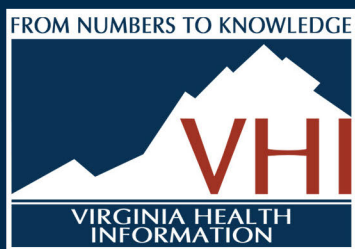




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ANNIVERSARY

1993 - 2018



*Virginia's Top Resource
for Healthcare Information*

2018

**Annual Report
& Strategic Plan Update**



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2018



PRESIDENT'S WELCOME

25 Years and Counting: Adapting to Growing Consumer Interest in Healthcare Transparency

Twenty-five years and counting, a time for celebration and challenge as yesterday's future becomes today's reality. Virginia's General Assembly first established what we now call Virginia's Health Data Reporting laws in 1993. Beginning with the nation's 38th statewide hospital discharge system, the information collected and available has expanded to include a wide range of information on health plans, hospitals, nursing facilities and physicians. Rankings are published on the quality, cost and efficiency of the healthcare we receive.

In an exciting new effort, Virginia Health Information (VHI) began providing management services to ConnectVirginia HIE and implementing the promising Emergency Department Care Coordination Program. To support healthcare reform, VHI is working in collaboration with members of the General Assembly, Virginia Department of Health (VDH) and stakeholders to roll out expanded hospital and other provider charity care reporting.

With such a variety of health information products, private contracts and grants, VHI funding has slashed its 100% reliance on taxpayer dollars in 1993 to under 10% today. None of this would matter however if we

weren't true to our mission by helping consumers make more informed healthcare decisions and help providers improve the quality of care.

While we as Board Members are pleased with our progress, much needs to be done. Later this year, VHI's Board will hold a strategic planning retreat to examine our mission, how we address it and how we may be of even greater value to the Commonwealth.

On behalf of Virginia Health Information's Board, we ask for your help in collaborating to help Virginians get the right care at the right time and the right price.

A handwritten signature in black ink that reads "Rusty Maney". The signature is written in a cursive, flowing style.

Rusty Maney, VHI President

“This year’s annual report is a story of where we’ve been over the past 25 years and where we will go in the future.”



FROM THE EXECUTIVE DIRECTOR

It’s no secret that Americans want more – more opportunities, more time with our family and our seemingly insatiable quest for more information. Healthcare is no exception. We crave and are flooded with healthcare information from all fronts—magazines, newspapers, radio, TV and, of course, the web. Around 80% of internet users look online for healthcare information. So what are they looking for?

- Learning about diseases: 66% - cancer, diabetes, heart disease and others
- Understanding medical treatments: 56% - including pain relief, first aid, illness
- Choosing doctors: 4% - cost, quality, education, specialty, location

Yes, VHI publishes information within these broad categories. Even so, we must expand our reports to make them broader in scope yet relevant to both young and older Virginians. Reaching more Virginians is also an effort we must address. So how do we do it? We have new tools to help.

- Virginia’s All Payers Claim Database (APCD) includes information on all types of healthcare provided to Virginians, from a doctor’s office, to hospitals, to prescriptions and MRIs. The APCD has information on actual costs for 31 different types of healthcare services. We are identifying low-value healthcare services that may be unnecessary and may even cause harm. From the APCD we’ve published information describing the health

of Virginians in terms of chronic disease and its financial burdens.

- The ICD-10-CM coding system is a new way to categorize patient diagnoses and procedures. This system provides much more detail on diseases, their causes and procedures to help address them. We will be updating our hospital and population health reports using this new system with even better ways to fairly compare the care made available by healthcare providers.
- Through a grant from the Network for Regional Healthcare Improvement (NRHI), VHI is joining other states in developing information on Total Cost of Care (TCoC). In other states the focus is on the TCoC that on average is spent to manage chronic diseases such as heart failure, asthma and diabetes.

This year’s annual report is a story of where we’ve been over the past 25 years and where we will go in the future. Your past support has brought us here today and we look forward to the future.

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

Michael T. Lundberg, VHI Executive Director

FILLING THE HEALTHCARE GAP **SINCE 1993.**

Step back 25 years to 1993 as Virginia embraced healthcare transparency to help businesses and consumers make more informed healthcare decisions and to improve health. Legislation established the Patient Level Data System and formal stakeholder collaboration to clear a path for expansion to a wide variety of health information across multiple settings.

Three years later 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 established a contract with a nonprofit health data organization to develop and implement health data projects with actionable information for consumers and purchasers of healthcare.

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

OUR MISSION

Create and disseminate healthcare information

Promote informed decision making by Virginia consumers and purchasers

Enhance the quality of healthcare delivery

CREATED TO **UNITE**



Learning from the past and **embracing the future**

Many changes have come in VHI's 25 years - changes to healthcare delivery, improved outcomes of care and technological advancements we are just beginning to understand. This year, we want to highlight our many programs and address our challenges as we continue to serve as Virginia's consumer health information portal.

CONNECTIONS THROUGH DATA

QUALITY- IN-SIGHTS® PROGRAM

Anthem's award winning program rewarding hospitals for superior care provided by hospitals in 12 states. For 13 years, VHI has analyzed, evaluated and scored hospitals on their quality of care.

HOSPITAL PATIENT SATISFACTION

Consumers want and demand good care and service. VHI publishes 10 nationally endorsed measures to help answer if patients would recommend the hospital to others. Was their pain well managed? Did they get help when they wanted?... and more.

PATIENT LEVEL DATA SYSTEM

A versatile database of all Virginia hospital discharges including where care is provided, for what conditions and by whom. Used by VHI in provider quality reports and publications. An important source of information to health plans, hospitals, policymakers and researchers.

LONG-TERM CARE

VHI's consumer guide to understand and navigate the types of long-term care. The online guide includes a handy directory of providers of home care, adult day care, continuing care retirement communities, assisted living, nursing facilities and hospice providers. VHI provides nursing facility room rates and quality of care rankings on almost 250 facilities.

HEALTHCARE TRANSPARENCY

Consumers want to know how much a procedure costs. VHI's Healthcare Pricing reports detail regional and statewide costs for 31 healthcare services from Virginia's All Payer Claims Database.

OUTPATIENT SURGERY

Find and compare health care providers on frequent 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

Since 1996, an important tool for businesses, policymakers and others with efficiency and productivity information. Costs, profits, charity care and more.

INSURANCE OPTIONS

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

HMO QUALITY AND PERFORMANCE DATA

VHI has provided an ever-growing set of cost, quality and satisfaction ratings on Virginia's HMOs for over 15 years. Our online set of over 60 performance measures are updated annually for businesses, consumers and employers.

CARDIAC CARE MORTALITY AND READMISSIONS

For 15 years VHI has provided consumers with comparative information on key measures of success for heart care. VHI includes how frequently this care is provided, and mortality and readmission rates for heart surgery and medical heart care.

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.

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

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



ConnectVirginia
Advancing Virginia's Health Care

Virginia's Statewide Health Information Exchange



**VIRGINIA HEALTH
INFORMATION**

The source for Health Data Reporting in Virginia

Up and Coming: New Tools for Improving Care and Supporting Healthcare Reform

"One of our patients was using the ED for primary care with more than 40 ED visits since 2017. After outreach, her number of visits significantly decreased and she is now regularly seeing her PCP at our practice after establishing this newfound relationship. This is one example where this valuable tool is allowing us to engage with patients that need education on seeking care in the ambulatory versus acute care setting."

Sincerely,

Kirsten Watkins, MHA, FACHE

Administrative Director, Medical
Education, Riverside Health System

Now in our second year, VHI supports ConnectVirginia HIE, Inc. through a management services contract. Created in 2011, ConnectVirginia is the statewide Health Information Exchange for the Commonwealth of Virginia.

VHI's management services contract with ConnectVirginia services initially provided support for:

- **Public Health Reporting**

Electronic reporting of public health data to VDH including immunizations, syndromic surveillance, electronic lab reporting, cancer and bi-directional immunizations.

- **Newborn Screening**

Secure and electronic exchange of laboratory orders and results of newborn screening.

- **EXCHANGE**

Providing the governance and trust framework for participants to onboard to eHealth Exchange, the national Health Information Exchange.

- **Virginia Advance Directives Registry**

Secure tool for Virginia residents to store important documents protecting their legal rights and ensure their medical wishes are honored if they are incapacitated and unable to manage their own care.

During the 2017 session of the General Assembly, a bill creating the Emergency Department Care Coordination (EDCC) Program was introduced to provide a single, statewide technology

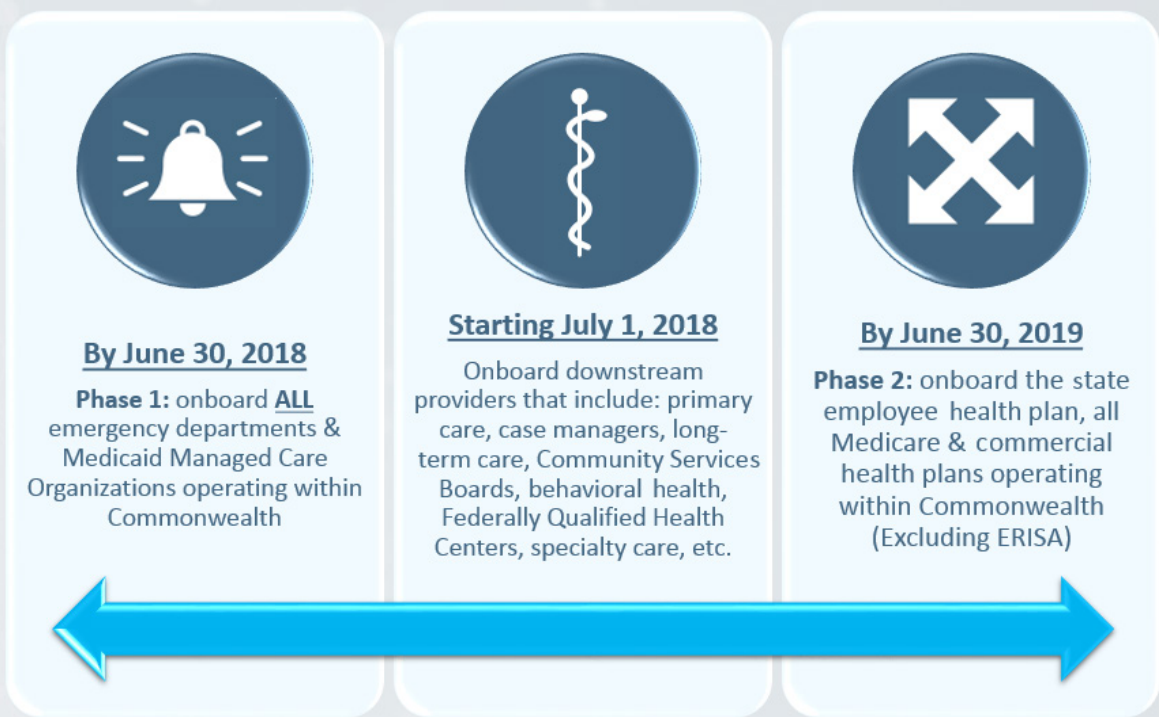
solution connecting all Virginia hospital emergency departments for real-time communication and collaboration among various providers for patients in hospital emergency departments enabling integration with hospitals' electronic health records systems.

- Features include real-time alerts to identify patient-specific risks
- Creation and sharing of care coordination plans and other information
- Integration with the Prescription Monitoring Program and the Advance Health Care Directives Registry

A major goal is to help persons receive the right care at the right time and the right price. This can include care that is better coordinated with their physicians and local services while reducing unnecessary Emergency Department admissions.

The program is under the authority of the Virginia Department of Health, which has contracted with ConnectVirginia to administer the program.

The bill included very aggressive timelines to implement the EDCC Program in all Virginia Emergency Departments by June 30, 2018. Our initial Phase to connect all hospital EDs and Medicaid Managed Care plans was completed on time and owes much to the support of VDH, health plans, hospital systems, physicians and our vendor, Collective Medical. During the next year ConnectVirginia will begin making this information available to authorized downstream providers to the systems to further care coordination. By June 30, 2019 the system will expand to include the State Employee Health Plan, all Medicare plans operating in the Commonwealth, and all commercial plans operating in the Commonwealth, excluding ERISA plans.

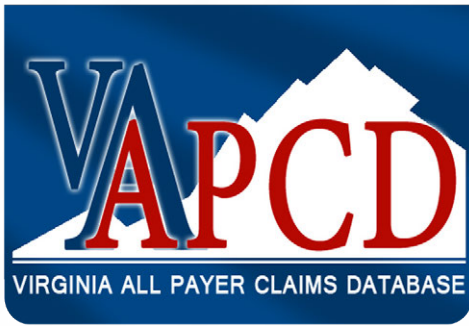


Testimonials from Medicaid Managed Care Organizations (MCOs) during their demos:

"That's really awesome!" – "So exciting!", "Pretty magical", "This is huge"

"This changes everything!" – "Game changer for VA. Happy that DMAS is doing this..." "Wow", "Real-time is beautiful"

"This is almost a one-stop-shop...less leg work"



Established in 2013, Virginia's APCD includes data on fully-insured, self-insured, Medicaid and Medicare populations. The VDH, in cooperation with the Bureau of Insurance, is responsible for Virginia's APCD and contracts with VHI to implement and operate it. Governance is through the Virginia APCD Advisory Committee, a multi-stakeholder committee administered by the Virginia Department of Health. The APCD has helped promote and improve public health through the understanding of healthcare expenditure patterns, operations and performance of the healthcare system. 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

"VHI continues their leadership role among state All Payer Claims Databases and is a strong proponent of national standards for data submission. VHI shares the vision of data standardization across APCDs to reduce the administrative burden of data submission amongst plans while increasing the value by enabling the regional and cross-state comparisons of healthcare data. VHI's strategy includes providing health insurance companies with the analytical tools to effectively use APCD data in support of our joint efforts to improve health and reduce costs."

Bernie Inskeep
Regulatory Financial Operations APCD Program Director
United Healthcare

There are over 300 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 now provides this information free of charge on our website 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.

Ensuring Data Quality

VHI has served as chair of the National Association of Health Data Organizations (NAHDO) taskforce on improving healthcare data quality. VHI staff continue to lead nationwide collaborations to increase and standardize the quality of data available from large scale healthcare data collection programs.

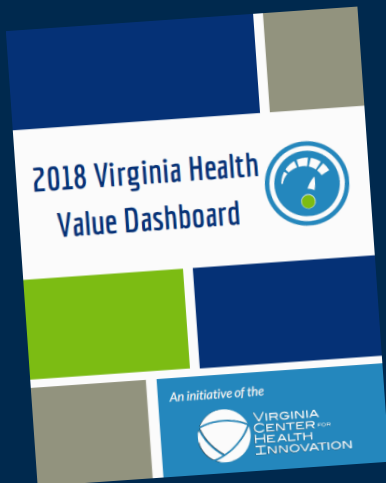


nrhi

Network for
Regional Healthcare
Improvement

Advancing Price Transparency

Since 2016 VHI has participated in a grant through the Network for Regional Healthcare Improvement (NRHI) to explore and potentially remove barriers towards expanding healthcare transparency reporting in Virginia. VHI's efforts for this grant have focused specifically on reporting the total risk adjusted cost of treating a patient over the course of a year, often referred to as the "Total Cost of Care". In early 2018 Virginia's APCD Advisory Committee moved to pursue Total Cost of Care reporting using the Virginia APCD.



Promoting High-Value Care

Over the past year VHI has partnered with the Virginia Center for Health Innovation (VCHI) to develop a Health Dashboard for the Commonwealth of Virginia. This dashboard will monitor statewide and regional progress on measures aimed at increasing the utilization of high-value care and decreasing the utilization of low-value care.

Health Affairs

Virginia APCD Data Featured in a National Publication

VHI's work to quantify the prevalence and impact of potentially unnecessary care garnered significant national attention over the past several years culminating in the article "Low-Cost, High-Volume Health Services Contribute The Most to Unnecessary Health Spending" published in the October 2017 edition of Health Affairs.

Chronic Conditions Research

In 2018, VHI worked extensively with the Virginia Department of Health and the University of Virginia to study trends in the diagnosis and treatment of Asthma. The outcome of this ongoing analysis will help identify the most effective intervention programs for treatment.

VDH VIRGINIA
DEPARTMENT
OF HEALTH





HEALTHCARE REFORM EFFORTS

During Fiscal Year 2018, VHI provided 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 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.
- Virginia Center for Health Innovation: VHI collects APCD data used to develop information on low-value healthcare services provided to state agencies and health systems.
- VHI worked with VDH, health plans and hospitals to develop charity care reporting requirements mandated during the 2016 session of the Virginia General Assembly.
- VHI has supported the General Assembly's Joint Work Group on Certificate of Public Need (COPN) reform.
- Data and Monitoring Workgroup of the Governor's Prescription Drug and Heroin Abuse Task Force.
- VHI participated in an analysis of the use of the APCD in presentations to members of the House of Delegates interested in the APCD.



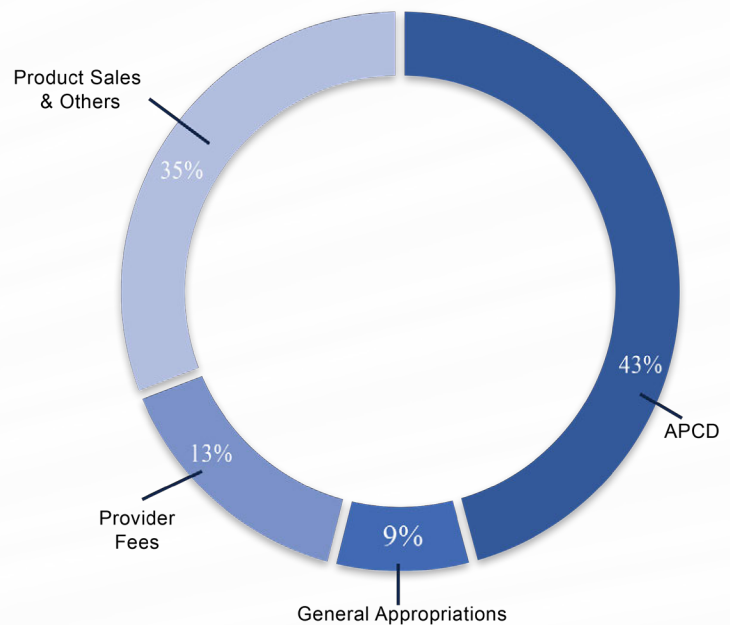
SUMMARY OF STRATEGIC PLAN UPDATE

Now in our 25th year, 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 provided, 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 9% of our total budget. Grants, consulting, license fees, data product sales and special dedicated revenues have allowed VHI to develop consumer

**FY18 Revenues by Group
(Rounded to 100)**



guides, reports and invest 20% — over \$1.5 million — in the development and maintenance of the All Payer Claims Database.

VHI periodically revisits our strategic plan for its relevance in a changing world of consumer demand for healthcare transparency and support for Virginia's healthcare reform efforts. In the Fall of 2018, VHI's Board will analyze our strategic direction and update our plan to meet our mission to help consumers make more informed healthcare decisions and for providers to improve the quality of care.

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VCU

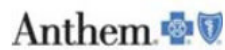


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Virginia Women's Center

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, 2018 and 2017, 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, 2018 and 2017, 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 21, 2018

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

| | 2018 | 2017 |
|---|---------------------|---------------------|
| Assets | | |
| Cash | \$ 925,730 | \$ 1,028,905 |
| Investments | 1,798,821 | 1,764,758 |
| Accounts receivable - net | 476,519 | 351,593 |
| Property and equipment - net | 620,246 | 646,882 |
| Total Assets | \$ 3,821,316 | \$ 3,792,138 |
| Liabilities | | |
| Accounts payable | \$ 19,382 | \$ 19,764 |
| Employee withholdings | 2,706 | 2,111 |
| Sales tax payable | 60 | 76 |
| Accrued salaries | 28,085 | 26,337 |
| Accrued payroll taxes | 2,151 | 1,136 |
| Accrued pension contribution | 4,189 | 7,761 |
| Total Liabilities | \$ 56,573 | \$ 57,185 |
| Net Assets | | |
| Unrestricted | \$ 3,764,743 | \$ 3,734,953 |
| Total Net Assets | \$ 3,764,743 | \$ 3,734,953 |
| Total Liabilities and Net Assets | \$ 3,821,316 | \$ 3,792,138 |

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

STATEMENTS OF ACTIVITIES

For the Fiscal Years Ended
June 30, 2018 and 2017

| | 2018 | 2017 |
|---|---------------------|---------------------|
| Unrestricted Net Assets | | |
| Revenues and gains | | |
| Patient Level Data System contract fees | \$ 272,313 | \$ 239,285 |
| Efficiency and Productivity contract fees | 394,960 | 394,960 |
| All Payer Claims Database funding | 1,384,084 | 1,366,377 |
| ConnectVirginia contract fees | 426,167 | 0 |
| Product/Report sales and programming | 764,918 | 917,946 |
| Late fees | 1,450 | 2,150 |
| Non processed & verified fees | 12,720 | 32,402 |
| Investment income | 34,063 | 14,759 |
| Interest income | 1,762 | 1,803 |
| Total revenues, gains, and other support | \$ 3,292,437 | \$ 2,969,682 |
| Expenses and losses | | |
| Program expenses | | |
| Patient Level Data System | \$ 404,401 | \$ 361,032 |
| Efficiency and Productivity | 224,383 | 199,473 |
| All Payer Claims Database | 1,444,959 | 1,514,863 |
| ConnectVirginia | 281,970 | 0 |
| Other Projects | 287,082 | 326,553 |
| Total program expenses | \$ 2,642,795 | \$ 2,401,921 |
| Management and general expenses | 619,852 | 693,107 |
| Total expenses and losses | \$ 3,262,647 | \$ 3,095,028 |
| Change in Unrestricted Net Assets | \$ 29,790 | \$ (125,346) |
| Change in Net Assets | \$ 29,790 | \$ (125,346) |
| Net assets beginning of year | 3,734,953 | 3,860,299 |
| Net assets end of year | \$ 3,764,743 | \$ 3,734,953 |

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

STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended
June 30, 2018 and 2017

| | 2018 | 2017 |
|--|---------------------|-----------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 29,790 | \$ (125,346) |
| Items not affecting cash | | |
| Depreciation and amortization | 34,878 | 28,100 |
| Decrease (increase) in receivables | (124,926) | 405,078 |
| Increase (decrease) in payables | (612) | (5,414) |
| Investment income | (34,063) | (9,146) |
| Cash from (used for) operating activities | \$ (94,933) | \$ 293,272 |
| Cash flows from investing activities | | |
| Purchase of fixed assets | \$ (8,242) | \$ (32,747) |
| Sale (purchase) of investments | 0 | (1,733,274) |
| Cash from (used for) investing activities | \$ (8,242) | \$ (1,766,021) |
| Cash from (used for) financing activities | \$ 0 | \$ 0 |
| Increase (decrease) in cash | \$ (103,175) | \$ (1,472,749) |
| Cash at beginning of year | 1,028,905 | 2,501,654 |
| Cash at end of year | \$ 925,730 | \$ 1,028,905 |

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

SCHEDULE OF FUNCTIONAL EXPENSES

For the Fiscal Year Ended
June 30, 2018

| | | Patient Level Data System | Efficiency and Productivity | APCD | Connect Virginia | Other Projects | Management and General |
|----------------------------------|---------------------|---------------------------------|-----------------------------------|------------------|---------------------|-------------------|------------------------------|
| Accounting fees | \$ 8,325 | 1,032 | 573 | 3,687 | 719 | 733 | 1,581 |
| APCD funding from VHI | 276,817 | 0 | 0 | 0 | 0 | 0 | 276,817 |
| Data processing | 1,112,640 | 185,263 | 0 | 927,377 | 0 | 0 | 0 |
| Depreciation and amortization | 34,878 | 4,323 | 2,399 | 15,447 | 3,014 | 3,069 | 6,626 |
| Dues, licenses, and permits | 3,705 | 431 | 239 | 1,539 | 300 | 536 | 660 |
| Employee benefits | 318,675 | 35,406 | 40,826 | 65,056 | 55,400 | 57,540 | 64,447 |
| Equipment rental and maintenance | 2,382 | 295 | 164 | 1,055 | 206 | 210 | 452 |
| Graphic design and printing | 8,548 | 740 | 2,792 | 2,749 | 608 | 525 | 1,134 |
| Insurance | 42,952 | 2,423 | 1,345 | 32,059 | 1,690 | 1,720 | 3,715 |
| Legal fees | 78,860 | 31 | 17 | 78,721 | 22 | 22 | 47 |
| Maintenance and repairs | 8,465 | 1,049 | 582 | 3,749 | 732 | 745 | 1,608 |
| Marketing | 2,170 | 172 | 96 | 615 | 901 | 122 | 264 |
| Miscellaneous | 683 | 79 | 42 | 283 | 55 | 99 | 125 |
| Network maintenance | 3,255 | 403 | 224 | 1,442 | 281 | 286 | 619 |
| Office cleaning and landscaping | 6,268 | 777 | 431 | 2,776 | 542 | 552 | 1,190 |
| Office supplies | 5,151 | 661 | 278 | 2,340 | 611 | 493 | 768 |
| Payroll administration | 750 | 93 | 52 | 332 | 65 | 66 | 142 |
| Payroll taxes | 74,204 | 8,244 | 9,506 | 15,148 | 12,901 | 13,398 | 15,007 |
| Phone, fax and teleconferencing | 22,090 | 2,467 | 1,369 | 9,128 | 3,595 | 1,751 | 3,780 |
| Postage and delivery | 5,617 | 414 | 2,509 | 1,478 | 288 | 294 | 634 |
| Product development | 37,447 | 27,024 | 818 | 5,269 | 1,028 | 1,047 | 2,261 |
| Real estate tax | 8,463 | 1,049 | 582 | 3,748 | 731 | 745 | 1,608 |
| Salaries | 1,064,805 | 118,305 | 136,413 | 217,375 | 185,112 | 192,261 | 215,339 |
| Subcontractor services | 91,940 | 11,396 | 6,323 | 40,718 | 7,946 | 8,090 | 17,467 |
| Travel and meeting expenses | 14,676 | 807 | 448 | 7,447 | 4,165 | 573 | 1,236 |
| Utilities | 9,009 | 1,117 | 620 | 3,990 | 779 | 793 | 1,710 |
| Website | 19,872 | 400 | 15,735 | 1,431 | 279 | 1,412 | 615 |
| Total expenses | \$ 3,262,647 | 404,401 | 224,383 | 1,444,959 | 281,970 | 287,082 | 619,852 |

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

SCHEDULE OF FUNCTIONAL EXPENSES

For the Fiscal Year Ended
June 30, 2017

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

NOTES TO FINANCIAL STATEMENTS

**For the Fiscal Years Ended
June 30, 2018 and 2017**

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) Providing management and support services for the operation of ConnectVirginia.
- 3) The processing and verification of data received directly by inpatient hospitals at specific rates.
- 4) The licensing of databases and development of reports resulting from information compiled by VHI.
- 5) Serving as a contractor to Anthem for their Quality-In-Sights® Hospital Incentive Program.
- 6) Income from other miscellaneous projects, sales and sources.
- 7) 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. All of the investments are either highly liquid or traded in active exchange markets. Hence, they fall within the Level 1 criteria of assets as defined in ASC 820-10, "Fair Value Measurements and Disclosures", which provides the framework for disclosing fair value under generally accepted accounting principles. Investments consisted of the following:

| | 6/30/18 | 6/30/17 |
|----------------------------|----------------|----------------|
| Certificates of Deposit | \$1,007,854 | \$1,000,870 |
| Corporate Stocks and Bonds | 761,909 | 734,358 |
| Money Market Funds | <u>29,058</u> | <u>29,530</u> |
| Total | \$1,798,821 | \$1,764,758 |

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. For the past two fiscal years, management has not classified any receivable as a bad debt.

| | 6/30/18 | 6/30/17 |
|---------------------------|----------------|----------------|
| Accounts receivable | \$ 476,519 | \$ 351,593 |
| Allowance for bad debts | <u>(0)</u> | <u>(0)</u> |
| Accounts receivable - net | \$ 476,519 | \$ 351,593 |

4. PROPERTY AND EQUIPMENT

Property and equipment is shown net of depreciation as follows:

| | 6/30/18 | 6/30/17 |
|---------------------------------|--------------------|--------------------|
| Office building and renovations | \$ 772,734 | \$ 772,734 |
| Computer equipment and software | 194,286 | 191,084 |
| Office furniture and fixtures | <u>100,370</u> | <u>100,370</u> |
| Total property and equipment | \$1,067,390 | \$ 1,064,188 |
| Accumulated depreciation | <u>(447,144)</u> | <u>(417,306)</u> |
| Net property and equipment | \$ 620,246 | \$ 646,882 |

Depreciation expense for the fiscal years ended June 30, 2018 and 2017 amounted to \$34,878 and \$28,100 respectively.

5. EMPLOYEE BENEFITS

Employee Benefits consisted of the following:

| | 6/30/18 | 6/30/17 |
|-----------------------------|--------------|--------------|
| Health and Dental Insurance | \$200,481 | \$178,699 |
| Pension Plan | 99,146 | 93,287 |
| Education | 0 | 15,421 |
| Disability Insurance | 9,194 | 8,986 |
| Life Insurance | 4,831 | 3,631 |
| Parking | <u>5,023</u> | <u>3,937</u> |
| Total | \$318,675 | \$303,961 |

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, 2018 and 2017, Virginia Health Information incurred expenses under the contract totaling \$185,263 and \$195,186 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, 2018 and 2017, Virginia Health Information incurred expenses under the contract of \$905,368 and \$904,127 respectively.

7. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 21, 2018, 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

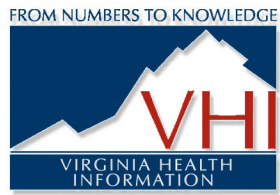
The Federal Deposit Insurance Corporation (FDIC) insures cash balances up to \$250,000. The combined balance of cash in accounts at SunTrust Bank totaled \$416,136 on June 30, 2018, and \$496,388 on June 30, 2017.

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 year ending June 30, 2019 is \$1,437,332. Virginia Health Information will provide 20% of the budget (\$287,466). 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, 2018 and 2017, Virginia Health Information provided \$276,817 and \$273,275 of the APCD budget respectively.

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