribution	12,603	6,680
Total Liabilities	\$ 44,920	\$ 202,250
Net Assets		
Unrestricted	\$ 3,429,053	\$ 2,957,404
Total Net Assets	\$ 3,429,053	\$ 2,957,404
Total Liabilities and Net Assets	\$ 3,473,973	\$ 3,159,654

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



STATEMENTS OF ACTIVITIES

**For the Fiscal Years Ended
June 30, 2015 and 2014**

	2015	2014
Unrestricted Net Assets		
Revenues and gains		
Patient Level Data System contract fees	\$ 247,313	\$ 247,313
Efficiency and Productivity contract fees	344,960	344,960
DMV CODES contract fees	0	685
All Payer Claims Database funding	1,260,096	1,260,096
Product/Report sales and programming	1,452,244	1,066,048
Late fees	7,270	4,590
Non processed & verified fees	6,573	10,182
Interest and dividends	2,293	2,653
Total revenues, gains, and other support	\$ 3,320,749	\$ 2,936,527
Expenses and losses		
Program expenses		
Patient Level Data System	\$ 317,150	\$ 353,941
Efficiency and Productivity	153,236	201,045
DMV CODES	0	43,827
All Payer Claims Database	1,456,266	1,134,284
Other Projects	361,937	375,759
Total program expenses	\$ 2,288,589	\$ 2,108,856
Management and general expenses	560,511	638,789
Total expenses and losses	\$ 2,849,100	\$ 2,747,645
Change in Unrestricted Net Assets	\$ 471,649	\$ 188,882
Change in Net Assets	\$ 471,649	\$ 188,882
Net assets beginning of year	2,957,404	2,768,522
Net assets end of year	\$ 3,429,053	\$ 2,957,404

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

STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended
June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ 471,649	\$ 188,882
Items not affecting cash		
Depreciation and amortization	30,940	28,902
Decrease (increase) in receivables	(252,572)	435,286
Increase (decrease) in payables	(157,330)	159,101
Cash from (used for) operating activities	\$ 92,687	\$ 812,171
Cash flows from investing activities		
Purchase of fixed assets	\$ (6,951)	\$ (16,216)
Sale (purchase) of investments	(2)	(2)
Cash from (used for) investing activities	\$ (6,953)	\$ (16,218)
Cash from (used for) financing activities	\$ 0	\$ 0
Increase (decrease) in cash	\$ 85,734	\$ 795,953
Cash at beginning of year	2,209,098	1,413,145
Cash at end of year	\$ 2,294,832	\$ 2,209,098

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



SCHEDULE OF FUNCTIONAL EXPENSES

**For the Fiscal Year Ended
June 30, 2015**

		Patient Level Data System	Efficiency and Productivity	APCD	Other Projects	Management and General
	Total					
Accounting fees	\$ 7,499	835	403	3,833	953	1,475
APCD funding from VHI	262,520	0	0	0	0	262,520
Data processing	995,693	160,853	0	834,840	0	0
Depreciation and amortization	30,940	3,444	1,664	15,814	3,930	6,088
Dues, licenses, and permits	3,424	381	184	1,751	435	673
Employee benefits	265,073	28,358	30,386	95,483	55,436	55,410
Equipment rental and maintenance	2,042	227	110	1,044	259	402
Graphic design and printing	10,142	737	3,516	3,745	841	1,303
Insurance	42,162	4,693	2,268	21,551	5,356	8,294
Legal fees	55,645	91	44	55,245	104	161
Maintenance and repairs	16,549	1,842	890	8,459	2,102	3,256
Marketing	6,686	613	696	3,593	700	1,084
Miscellaneous	1,706	628	65	619	154	240
Network maintenance	3,318	369	178	1,696	422	653
Office supplies	5,791	892	282	2,803	784	1,030
Payroll administration	681	76	37	348	86	134
Payroll taxes	58,894	6,301	6,751	21,214	12,317	12,311
Phone, fax and teleconferencing	14,930	1,585	766	7,969	1,809	2,801
Postage and delivery	8,474	892	1,473	3,740	930	1,439
Product development	12,647	1,408	680	6,464	1,607	2,488
Real estate tax	8,449	941	454	4,319	1,073	1,662
Salaries	843,834	90,274	96,731	303,962	176,475	176,392
Subcontractor services	64,216	7,148	3,454	32,823	8,158	12,633
Travel and meeting expenses	22,549	2,064	997	13,484	2,356	3,648
Utilities	9,682	1,078	521	4,948	1,230	1,905
Website	95,554	1,420	686	6,519	84,420	2,509
Total expenses	\$ 2,849,100	317,150	153,236	1,456,266	361,937	560,511

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

SCHEDULE OF FUNCTIONAL EXPENSES

For the Fiscal Year Ended
June 30, 2014

		Patient Level Data System	Efficiency and Productivity	DMV CODES	APCD	Other Projects	Management and General
	Total						
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.



NOTES OF FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2015 and 2014

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 healthcare 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 healthcare 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) Implementation and operation of Virginia's All Payer Claims Database.
- 2) The processing and verification of data received directly by inpatient hospitals at specific rates.
- 3) The licensing of databases and development of reports resulting from information compiled by VHI.
- 4) Serving as a contractor to Anthem for their Quality-In-Sights® Hospital Incentive Program.
- 5) Income from other miscellaneous projects, sales, and sources.
- 6) Interest and dividends earned on surplus cash and investments in securities.

(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:

	6/30/15	6/30/14
Accounts receivable	\$ 489,579	\$ 237,007
Allowance for bad debts	(0)	(0)
Accounts receivable - net	\$ 489,579	\$ 237,007

4. PROPERTY AND EQUIPMENT

Property and equipment is shown net of depreciation as follows:

	6/30/15	6/30/14
Office building and renovations	\$ 772,734	\$ 772,734
Computer equipment and software	155,738	148,787
Office furniture and fixtures	99,206	99,206
Total property and equipment	\$1,027,678	\$ 1,020,727
Accumulated depreciation	(360,451)	(329,511)
Net property and equipment	\$ 667,227	\$ 691,216

Depreciation expense for the fiscal years ended June 30, 2015 and 2014 amounted to \$30,940 and \$28,902 respectively.

5. EMPLOYEE BENEFITS

Employee Benefits consisted of the following:

	6/30/15	6/30/14
Health and Dental Insurance	\$159,145	\$228,993
Simplified Employee Pension Plan	84,383	82,270
Education	7,410	8,265
Disability Insurance	7,845	7,717
Life Insurance	3,302	3,423
Parking	2,988	2,580
Total	\$265,073	\$333,248

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, 2015 and 2014, Virginia Health Information incurred expenses under the contract totaling \$176,742 and \$160,853 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 years ended June 30, 2015 and 2014, Virginia Health Information incurred expenses under the contract of \$834,840 and \$693,660 respectively.

7. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 13, 2015, 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 \$775,329 on June 30, 2015, and \$1,240,314 on June 30, 2014.

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 healthcare and to promote and improve the public health through the understanding of healthcare expenditure patterns and operation and performance of the healthcare system subject to applicable law.

The budget for the initial thirty months in the development and implementation of the APCD, which ended June 30, 2015, was \$3,281,500 and Virginia Health Information provided 20% of the initial budget (\$656,300). The remaining 80% of the budget was 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).

The APCD budget for ongoing development, submission of data, operation and reporting for the thirty-six months ending June 30, 2018 is \$4,103,202. Virginia Health Information will provide 20% of the budget (\$820,640). The remaining 80% of the budget will be 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).



ABOUT VHI'S ANNUAL REPORT AND STRATEGIC PLAN UPDATE

Healthcare 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, Healthcare 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 healthcare, 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 and provide information on the accomplishments, priorities and current and planned activities of Virginia Health Information.

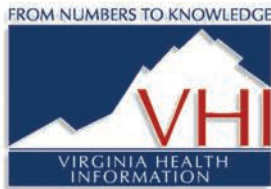
Also, within the law, Section §32.1-276.4(B)(6) requires the Board of Directors of the nonprofit data organization (i.e., the VHI Board) to submit, as appropriate, strategic plans to the Board of Health, the Governor and the General Assembly.

As required, the strategic plan shall:

- Recommend specific data projects to be undertaken and specify the data elements that will be required from healthcare 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 2015 Annual Report and Strategic Plan Update.

www.vhi.org



102 N. 5th Street
Richmond VA 23219

1.877.VHI.INFO
1.877.844.4636



facebook.com/VAHealth