

ANY WAY YOU SLICE IT

Serving Up Virginia Health Information





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.

BUILD UPON THE NEEDS OF ALL HEALTHCARE STAKEHOLDERS

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





ABOUT VHI'S ANNUAL REPORT AND STRATEGIC PLAN UPDATE

For more than 20 years Virginia has embraced healthcare transparency to help businesses and consumers make more informed healthcare decisions as well as to improve health. It was in 1996 that 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.

An important part of the law was the establishment of a Board of Directors focusing on the needs of the public for actionable health information while providing valuable insights from healthcare stakeholders. VHI's accountability to the Commonwealth is further ensured by Section §32.1-276.4(B)(5). This section requires the VHI Board to submit annual reports to the Board of Health, the Governor and the General Assembly. Also required is a certified audit and 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 2016 Annual Report and Strategic Plan Update.

PRESIDENT'S WELCOME



Making healthcare choices today is more complicated than ever. Anyone needing to purchase health insurance, choose a doctor, fill a prescription or undergo surgery knows this. What if one were faced with the decision of picking a hospital experienced in kidney transplant

or helping a family member find a nursing home? How would you begin to answer these questions? As a physician, I know firsthand the challenges of providing patients not only the best care possible, but also sharing information to help them participate in choosing a care plan that respects their values and preferences. America's wealth of healthcare options is a blessing, but can be truly daunting to patients when these choices affect them for the rest of their lives.

Any Way You Slice It, this year's theme, speaks to these challenges by highlighting VHI's work towards bringing you the healthcare information you want, all in one place. VHI's governance is unique in our fundamental and lasting commitment to collaborating with stakeholders. VHI seeks stakeholders' ideas and counsel to identify their needs and, through a consensus process, works to meet those with the highest priority. There's 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.

On behalf of Virginia Health Information's Board, we implore you to remain "*seated at the table*" as we highlight our efforts, accomplishments and plans for the future to help Virginian's achieve the *Triple Aim of Health*: better health, better care and lower costs.

A handwritten signature in black ink, appearing to read 'I Mbanu', with a long horizontal stroke extending to the right.

Ibe Mbanu, MD, MBA, MPH
VHI President

FROM THE EXECUTIVE DIRECTOR



Any Way You Slice It, the theme of Virginia Health Information's (VHI's) 2016 Annual Report and Strategic Plan Update, is how we "*serve up a full menu*" of health information for businesses, consumers and other healthcare stakeholders.

Just as Richmond is becoming a destination for "foodies", VHI is becoming a well-known destination for healthcare information. VHI's online reports are geared to the needs of consumers with comparative information on health plans, hospitals, nursing facilities, long-term care providers and physicians. Large databases support the needs of the healthcare industry and researchers. As we continue our work with Virginia's All Payer Claims Database, new information on the use of Virginia emergency rooms, the crisis of opioid addiction and many other insights on healthcare are surfacing.

Over twenty years ago, VHI began creating consumer healthcare information using available hospital data. Since then you've helped us expand the information to meet the needs of businesses, consumers, policymakers and those in the healthcare industry. On top of this, you've helped us achieve this level of reporting at a very low cost. Your collaboration has always been key.

So take a few moments and learn about our healthcare transparency efforts, review our independent audit results and see our vision for the future of health information.

A handwritten signature in black ink, appearing to read 'Michael T. Lundberg', written in a cursive style.

Michael T. Lundberg
VHI Executive Director



APPETIZERS



FROM NUMBERS TO KNOWLEDGE



Over the years the information VHI produces has grown based on stakeholder needs and availability of data from other sources. Take a look at the slices of information we make available at www.vhi.org, Virginia's Consumer Health Information Portal.

PATIENT LEVEL DATA SYSTEM

Our "first course" of information — a database of all Virginia hospital discharges. Where care is provided, for what conditions and by whom. Supports VHI publications and used across Virginia to understand and improve hospital care.

OUTPATIENT SURGERY

Learn about common outpatient procedures. What are they? Why have them? Who does them? Where are they performed? How often?

INDUSTRY REPORT ON VIRGINIA HOSPITALS AND NURSING FACILITIES

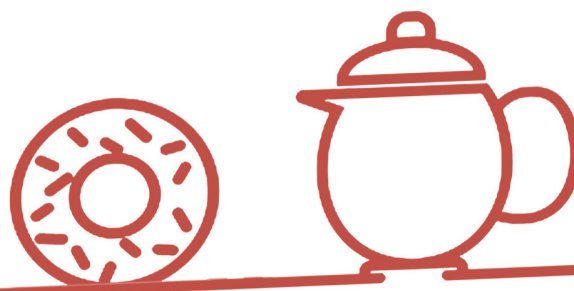
Provides businesses, policymakers and others with efficiency and productivity information. Costs, profits, charity care and more. Available online and in Excel spreadsheets.

HEALTHCARE TRANSPARENCY

How much does it cost? Average prices for 31 healthcare services from Virginia's All Payer Claims Database.

HMO QUALITY AND PERFORMANCE DATA—HMO

Specific ratings on quality, enrollees, premiums, areas served, national accreditation standings and 60+ performance measures for businesses, consumers and employers.



HOSPITAL QUALITY

From the patient level data system, VHI publishes 20 quality measures including complications, heart attack, patient safety, pneumonia, stroke and other conditions.

HOSPITAL PATIENT SATISFACTION

10 measures including would patients recommend the hospital to others? Was their pain well managed? Did they get help when they wanted?

HEALTHY PORTION

CARDIAC CARE MORTALITY AND READMISSION INFORMATION

A "healthy portion" of heart care from Virginia hospitals using the patient level data system. Hospital experience, treatment and results from heart surgery and medical heart care.

LONG-TERM CARE

For understanding and navigating the types of long-term care. Includes a handy directory of providers of home care, adult day care, continuing care retirement communities, assisted living, nursing facilities and hospice providers. Compares nursing facility costs and quality of care.

INSURANCE OPTIONS

Consumer guide to understanding insurance options ranging from indemnity to managed care to government provided such as Medicare and Medicaid.

SERVED UP FRESH

PAY FOR PERFORMANCE

VHI collects, analyzes, evaluates and scores hospitals on Anthem's award winning Quality-In-Sights®: Hospital Incentive Program for hospitals in 14 states.

"We value Virginia Health Information's commitment to the Q-HIP® program. Our partnership represents almost 14 years of ongoing collaborative efforts between Anthem and VHI to improve healthcare delivery."

Lindsey Gilbert, Anthem

PSYCHIATRIC BED REGISTRY (PBR)

Working with the Department of Behavioral Health and Developmental Services (DBHDS), VHI developed and maintains the PBR, an online tool to assist emergency services personnel in locating potentially available psychiatric beds.

"The partnership between VHI and DBHDS continues to be rewarding and valuable. VHI has demonstrated excellence in the maintenance of Virginia's Psychiatric Bed Registry, making the registry an effective tool for providers across the state. They have consistently sought feedback from stakeholders and have shown readiness to make enhancements to the system. We appreciate VHI's work in helping to meet the needs of our communities."

Daniel Herr, J.D.

*Assistant Commissioner for Behavioral Health Services
Virginia Department of Behavioral Health and
Developmental Services*



MORE THAN "A BIG SLICE" – VIRGINIA'S ALL PAYER CLAIMS DATABASE



Virginia established a voluntary All Payer Claims Database (APCD) in 2012 to facilitate data-driven, evidence-based improvements in access, quality and cost of healthcare (§32.1-276.7:1). 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.

APCDs include health insurance claims data from doctor's office visits, outpatient surgery, pharmacy, laboratory, hospital admissions and other services covered by health insurance plans.

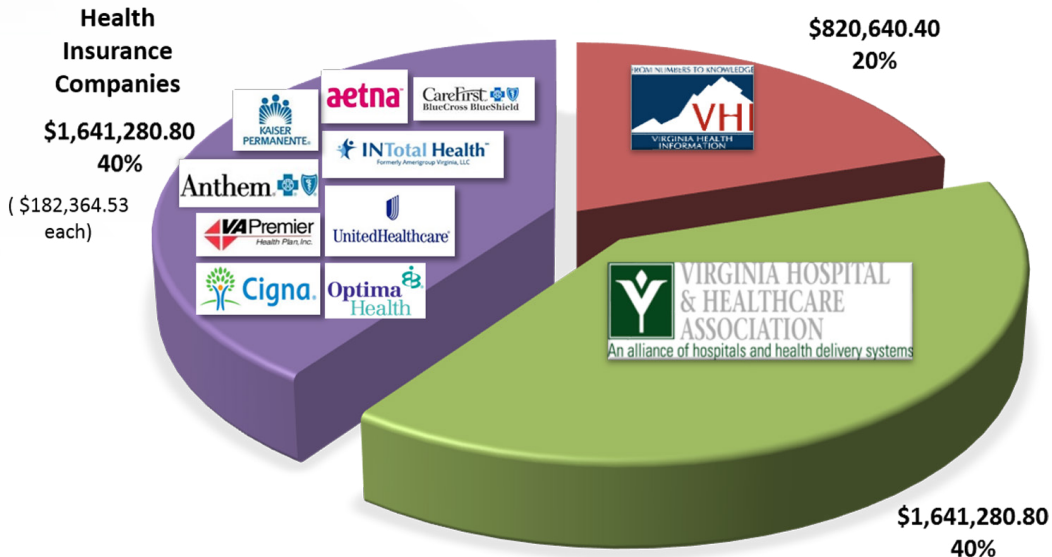
APCDs provide the ability to understand how and where healthcare is being delivered and how much is being spent.

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 healthcare purchasers including employers and consumers to compare quality and efficiency of healthcare including comparison of providers statewide between and among regions of the Commonwealth
- Designed to allow the identification and comparison of health plans by public and private healthcare purchasers, providers, employers, consumers and others with regard to their provision of safe, cost-effective and high-quality healthcare services and
- Information to create reports that support the design and evaluation of alternative delivery and payment models.

Virginia's major health insurance companies and government programs voluntarily provide data and funding for the APCD.

Funding: July 1, 2015-June 30, 2018*



GENERAL FUNDS REQUESTED BY VDH HAVE ADDED UP TO \$25,000 ANNUALLY

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, Medicaid and some Medicare populations. Governance is through the Virginia APCD Advisory Committee, a multi-stakeholder committee administered by the Virginia Department of Health. VHI provides information in a variety of formats to meet the varied needs of public and private stakeholders.



There are well over 200 licensed users of the APCD including VDH, health plans, hospitals, VHI and others. Users undergo training on how to use the de-identified APCD data and sign industry-developed subscriber agreements. "Made to Order" custom reports are often requested on specific issues such as opioid use, orthopedic care, use of emergency department and other disease-specific areas of interest.

What's that surgery cost? In the past, health plans provided VHI with a summary of allowed amounts reimbursed on certain healthcare services. Using the APCD, VHI is updating this information to help consumers learn more about the costs of common healthcare services in their area. VHI has formed a multi-stakeholder Healthcare Pricing Transparency Workgroup to assist in developing the methodology and new web design.

Moving forward, VHI will continue efforts with stakeholders to utilize the APCD to better understand the health of Virginians and the care they receive with an eye on improving health, better care and lower costs.

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.





WWW.VHI.ORG – INFORMATION “TO GO”



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, outpatient procedures, patient satisfaction, cardiac care and others.

VHI 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.

“SERVING” VIRGINIA’S HEALTHCARE REFORM EFFORTS

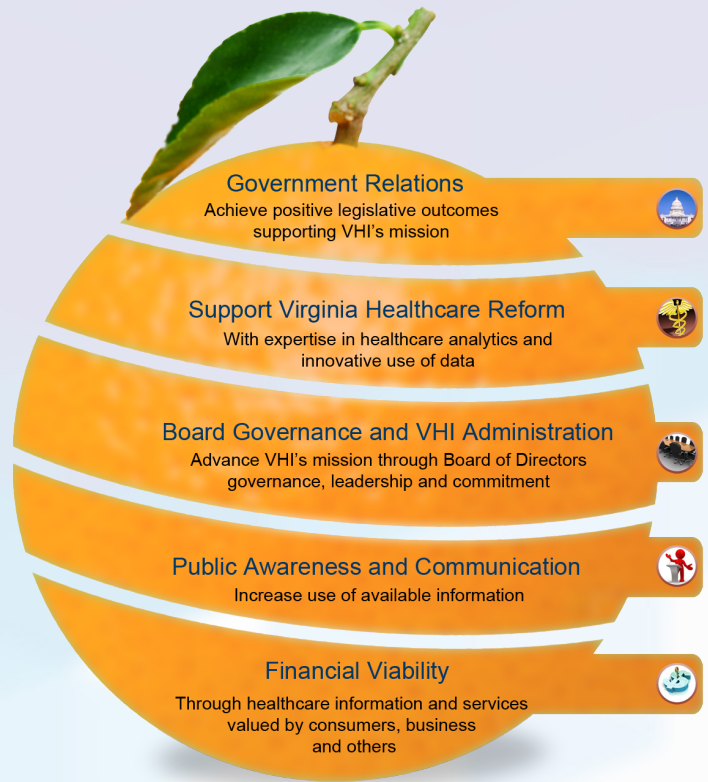
Designing successful healthcare reform efforts benefit from relevant data. VHI provides a variety of information to support Virginia healthcare reform efforts. Hospital discharge data, Annual Licensure Survey Data, hospital financial and operational data (EPICS) and APCD data all come into play to support 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 participated in this effort during FY2016 and worked with other stakeholders to develop Virginia’s Health Information Technology 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.
- **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 – “A PARTY OF FIVE”

Virginia Health Information’s strategic plan focuses on five objectives. Our mission-driven objectives facilitate the creation and dissemination of healthcare information to promote informed decision making by Virginia consumers and purchasers and to enhance the quality of healthcare.

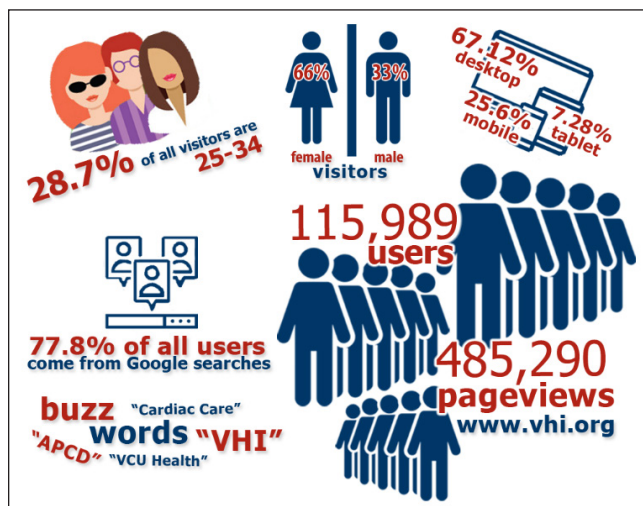


REACHING VIRGINIANS – “SERVED UP FRESH”

Social media is changing the way consumers and health organizations interact, allowing healthcare organizations to listen, participate and engage in a way they have yet done before. Savvy businesses know that they must go where the customers are. Since 2012, a growing number of consumers are utilizing social media sites such as Facebook and Twitter as hubs for helpful information. More than 40% of consumers state that information found via social media affects the way they deal with their health. Healthcare organizations are taking advantage of social media to communicate their mission and vision, describe the services they offer and provide health education.

In 2016, Virginia Health Information decided to take our social media efforts to the next level. With nearly 116,000 visitors and 485,000 page views, it’s safe to say that consumers within the Commonwealth rely on Virginia Health Information to make their healthcare decisions.

“At the core” of our social media communication plan, we want to ensure that we get the right kind of information in front of the right type of user—whether it’s a member of legislation, a consumer seeking information on a facility or a healthcare provider looking for quality and performance reports. By adopting a targeted social media strategy, engagement has increased by 28% within the last year on Facebook. This is due to more frequent posting and posting during peak activity hours. Facebook is not the only platform to see an increase using this strategy. Twitter has experienced an astounding 70% increase in followers due to nearly three times activity increase on the platform.



In addition to exposure for VHI, creating and maintaining a social media presence across platforms allows an open dialog about healthcare quality and gives users a voice on what information they would like to see from VHI in the future. By doing so, VHI is able to furnish reports based on user need. These reports can then be used by legislation to make decisions on healthcare laws.

Social media and healthcare are interacting in a unique way that helps to increase transparency and usher in an honest conversation about healthcare quality and education. Simply put, social media helps to increase the value of data available at www.vhi.org – “any way you slice it!”



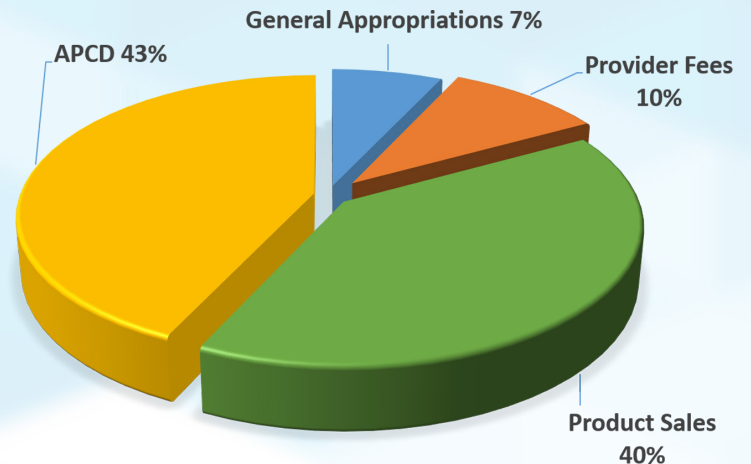
SUMMARY — “RESERVATIONS NOT REQUIRED!”

For over two decades, VHI 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. While we’ve greatly expanded the scope and utility of the information you helped us provide, we’ve also diversified data and reports from VHI as 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 and long-term care
- VHI will work to expand the information in 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 Payer Claims Database.

General Appropriations started as 100% of VHI Revenues in FY1993 and were 7% in FY2016.





VIRGINIA HEALTH INFORMATION

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Ibe Mbanu, MD, MBA, MPH - President

Timothy McManus - Vice-President

David Tucker - Treasurer

Beth Bortz - Secretary

Rusty Maney - President-Elect

Kay W. Lewis, RN, MS, CPHQ - Past-President

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Virginia Commonwealth University

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Joint Commission on Health Care

Jacqueline K. Cunningham,

State Corp. Comm., Bureau of Insurance

Cindi Jones, Department of Medical Assistance Services

Dr. Marissa Levine, MD, MPH, FAAFP

State Health Commissioner



INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS for the Fiscal Years Ended

June 30, 2016 and 2015

**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, 2016 and 2015, 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, 2016 and 2015, 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 Ganzert, CPA, PC
August 5, 2016

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	2016	2015
Assets		
Cash	\$ 2,501,654	\$ 2,294,832
Investments	22,338	22,335
Accounts receivable - net	754,846	489,579
Refundable payroll taxes	1,825	0
Property and equipment - net	642,235	667,227
Total Assets	\$ 3,922,898	\$ 3,473,973
Liabilities		
Accounts payable	\$ 30,434	\$ 28,868
Employee withholdings	2,040	3,449
Sales tax payable	168	0
Accrued salaries	20,359	0
Accrued payroll taxes	1,557	0
Accrued pension contribution	8,041	12,603
Total Liabilities	\$ 62,599	\$ 44,920
Net Assets		
Unrestricted	\$ 3,860,299	\$ 3,429,053
Total Net Assets	\$ 3,860,299	\$ 3,429,053
Total Liabilities and Net Assets	\$ 3,922,898	\$ 3,473,973

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



STATEMENTS OF ACTIVITIES

For the Fiscal Years Ended June 30, 2016 and 2015

	2016	2015
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
All Payer Claims Database funding	1,484,001	1,260,096
Product/Report sales and programming	1,353,064	1,452,244
Late fees	2,370	7,270
Non processed & verified fees	6,650	6,573
Interest and dividends	1,876	2,293
Total revenues, gains, and other support	\$ 3,440,234	\$ 3,320,749
Expenses and losses		
Program expenses		
Patient Level Data System	\$ 268,491	\$ 317,150
Efficiency and Productivity	151,860	153,236
All Payer Claims Database	1,546,132	1,456,266
Other Projects	370,037	361,937
Total program expenses	\$ 2,336,520	\$ 2,288,589
Management and general expenses	672,468	560,511
Total expenses and losses	\$ 3,008,988	\$ 2,849,100
Change in Unrestricted Net Assets	\$ 431,246	\$ 471,649
Change in Net Assets	\$ 431,246	\$ 471,649
Net assets beginning of year	3,429,053	2,957,404
Net assets end of year	\$ 3,860,299	\$ 3,429,053

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

STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ 431,246	\$ 471,649
Items not affecting cash		
Depreciation and amortization	28,755	30,940
Decrease (increase) in receivables	(267,092)	(252,572)
Increase (decrease) in payables	17,679	(157,330)
Cash from (used for) operating activities	\$ 210,588	\$ 92,687
Cash flows from investing activities		
Purchase of fixed assets	\$ (3,763)	\$ (6,951)
Sale (purchase) of investments	(3)	(2)
Cash from (used for) investing activities	\$ (3,766)	\$ (6,953)
Cash from (used for) financing activities	\$ 0	\$ 0
Increase (decrease) in cash	\$ 206,822	\$ 85,734
Cash at beginning of year	2,294,832	2,209,098
Cash at end of year	\$ 2,501,654	\$ 2,294,832

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



SCHEDULE OF FUNCTIONAL EXPENSES

**For the Fiscal Year Ended
June 30, 2016**

		Patient Level Data System	Efficiency and Productivity	APCD	Other Projects	Management and General
	Total					
Accounting fees	\$ 8,000	714	404	4,111	984	1,787
APCD funding from VHI	270,548	0	0	0	0	270,548
Data processing	1,078,914	172,914	0	906,000	0	0
Depreciation and amortization	28,755	2,566	1,451	14,775	3,536	6,427
Dues, licenses, and permits	6,392	570	323	3,284	786	1,429
Employee benefits	254,234	16,207	29,667	75,057	56,706	76,597
Equipment rental and maintenance	1,382	123	70	710	170	309
Graphic design and printing	9,274	508	3,467	3,327	700	1,272
Insurance	46,624	1,930	1,091	36,111	2,659	4,833
Legal fees	69,649	22	13	69,527	31	56
Maintenance and repairs	5,508	491	278	2,830	677	1,232
Marketing	6,115	518	608	2,980	713	1,296
Miscellaneous	10,346	900	741	5,184	1,266	2,255
Network maintenance	1,050	94	53	540	129	234
Office supplies	5,491	569	525	2,649	723	1,025
Payroll administration	600	54	30	308	84	124
Payroll taxes	55,633	3,546	6,492	16,424	12,409	16,762
Phone, fax and teleconferencing	17,769	1,570	894	9,207	2,164	3,934
Postage and delivery	6,036	441	1,342	2,540	608	1,105
Product development	85,256	1,138	644	79,055	1,569	2,850
Real estate tax	9,317	831	470	4,787	1,146	2,083
Salaries	840,644	53,588	98,096	248,181	187,503	253,276
Subcontractor services	62,796	5,603	3,169	32,267	7,722	14,035
Travel and meeting expenses	27,126	1,922	1,087	16,655	2,649	4,813
Utilities	9,500	848	479	4,881	1,168	2,124
Website	92,029	824	466	4,742	83,935	2,062
Total expenses	\$ 3,008,988	268,491	151,860	1,546,132	370,037	672,468

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.



NOTES OF FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2016 and 2015

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

Significant 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 the 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 has been written off as a bad debt as follows:

	6/30/16	6/30/15
Accounts receivable	\$ 754,846	\$ 489,579
Allowance for bad debts	(0)	(0)
Accounts receivable - net	\$ 754,846	\$ 489,579

4. PROPERTY AND EQUIPMENT

Property and equipment is shown net of depreciation as follows:

	6/30/16	6/30/15
Office building and renovations	\$ 772,734	\$ 772,734
Computer equipment and software	159,501	155,738
Office furniture and fixtures	99,206	99,206
Total property and equipment	\$1,031,441	\$1,027,678
Accumulated depreciation	(389,206)	(360,451)
Net property and equipment	\$ 642,235	\$ 667,227

Depreciation expense for the fiscal years ended June 30, 2016 and 2015 amounted to \$28,755 and \$30,940 respectively.

5. EMPLOYEE BENEFITS

Employee Benefits consisted of the following:

	6/30/16	6/30/15
Health and Dental Insurance	\$149,118	\$159,145
Simplified Employee Pension Plan	82,184	84,383
Education	8,816	7,410
Disability Insurance	7,718	7,845
Life Insurance	3,338	3,302
Parking	3,060	2,988
Total	\$254,234	\$265,073

6. DATA PROCESSING

Virginia Health Information entered into a contract with System 13, 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, 2016 and 2015, Virginia Health Information incurred expenses under the contract totaling \$172,914 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, 2016 and 2015, Virginia Health Information incurred expenses under the contract of \$906,000 and \$834,840 respectively.

7. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 5, 2016, 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 \$978,791 on June 30, 2016, and \$775,329 on June 30, 2015.

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). For the year ended June 30, 2016, Virginia Health Information provided \$270,548 of the APCD budget.



COMING SOON



Cardiac Care Mortality and Readmission

- Guide on cardiac care in Virginia
- Ranks hospitals on mortality and readmission outcomes of cardiac patients



Industry Report

- Ranks hospitals and nursing facilities
- Includes costs, charges, profits, utilization, charity care



Healthcare Price Transparency

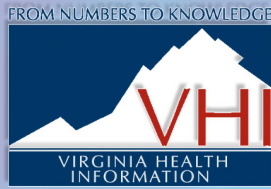
- Information to help consumers learn more about common healthcare services and prices
- Contains average payment amounts of procedures and surgeries



HMO Cost and Quality

- Quality measures and cost information
- Contains 60+ quality measures and financial stability data

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