



Making Virginia's Healthcare Connection

FROM NUMBERS TO KNOWLEDGE



Virginia's top resource for healthcare information

2017

Annual Report
& Strategic Plan Update



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2017

PRESIDENT'S WELCOME



Making healthcare choices today is more complicated than ever.

The healthcare landscape in our country is at a critical junction. It's evolving at a blistering pace. And with current discussions, it's fair to say that there's much uncertainty and lack of clarity for the future. What will this mean for our patients and communities in the Commonwealth of Virginia? Anyone currently purchasing health insurance, attempting to choose a doctor, fill a prescription or undergo surgery feels this pressure. What if one were faced with the decision of picking a hospital experienced in kidney transplant or helping a family member find the best 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 plan that respects their values and preferences. America's wealth of healthcare options is a blessing, but can be truly daunting and often times confusing.

"Making the healthcare connection", perfectly describes Virginia Health Information's (VHI) work towards bringing you the healthcare data and information you need, all in one place. VHI's governance is unique in our fundamental and lasting commitment to collaborating with stakeholders. VHI aggressively seeks stakeholders' ideas and counsel to identify their needs. With a commitment to consensus, we work hard to meet those with the highest priority. As you can imagine, this can be challenging. 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 ask that you to stay connected as we highlight our efforts, accomplishments and plans for the future to help Virginians achieve the Triple Aim: better health, better care and lower costs.

A handwritten signature in black ink, appearing to read 'Ibe Mbanu', written in a cursive style.

Ibe Mbanu, MD, MBA, MPH
VHI President

Our theme for this year's Annual Report is aptly named Making Virginia's Healthcare Connection. On one level, the title summarizes how Virginia Health Information's multi-stakeholder Board of Directors connects our varied backgrounds and interests. This synergy among directors provides the input and support needed to develop healthcare information meeting the needs of business, consumers and others.



On another level, Making Virginia's Healthcare Connection speaks to a new initiative. On June 1, 2017, VHI began assisting ConnectVirginia in managing their current information services as well as in development of an exciting new program, the Emergency Department Care Coordination Program (EDCCP). The EDCCP will connect emergency departments (ED) with primary care physicians and others when patients arrive at an ED for treatment. Relevant information on a patient's medical history and current treatment needs helps ED providers deliver the right care at the right time and helps coordinate needed follow up care once the patient leaves the emergency department.

Finally, Making Virginia's Healthcare Connection underscores our history of connecting Virginians with information on healthcare costs and quality. VHI connects consumers with information on care wherever it is provided; at hospitals, long-term care, surgical centers and care provided by physicians and through coverage by HMOs.

So connect with VHI as we share more on who we are, what we do and where we are going in this year's Annual Report and Strategic Plan Update.

A handwritten signature in black ink that reads "Michael T. Lundberg". The signature is fluid and cursive, written on a white background.

Michael Lundberg
VHI Executive Director



(L-R) Michael Lundberg, VHI Executive Director,
Kyle Russell, APCD Program Manager and
Kim Huggins, ConnectVirginia Project Coordinator

A seamless connection.

In 2016, VHI was able to break ground through collaborations and partnerships with local and statewide organizations and entities. This year, we want to dedicate our annual report to highlighting the connections we have made in the effort of enhancing healthcare quality and delivery for all Virginians.

CREATED TO UNITE

OUR MISSION

Create and disseminate
healthcare information

Promote informed decision making by
Virginia consumers and purchasers

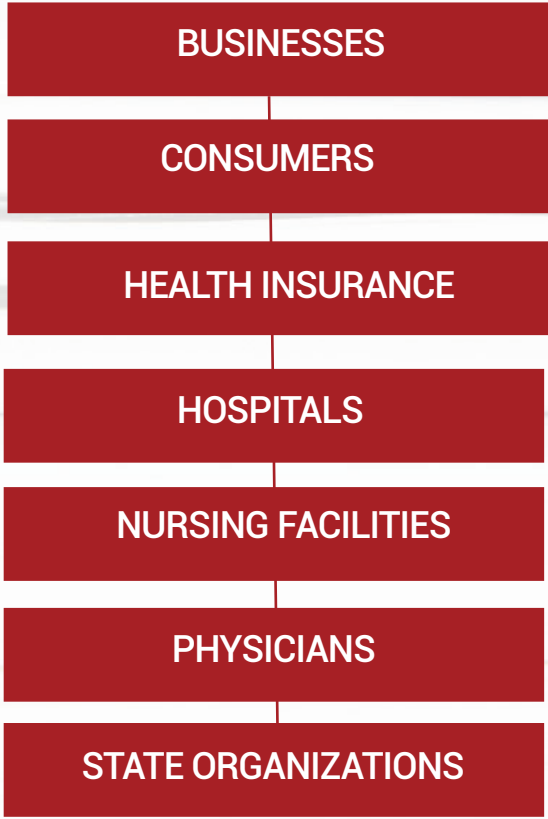
Enhance the quality of
healthcare delivery

OUR VISION

Administer Virginia healthcare data
reporting initiatives benefitting consumers
and others

Support other public and private health
information programs

Work with our stakeholders to increase
healthcare transparency across all types
of healthcare



BRIDGING THE HEALTHCARE GAP **SINCE 1993.**

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.

CONNECTIONS THROUGH **DATA**

PATIENT LEVEL DATA SYSTEM

Database of all Virginia hospital discharges including where care is provided, for what conditions and by whom. Supports VHI publications and used across Virginia to understand and improve hospital care.

QUALITY-IN-SIGHTS® PROGRAM

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

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.

OUTPATIENT SURGERY

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

HEALTHCARE TRANSPARENCY

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

Over the years, the information VHI produces has grown based on **stakeholder needs** and **data availability**.

HOSPITAL QUALITY

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

HOSPITAL PATIENT SATISFACTION

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

CARDIAC CARE MORTALITY AND READMISSIONS

Heart care information from Virginia hospitals using the patient level data system. Hospital experience, treatment and results from heart surgery and medical heart care.

HMO QUALITY AND PERFORMANCE DATA

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

INSURANCE OPTIONS

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

INDUSTRY REPORT ON VIRGINIA HOSPITALS AND NURSING FACILITIES

Provides businesses, policymakers and others with efficiency and productivity information. Costs, profits, charity care and more.

In 2012, Virginia established a voluntary All Payer Claims Database to facilitate **data-driven, evidence-based** improvements in access, quality and cost in healthcare.

In the years since, the All Payer Claims Database (APCD) has helped promote and improve public health through the use of healthcare expenditure patterns, operations and performance of the healthcare system. The Virginia Department of Health (VDH), in cooperation with the Bureau of Insurance, is responsible for Virginia's APCD and contracts with VHI to implement and operate it. Virginia's APCD includes data on 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.

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

- Used to improve public health surveillance and population health
- 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
- Information to create reports that support the design and evaluation of alternative delivery and payment models

"The Virginia APCD has allowed us to take a data-driven approach to decrease unnecessary low-value care in the Commonwealth."

Beth Bortz, President and CEO
Virginia Center for Health Innovation



There are over 270 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. 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 utilized 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 and insurers 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.



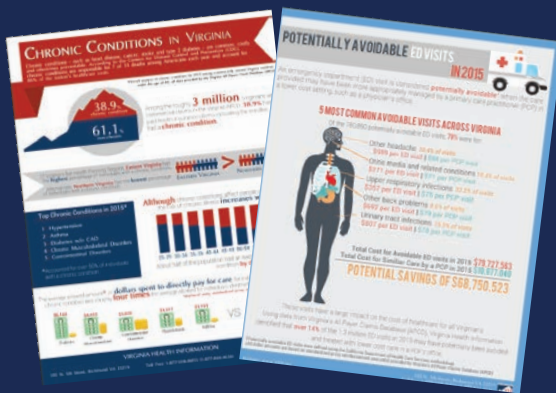
Qualified Entity Certified

This certification allows VHI to obtain Medicare Fee-For-Service claims data to be included within the Virginia APCD.



Publication Support

Published the 2015 Healthcare Pricing Transparency report using APCD data for the first time.



Population Health Infographics

Starting in 2017, infographics spanning a range of healthcare subjects were released using APCD data.



Research Development

Advanced research in the areas of opioid addiction and low-value care in collaboration with organizations such as the University of Virginia, the Virginia Tech Carillion School of Medicine and the Virginia Center for Health Innovation.

Connecting through **collaboration.**

VHI joined other state data organizations and health plans nationwide to successfully develop a common data layout (CDL) to standardize submissions across all APCDs.

VHI serves on the Milliman MedInsight Client Advisory board and has advocated for technical enhancements to leading analytical tools to further healthcare transparency.

NEW WAYS TO CONNECT



As of June 1, 2017, Virginia Health Information began supporting ConnectVirginia HIE, Inc. through a management services contract. Created in 2011, ConnectVirginia is the statewide Health Information Exchange for the Commonwealth of Virginia.

ConnectVirginia provides the legal and governance framework for hospital and health systems connected to eHealth Exchange, the national health information exchange. In addition, four other major services are provided including Public Health Reporting Pathway (bi-directional immunization and newborn screening functionality included), Virginia's Advance Health Care Directives Registry, Streamline Provider Portal as well as the Encounter Alert Service. Efforts are underway to expand ConnectVirginia's services to include an Emergency Department Care Coordination Program (EDCCP). This effort will focus on helping persons receive care that is better coordinated with their physicians and local services while reducing unnecessary Emergency Department admissions.

ConnectVirginia's vision aligns with Virginia Health Information's goal to empower consumers and enhance the quality of healthcare delivery.

HEALTHCARE REFORM EFFORTS

VHI provided a variety of information to support Virginia healthcare reform efforts this year. Hospital discharge data, Annual Licensure Survey Data, hospital financial and operational data (EPICS) and APCD data all came into play to support health reform. In addition to data, VHI participated in a number of workgroups related to health reform.

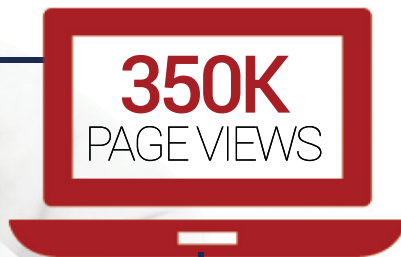
- **Health Information Needs Workgroup:** VHI established and operates the Health Information Needs workgroup as required by §32.1-276.9:1.
- **Lieutenant Governor's Health Information Technology (HIT) and Quality Roundtable:** VHI participated in this effort during FY2016 and worked with other stakeholders 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 measures to tackle prescription drug and heroin abuse and addiction by sharing and integrating data among relevant stakeholders, to clarify and address public safety and public health concerns, understand emerging trends and utilize data driven decision-making to mitigate harm.

Digital media is changing how consumers and health organizations interact, allowing them to connect in a more dynamic way than **ever before.**

WWW.VHI.ORG

88K
UNIQUE
VISITORS

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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.

SOCIAL MEDIA

32K
ONLINE
IMPRESSIONS

f **t** **in**



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.

MEDIA COVERAGE

Local, statewide and national media outlets have helped VHI spread the word by using data and reports to craft exceptional healthcare related articles. Additionally, countless outlets across the nation have aided by republishing VHI content.

The *Virginian-Pilot*

**ALEXANDRIA
NEWS.org**



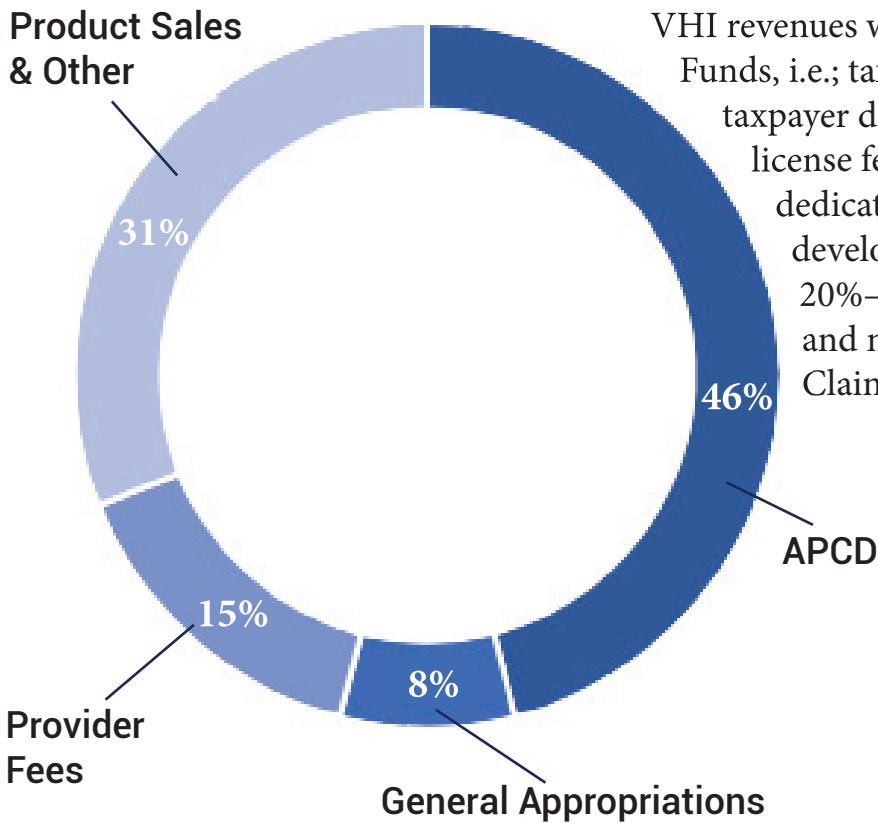
**FAUQUIER
NOW**

**VIRGINIA
BUSINESS**

SUMMARY OF STRATEGIC PLAN UPDATE

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 is 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 is working 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 8%. Grants, consulting, license fees, data product sales and special dedicated revenues have allowed VHI to develop consumer guides, reports and invest 20%—over \$1.2 million—in the development and maintenance of the All Payer Claims Database.

BOARD OF DIRECTORS

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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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Kay Stout, MD, MBA, CPE, Virginia Women’s Center

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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

The Board of Directors
Virginia Health Information
Richmond, VA

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, 2017 and 2016, 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, 2017 and 2016, 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 16, 2017

STATEMENTS OF FINANCIAL POSITION

June 30, 2017 and 2016

	2017	2016
Assets		
Cash	\$ 1,028,905	\$ 2,501,654
Investments	1,764,758	22,338
Accounts receivable - net	351,593	754,846
Refundable payroll taxes	0	1,825
Property and equipment - net	646,882	642,235
Total Assets	\$ 3,792,138	\$ 3,922,898
Liabilities		
Accounts payable	\$ 19,764	\$ 30,434
Employee withholdings	2,111	2,040
Sales tax payable	76	168
Accrued salaries	26,337	20,359
Accrued payroll taxes	1,136	1,557
Accrued pension contribution	7,761	8,041
Total Liabilities	\$ 57,185	\$ 62,599
Net Assets		
Unrestricted	\$ 3,734,953	\$ 3,860,299
Total Net Assets	\$ 3,734,953	\$ 3,860,299
Total Liabilities and Net Assets	\$ 3,792,138	\$ 3,922,898

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

STATEMENTS OF ACTIVITIES

For the Fiscal Years Ended
June 30, 2017 and 2016

	2017	2016
Unrestricted Net Assets		
Revenues and gains		
Patient Level Data System contract fees	\$ 239,285	\$ 247,313
Efficiency and Productivity contract fees	394,960	344,960
All Payer Claims Database funding	1,366,377	1,484,001
Product/Report sales and programming	917,946	1,353,064
Late fees	2,150	2,370
Non processed & verified fees	32,402	6,650
Investment income	14,759	0
Interest income	1,803	1,876
Total revenues, gains, and other support	\$ 2,969,682	\$ 3,440,234
Expenses and losses		
Program expenses		
Patient Level Data System	\$ 361,032	\$ 268,491
Efficiency and Productivity	199,473	151,860
All Payer Claims Database	1,514,863	1,546,132
Other Projects	326,553	370,037
Total program expenses	\$ 2,401,921	\$ 2,336,520
Management and general expenses	693,107	672,468
Total expenses and losses	\$ 3,095,028	\$ 3,008,988
Change in Unrestricted Net Assets	\$ (125,346)	\$ 431,246
Change in Net Assets	\$ (125,346)	\$ 431,246
Net assets beginning of year	3,860,299	3,429,053
Net assets end of year	\$ 3,734,953	\$ 3,860,299

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

STATEMENTS OF CASH FLOWS

**For the Fiscal Years Ended
June 30, 2017 and 2016**

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ (125,346)	\$ 431,246
Items not affecting cash		
Depreciation and amortization	28,100	28,755
Decrease (increase) in receivables	405,078	(267,092)
Increase (decrease) in payables	(5,414)	17,679
Unrealized gain on investments	(9,146)	0
Cash from (used for) operating activities	\$ 293,272	\$ 210,588
Cash flows from investing activities		
Purchase of fixed assets	\$ (32,747)	\$ (3,763)
Sale (purchase) of investments	(1,733,274)	(3)
Cash from (used for) investing activities	\$ (1,766,021)	\$ (3,766)
Cash from (used for) financing activities	\$ 0	\$ 0
Increase (decrease) in cash	\$ (1,472,749)	\$ 206,822
Cash at beginning of year	2,501,654	2,294,832
Cash at end of year	\$ 1,028,905	\$ 2,501,654

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

SCHEDULE OF FUNCTIONAL EXPENSES

For the Fiscal Year Ended
June 30, 2017

	Total	Patient Level Data System	Efficiency and Productivity	APCD	Other Projects	Management and General
Accounting fees	\$ 8,150	951	525	3,989	860	1,825
APCD funding from VHI	273,275	0	0	0	0	273,275
Data processing	1,101,186	195,186	0	906,000	0	0
Depreciation and amortization	28,100	3,278	1,811	13,754	2,965	6,292
Dues, licenses, and permits	4,095	478	264	2,004	432	917
Employee benefits	303,961	30,514	38,032	91,152	61,877	82,386
Equipment rental and maintenance	1,963	229	127	961	207	439
Graphic design and printing	11,778	955	4,121	4,006	863	1,833
Insurance	39,908	1,593	880	32,935	1,441	3,059
Legal fees	66,119	3,126	1,408	54,391	2,304	4,890
Maintenance and repairs	5,492	641	354	2,688	579	1,230
Marketing	7,285	850	470	3,566	769	1,630
Miscellaneous	10,223	1,192	659	5,004	1,079	2,289
Network maintenance	9,555	1,115	616	4,677	1,008	2,139
Office supplies	5,737	669	370	2,808	605	1,285
Payroll administration	600	70	39	294	63	134
Payroll taxes	62,489	6,273	7,819	18,739	12,721	16,937
Phone, fax and teleconferencing	20,620	2,405	1,329	10,092	2,176	4,618
Postage and delivery	6,320	737	407	3,093	667	1,416
Product development	13,318	1,554	858	6,518	1,405	2,983
Real estate tax	8,029	937	517	3,930	847	1,798
Salaries	943,092	94,675	118,000	282,816	191,985	255,616
Subcontractor services	81,977	9,562	5,283	40,124	8,649	18,359
Travel and meeting expenses	17,838	1,525	1,244	10,762	1,380	2,927
Utilities	9,371	1,093	604	4,587	989	2,098
Website	54,547	1,424	13,736	5,973	30,682	2,732
Total expenses	\$ 3,095,028	361,032	199,473	1,514,863	326,553	693,107

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

SCHEDULE OF FUNCTIONAL EXPENSES

For the Fiscal Year Ended
June 30, 2016

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

NOTES TO FINANCIAL STATEMENT

For the Fiscal Years Ended June 30, 2017 and 2016

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 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

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Realized and unrealized gains and losses are included in investment income. Investments consisted of the following:

	6/30/17	6/30/16
Certificates of Deposit	\$1,000,870	\$ 0
Corporate Stocks and Bonds	734,358	0
Money Market Funds	<u>29,530</u>	<u>22,338</u>
Total	\$1,764,758	\$ 22,338

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 uncollectible. The accounts receivable have been written off as a bad debt as follows:

	6/30/17	6/30/16
Accounts receivable	\$ 351,593	\$ 754,846
Allowance for bad debts	<u>(0)</u>	<u>(0)</u>
Accounts receivable - net	\$ 351,593	\$ 754,846

4. PROPERTY AND EQUIPMENT

Property and equipment is shown net of depreciation as follows:

	6/30/17	6/30/16
Office building and renovations	\$ 772,734	\$ 772,734
Computer equipment and software	191,084	159,501
Office furniture and fixtures	100,370	99,206
Total property and equipment	\$1,064,188	\$ 1,031,441
Accumulated depreciation	<u>(417,306)</u>	<u>(389,206)</u>
Net property and equipment	\$ 646,882	\$ 642,235

Depreciation expense for the fiscal years ended June 30, 2017 and 2016 amounted to \$28,100 and \$28,755 respectively.

5. EMPLOYEE BENEFITS

Employee Benefits consisted of the following:

	6/30/17	6/30/16
Health and Dental Insurance	\$178,699	\$149,118
Simplified Employee Pension Plan	93,287	82,184
Education	15,421	8,816
Disability Insurance	8,986	7,718
Life Insurance	3,631	3,338
Parking	<u>3,937</u>	<u>3,060</u>
Total	\$303,961	\$254,234

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, 2017 and 2016, Virginia Health Information incurred expenses under the contract totaling \$195,186 and \$172,914 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, 2017 and 2016, Virginia Health Information incurred expenses under the contract of \$906,000 and \$906,000 respectively.

7. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 16, 2017, 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 \$496,388 on June 30, 2017, and \$978,791 on June 30, 2016.

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 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 years ended June 30, 2017 and 2016, Virginia Health Information provided \$273,275 and \$270,548 of the APCD budget respectively.

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