

FROM NUMBERS TO KNOWLEDGE



# EMPOWERMENT THROUGH DATA

Virginia's Top Resource for Healthcare Information

## 2021

ANNUAL REPORT & STRATEGIC PLAN UPDATE

# EMPOWERMENT THROUGH DATA

Since 1993, Virginia Health Information (VHI) has strived to be a top healthcare resource in Virginia and beyond. With the ever-changing landscape of healthcare and data, VHI's reports, dashboards and publications have been **produced** with the intent to **empower** users with data. From the improved outcomes of care through technological advancements to the different transformations of healthcare delivery, we want to highlight our many programs and address our challenges as we continue to serve as the Commonwealth's consumer information portal.

## OUR VISION

- Administer Virginia healthcare data reporting initiatives benefiting consumers and others
- Collaborate with other public and private health information programs by providing objective and quality information and analytics
- Work with our stakeholders to increase transparency across all types of healthcare

## OUR MISSION

Enhance the quality and value of healthcare delivery and promote informed healthcare decisions by Virginia consumers, purchasers and other stakeholders by creating and disseminating healthcare information.



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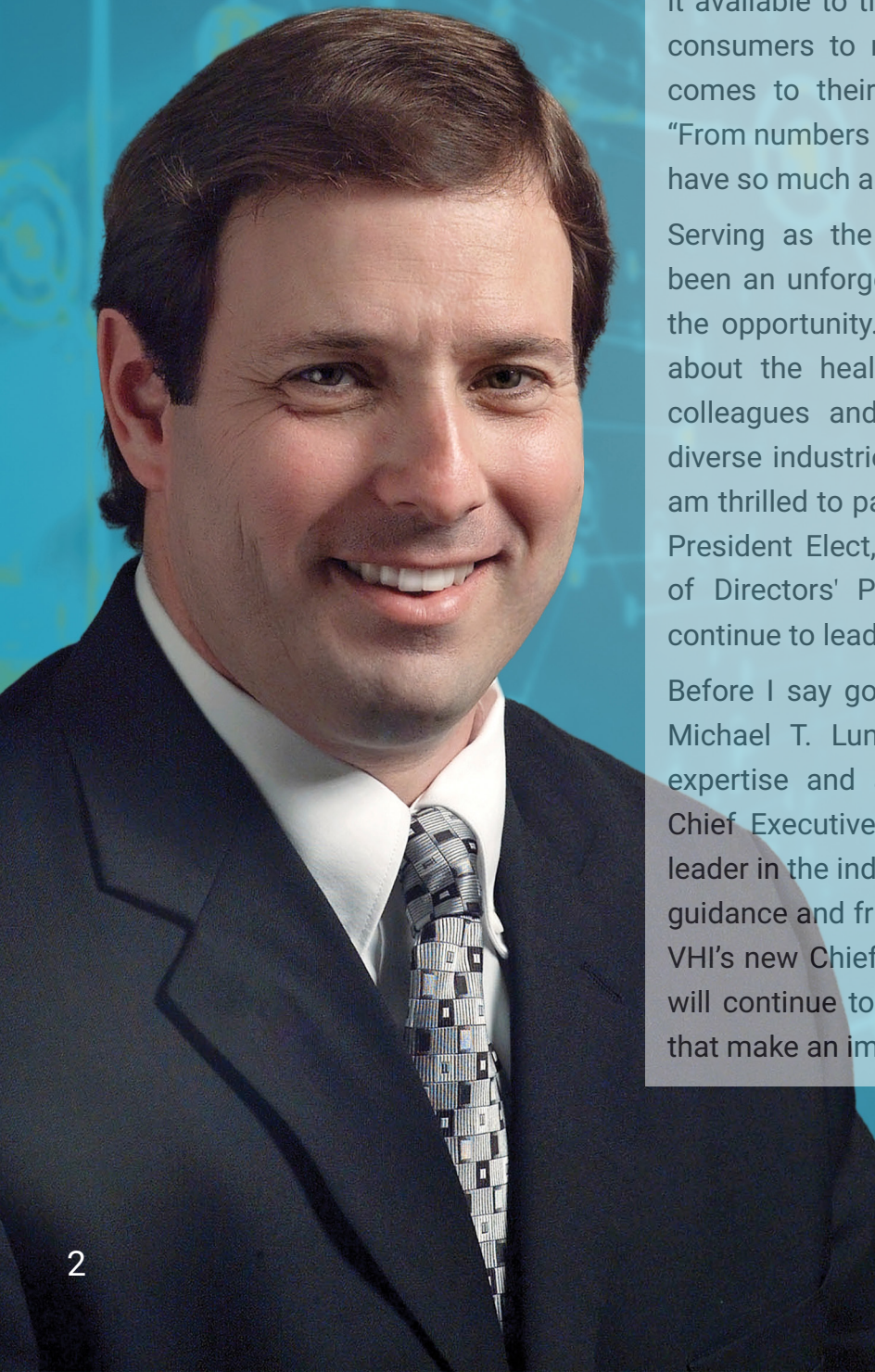
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# PRESIDENT'S W E L C O M E



I'm honored to welcome you to Virginia Health Information's (VHI) 2021 Annual Report & Strategic Plan Update. As President, I'm excited for you to learn more about VHI's progress and accomplishments in the past year. In this report, you will find highlights of VHI's projects, new initiatives, our Strategic Plan and how we continue to empower consumers with data.

As the desire for data has expanded, especially in the past year, I have been able to see firsthand as VHI continuously makes it a priority to disseminate information and make it available to the public. The resources they offer allow consumers to make more informed decisions when it comes to their healthcare and supports their slogan, "From numbers to knowledge." Virginians are fortunate to have so much access to data at their fingertips.

Serving as the VHI Board of Directors President has been an unforgettable experience, and I am grateful for the opportunity. In my time, I have learned much more about the healthcare landscape, connected with new colleagues and collaborated with board members in diverse industries to support VHI's mission and vision. I am thrilled to pass the torch on to Debbie Condrey, VHI's President Elect, who will serve as the upcoming Board of Directors' President. I am confident that she will continue to lead the organization toward success.

Before I say goodbye, I want to recognize and applaud Michael T. Lundberg on 28 great years at VHI. His expertise and accomplishments as the organization's Chief Executive Officer have made him a true thought leader in the industry. I thank him for his professionalism, guidance and friendship. With Kyle Russell's transition as VHI's new Chief Executive Officer, I am assured that we will continue to see the organization produce initiatives that make an impact and reach new milestones.

A handwritten signature in black ink, appearing to read "TJ Smith".

**TJ Smith**  
**VHI President**

# A FAREWELL MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

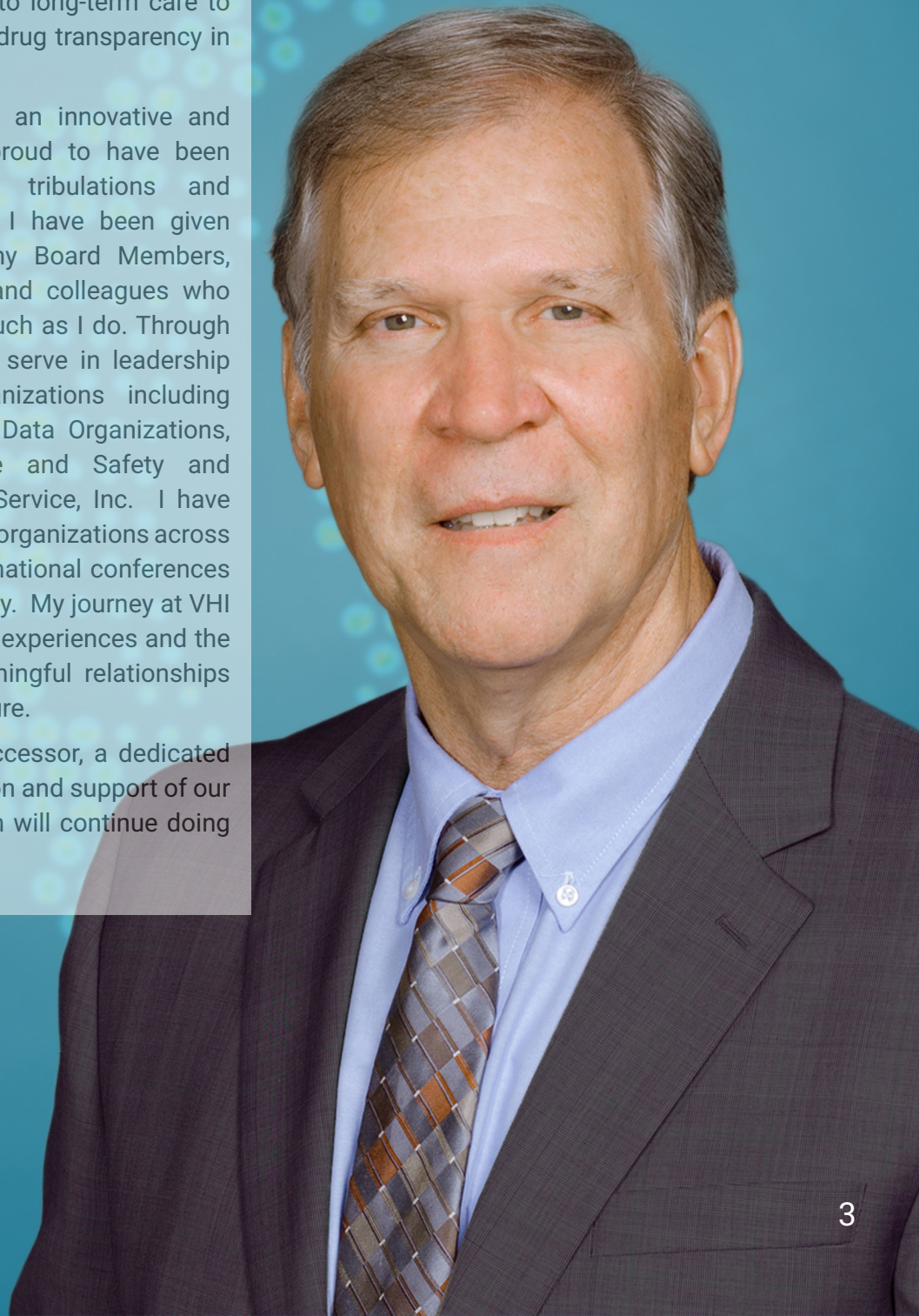
Since becoming Virginia Health Information's (VHI's) Executive Director in 1993, I have watched as the value of health data became more and more prominent over time. For over 28 years, VHI has stayed on top of trends in the industry and has utilized its resources to create programs and reports that help consumers feel empowered by accurate health information. With its start in overseeing the Patient Level Database, VHI has since taken on the administration of the Efficiency and Productivity Information Collection System, All Payer Claims Database and Connect Virginia Health Information Exchange. Consumer reports range from HMO quality and performance to long-term care to healthcare pricing—with prescription drug transparency in the works.

It is bittersweet retiring from such an innovative and influential organization, but I am proud to have been a part of the brainstorming, trials, tribulations and accomplishments. Along the way, I have been given the honor to collaborate with many Board Members, government officials, stakeholders and colleagues who have cared about VHI's impact as much as I do. Through VHI, I was given the opportunity to serve in leadership positions in other nonprofit organizations including the National Association of Health Data Organizations, Virginians Improving Patient Care and Safety and Centralized Credentials Verification Service, Inc. I have worked jointly with health information organizations across the nation, participated in state and national conferences and worked with innovative technology. My journey at VHI has afforded me many opportunities, experiences and the great privilege to create many meaningful relationships that I will continue to foster in the future.

With Kyle Russell as my internal successor, a dedicated VHI team and the ongoing participation and support of our stakeholders, I know the organization will continue doing great things. Thank you so very much!



**Michael T. Lundberg**  
VHI Chief Executive Officer



# CONNECTIONS THROUGH DATA

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

## CHARITY CARE REPORTING

A new dashboard report in 2021 that breaks down the total volume and valuable of services provided by Virginia medical facilities as charity care.  
[vhi.org/CharityCare](http://vhi.org/CharityCare)

## PATIENT LEVEL DATA SYSTEM

A versatile database utilized statewide and across the nation of all Virginia hospital discharges including where care is provided, for what conditions and by whom. An important source of information to health plans, hospitals, policymakers and researchers.  
[vhi.org/Products/PatientLevelData.asp](http://vhi.org/Products/PatientLevelData.asp)

## LONG-TERM CARE

VHI's consumer guide to understand and navigate the types of long-term care. Includes a directory of providers, room rates, quality of care, efficiency and financial health information on over 250 nursing facilities.  
[vhi.org/LTC](http://vhi.org/LTC)

## OUTPATIENT SURGERY

This report allows consumers to find and compare outpatient surgery providers on how often they provide the procedure and their charges. VHI collects information on outpatient surgeries based on their real or perceived risk, cost and frequency.  
[vhi.org/Outpatient](http://vhi.org/Outpatient)



## **INSURANCE OPTIONS**

A consumer guide to understanding health insurance options ranging from indemnity to managed care to government provided coverage such as Medicare and Medicaid.

## **INDUSTRY REPORT**

Since 1996, VHI ranks overall efficiency, costs, profits, charity care and more of hospitals, ambulatory surgical centers and nursing facilities. An important tool for businesses, policymakers and others.  
[vhi.org/IR](http://vhi.org/IR)

## **HMO**

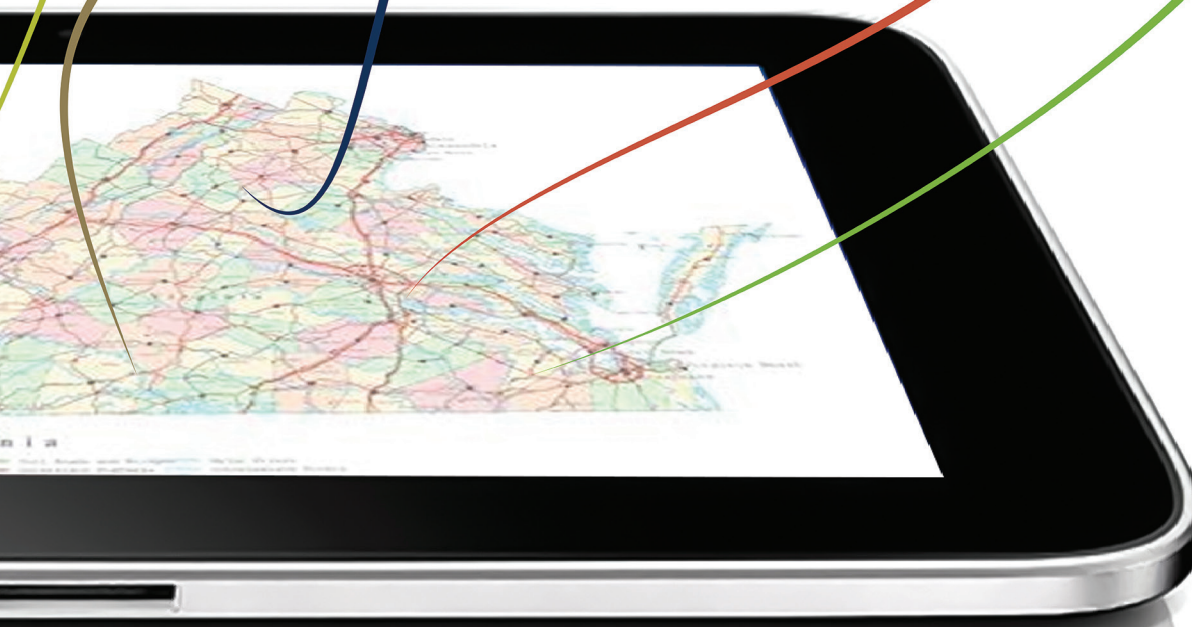
VHI provides an ever-growing set of cost, quality and satisfaction ratings on Virginia's HMOs. The online set of over 60 performance measures are updated annually for businesses, consumers and employers.  
[vhi.org/HMO](http://vhi.org/HMO)

## **CARDIAC CARE**

Data on key measures of success for heart care including mortality and readmission rates for heart surgery and medical heart care.  
[vhi.org/Cardiac](http://vhi.org/Cardiac)

## **HOSPITAL PATIENT SATISFACTION**

Data on hospital patient satisfaction is updated quarterly with 10 nationally-endorsed measures to help patients recommend the hospital to other consumers.  
[vhi.org/Satisfaction](http://vhi.org/Satisfaction)



# VAPCD

## BY THE NUMBERS

*"The Virginia All Payer Claims Database administered by Virginia Health Information has been an invaluable resource for the conduct of population health research. The support and expertise of the dedicated VHI team has allowed us to delve into this crucial data repository to rigorously address important knowledge gaps that are directly meaningful to the health of Virginians. The APCD pools data from disparate sources in a way that is objective, transparent, granular and accessible, enabling confidence in the accuracy of our understanding and conclusions."*

Cassandra Mierisch  
Virginia Tech Carilion School of Medicine

2013

the year in which the Virginia APCD was originally established under authority of the Virginia Department of Health (VDH) and was later mandated in 2019.

5  
million

the rough estimate for the total number of Virginia residents included in the APCD across commercial, Medicaid and Medicare coverages.

1.3  
million

the annual funding commitment in dollars from both the VDH and the Department of Medical Assistance Services (DMAS) to ensure the Virginia APCD achieves the intended goals of its founding legislation.

100s

reports generated from the APCD for all varieties of stakeholders including policy makers, public health professionals and healthcare practitioners.

1  
billion +

the number of claims within the APCD across all types of care.



# PROJECT HIGHLIGHTS

## ASSESSING PATIENT CONTINUITY

In partnership with VCHI, VHI provided data to the American Board of Family Medicine (ABFM) to study the impact of disjointed vs continuous patient-provider relationships on downstream health outcomes.

## MEASURING THE IMPACT OF THE EMERGENCY DEPARTMENT CARE COORDINATION (EDCC) PROGRAM

Under guidance from the EDCC Advisory Council, VHI developed and finalized a series of metrics that will assess the ongoing progress of the EDCC with state policy goals over time.



*"We have found that Virginia Health Information is incredibly beneficial in our strategic planning efforts. Through VHI data, we have been able to identify opportunities for future efforts. We have also been able to use the comparative data to evaluate our own programs and services for their cost effectiveness and the benefits to our community. VHI's cooperative staff provides timely support and we appreciate their willingness to help. We are fortunate to have the resources provided by VHI."*

**Bruce P. Kupper**  
President and CEO of MEDARVA Healthcare

## PUBLISHING LEVELS OF CHARITY CARE

VHI published its first ever Charity Care Dashboard which showcases data on the amount of uncompensated care provided by medical care facilities in Virginia valued at Medicare reimbursement levels.

## LEVERAGING DATA TO DRIVE "SMARTER CARE"

Over the past 18 months VHI has worked in collaboration with the Virginia Center for Health Innovation (VCHI) to analyze and reduce rates of low-value care as part of a 2.2 million dollar grant that VCHI received from the Arnold Foundation. VHI utilizes the APCD to generate benchmark reports for over 1,500 physician practices as a foundational piece of the project.

## THE STATEWIDE HEALTH INFORMATION EXCHANGE (HIE) FOR THE COMMONWEALTH OF VIRGINIA

After a two-year comprehensive relationship with VHI providing management services to ConnectVirginia HIE, the organizations **officially merged** as of July 2019.

### WHY **CONNECTVIRGINIA**

more complete  
**medical information**

higher **quality care**  
for patients

**secure**, electronic,  
internet-based technology

medical information exchanged  
by participating healthcare **providers**

more easily **coordinate** treatment  
among healthcare providers

# PROGRAMS

WITHIN **VIRGINIA'S HEALTH INFORMATION EXCHANGE**



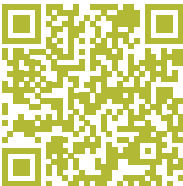
## EMERGENCY DEPARTMENT CARE COORDINATION (EDCC) PROGRAM

Virginia Department of Health (VDH) contracts with Virginia Health Information to operate, maintain and administer the EDCC Program with the goal to improve the quality of patient care services.



## PUBLIC HEALTH REPORTING PATHWAY

ConnectVirginia (a program of Virginia Health Information) provides the transport mechanisms for electronic public health reportable data to the Virginia Department of Health.



## EXCHANGE

ConnectVirginia, Virginia's health information exchange, onboards participants directly to eHealth Exchange, a nationwide health information exchange that provides a secure method to query and retrieve patient data.



## ADVANCE HEALTH CARE DIRECTIVES REGISTRY

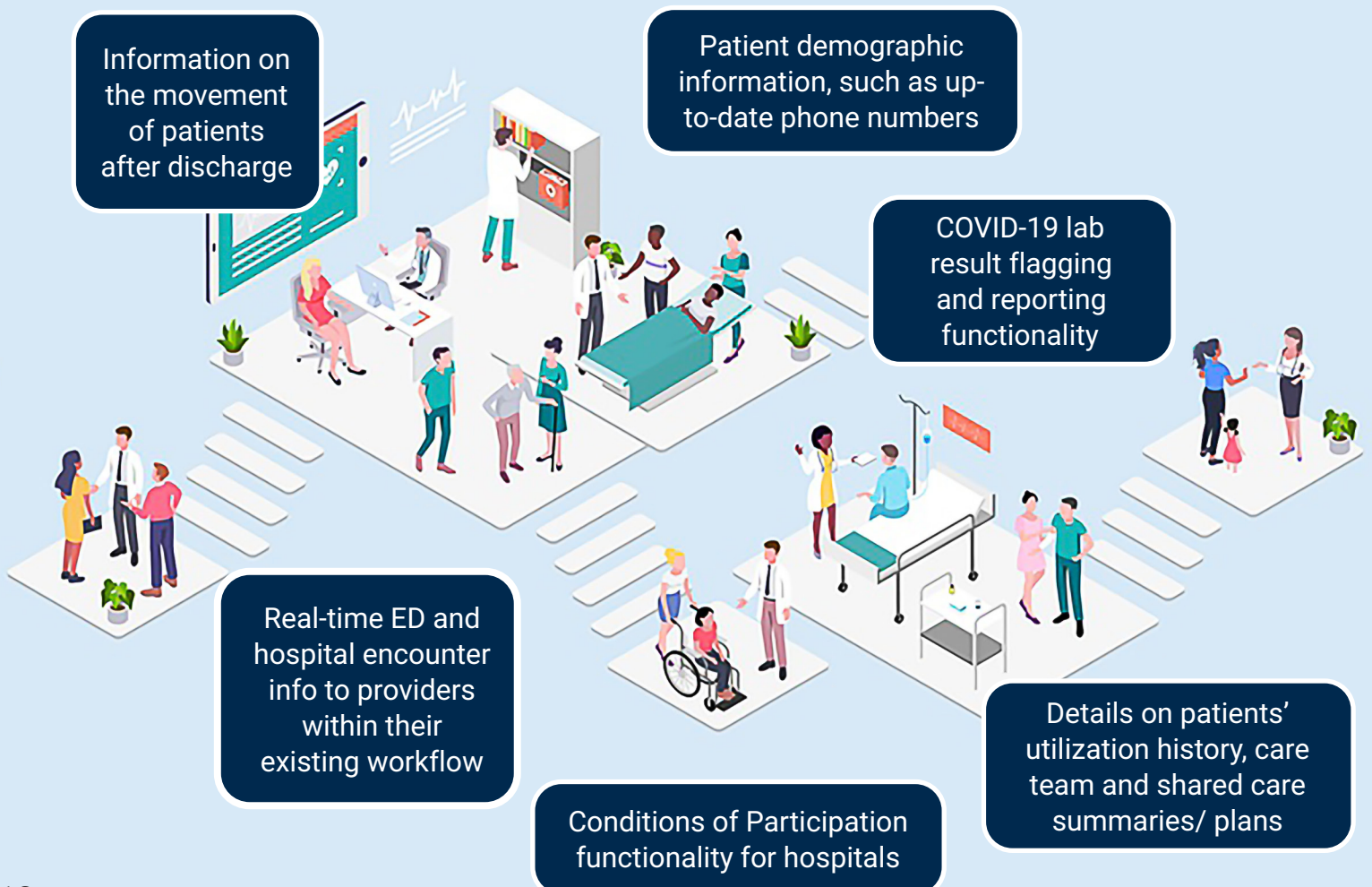
ConnectVirginia (a program of Virginia Health Information) provides a secure tool at no cost to Virginia residents to store important documents that protect your legal rights and ensure your medical wishes are honored if you are incapacitated and unable to manage your own care.

# VIRGINIA'S EDCCP

## EMERGENCY DEPARTMENT CARE COORDINATION PROGRAM

The Emergency Department Care Coordination Program (EDCCP) is a single, statewide technology solution that connects all hospital emergency departments in the Commonwealth to facilitate real-time communication and collaboration among physicians, other healthcare providers and other clinical and care management personnel for patients receiving services in hospital emergency departments for the purpose of improving the quality of patient care services.

### EDCCP FEATURES



ED visits  
since inception

9.6  
million

2.5  
million

ED  
notifications

“There have been occasions where we needed to know what care a patient received at another hospital. I have been able to log on and see records that helped guide care to the next step as getting records can sometimes take multiple days.” - Hospital

3.8  
million

Health  
plan  
covered  
lives

765,056  
patients with  
primary care  
physicians,  
clinics and  
ACO's

768K  
PATIENTS

19K  
VISITS

19,580 visits  
with care-  
guidelines

“It helps us every day to engage our patients much more quickly than before. It is a form of communication from the hospitals to let us know how to assist our members by calling them when they go to the ED or get admitted. This platform has made all the difference in patient engagement.” – Health Plan

# CARE COLLABORATION IN VIRGINIA



In 2021,  
the Emergency  
Department  
Care Coordination  
Program onboarded  
its first Hospice,  
Paramedicine Program  
and Cardiology Speciality  
organizations.

*"We were able to drill down with the treatment team and provider on specific needs related to an individual who went to the ED over 80 times last year. By providing additional, targeted support that number continues to decrease and the patient has only been a handful of times since January, all for valid health concerns." – Community Services Board*

# HEALTHCARE REFORM EFFORTS

VHI currently provides data and analytical support to the Virginia Center for Health Innovation for their role as convener of the Governor Northam's Task Force on Primary Care

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 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.

VHI served on the Department of Medical Assistance Services Medicaid Payment Policies and Care Coordination and EDCC General Assembly Workgroups

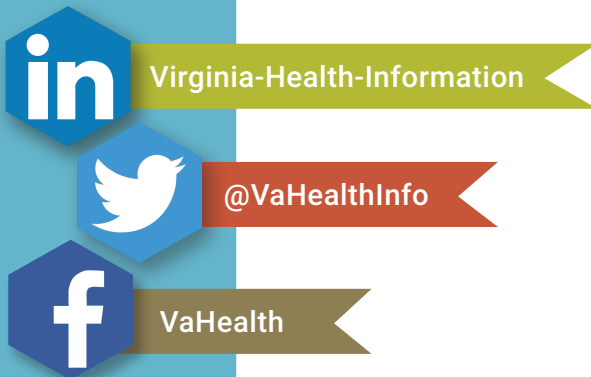
Joint Commission on Health Care: VHI staff provided data reports on consultation for several studies through the year including a large scale analysis on trends in healthcare costs

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

VHI provided multiple testimonies to the Department of Labor's State APCD Advisory Committee on recommendations to improve collection of ERISA self-insured data in Virginia and around the nation

# EMPOWERING USERS ONLINE

*VHI utilized digital media to connect, interact and empower users by sharing reports, resources and tools online.*



**145K**  
IMPRESSIONS

**1.6K**  
FOLLOWERS

## SOCIAL MEDIA

With the power of social media, VHI is able to reach users directly through their Facebook, Twitter and LinkedIn profiles. With Americans spending more than 1,300 hours on average on social media in 2020, VHI's messages were able to reach an extensive audience.

**VHI.ORG**

**153K**  
USERS

Recognized as Virginia's Consumer Health Information Portal since 2007, VHI provides [www.vhi.org](http://www.vhi.org) as a tool to help consumers and employers make better-informed healthcare decisions.

## MEDIA COVERAGE

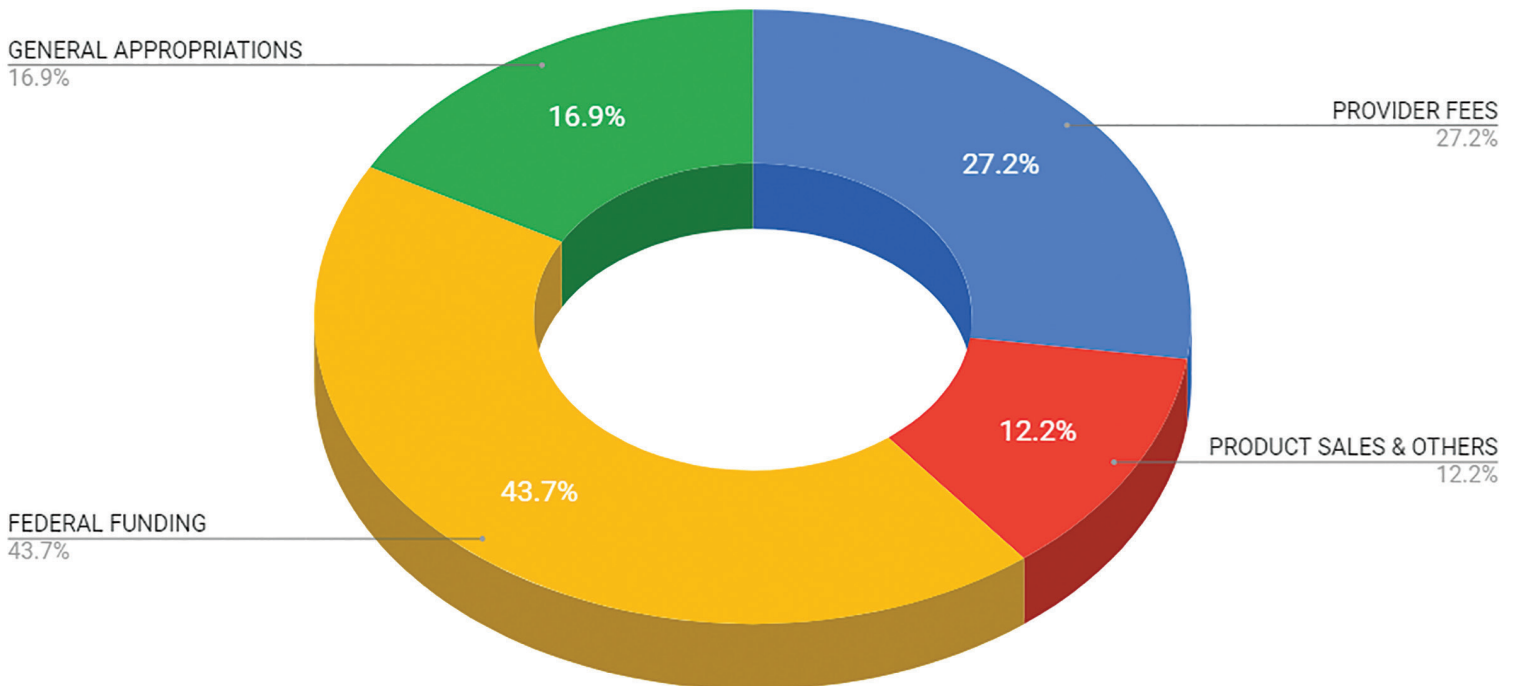
Through the years, VHI has fostered relationships with the media and has been a go-to source for crafting healthcare-related articles. Media outlets on local, state and national levels have assisted in spreading VHI's **data, reports** and overall message to the public.



**Richmond Times-Dispatch**



# SUMMARY OF STRATEGIC PLAN UPDATE



For over 28 years, VHI stakeholders have guided our strategic direction, provided financial support, helped develop and use our information and worked with legislators to support 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 providers.

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 completed a successful statutory merger with ConnectVirginia HIE and is now working to expand Virginia's Advance Healthcare Directives Registry, Public Health Reporting and the Emergency Department Care Coordination Program.

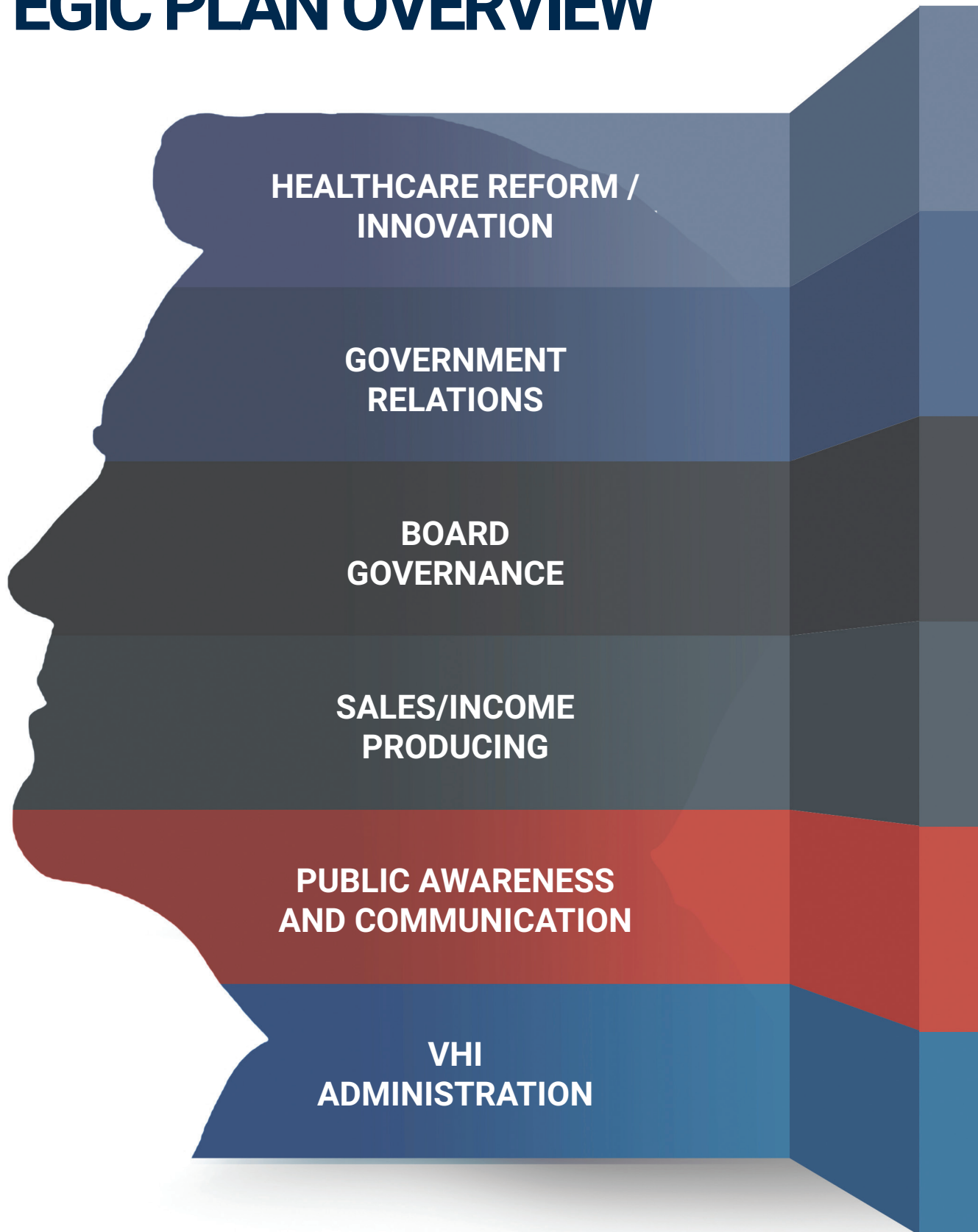
VHI revenues were initially based solely on General Funds, i.e.; taxpayer dollars. Today, dependence on Virginia taxpayer dollars is under 17% of our total budget. Virginia's General Assembly has appropriated over \$320,000 to obtain almost \$2.9 million in federal funding to support VHI initiatives.

VHI data is used in national, statewide, regional and local reports.

VHI updates and maintains consumer guides on cardiac care, hospitals, health insurance options and long-term care.

# VHI 2019 – 2023 STRATEGIC PLAN OVERVIEW

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 October 2018, VHI's Board analyzed our strategic direction and updated our plan to meet our mission, to help consumers make more informed healthcare decisions and to improve the quality and value of care.



Play a principal role in opportunities for collection, analysis and sharing of healthcare information resulting from Healthcare Reform (Innovation) initiatives.

Achieve positive legislative outcomes to enable VHI to create value for legislators which enables them to respond to the public's need for expanded and valid healthcare information from VHI in a reliable and unbiased manner.

Advance VHI's vision and mission through Board of Directors governance, leadership and commitment.

Diversify revenues and ensure the financial viability of VHI through the production and sale of products and services meeting the needs of the public and healthcare organizations.

Increase the public's awareness of VHI and available data, products and services.

Advance VHI's mission and vision through effective management and proficient staff.

Establish VHI as a leading player in current and evolving healthcare information and analytics.

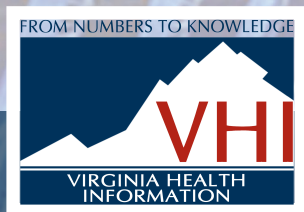
Enhance relationships with new and existing legislative members and staff, prioritizing contacts with members of the Joint Commission on Health Care, finance and health committees.

Engage board members and ensure their full participation and commitment through involvement in appropriate task forces and sub-committees.

Enhance current sales and income producing activities as well as create new and innovative approaches to the sale and dissemination of VHI's products and services.

Achieve a high level of recognition of VHI by healthcare stakeholders.

Ensure VHI is appropriately staffed to meet the needs of VHI key concentrations.



# BOARD OF DIRECTORS

## EXECUTIVE COMMITTEE

**T.J. Smith**  
*VHI President*

**David Abraham**  
*VHI Vice President*

**Charles Wayland**  
*VHI Treasurer*

**Lauren Gray**  
*VHI Secretary*

**Charles "Rusty" Maney**  
*VHI Past President*

**Debbie Condrey**  
*VHI President Elect*

## STATE REPRESENTATIVES



**Jeffrey Lunardi**



**Scott A. White**



**Lauryn Walker, PhD**



**M. Norman Oliver, MD, MA**

BUSINESS  
REPRESENTATIVES



CUSTOMER  
REPRESENTATIVES



HEALTH  
INFORMATION  
REPRESENTATIVES



HEALTH INSURANCE  
REPRESENTATIVES



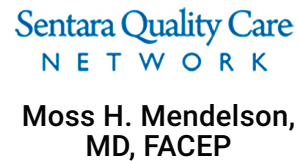
HOSPITAL  
REPRESENTATIVES



NURSING FACILITY  
REPRESENTATIVES



PHYSICIAN  
REPRESENTATIVES



# REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors  
Virginia Health Information  
Richmond, Virginia

## Report on the Financial Statements

We have audited the accompanying financial statements of Virginia Health Information (the "Organization"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the 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; 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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, 2021 and 2020, 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.

## Emphasis of Matter

As discussed in Note 1 to the financial statements, the Organization

entered into an Agreement of Merger and Plan of Merger (the "Agreements") with ConnectVirginia HIE, Inc. on June 19, 2019. The Agreements stipulated an effective date for the merger of July 1, 2019. The merger was accounted for using the acquisition method as required by Financial Accounting Standards Board guidance contained in Business Combinations (Topic 805). Our opinion is not modified with respect to this matter.

## Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects in relation to the financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2022, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Keiter  
March 21, 2022  
Glen Allen, Virginia

# STATEMENTS OF FINANCIAL POSITION

Years Ended June 30, 2021 and 2020

<u>Assets</u>	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 4,914,289	\$ 4,319,248
Accounts receivable	2,864,998	1,717,757
Investments	2,125,564	1,946,610
Property and equipment, net	636,394	643,571
Other	-	17,000
	<hr/>	<hr/>
Total assets	<u>\$ 10,541,245</u>	<u>\$ 8,644,186</u>
 <u>Liabilities and Net Assets</u> 		
Liabilities:		
Accounts payable	\$ 27,845	\$ 272,232
Accrued expenses	53,279	42,728
Deferred revenue	268,266	346,708
	<hr/>	<hr/>
Total liabilities	349,390	661,668
Net assets without donor restrictions	<u>10,191,855</u>	<u>7,982,518</u>
Total liabilities and net assets	<u>\$ 10,541,245</u>	<u>\$ 8,644,186</u>

See accompanying notes to financial statements.

# STATEMENTS OF FINANCIAL ACTIVITIES

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenues:		
Contract fees	\$ 3,584,842	\$ 2,232,568
Sales and programming	5,915,338	6,465,258
Contributions (Note 1)	-	596,997
Investment income, net	178,954	67,803
Other	<u>25,727</u>	<u>52,873</u>
 Total revenues	 <u>9,704,861</u>	 <u>9,415,499</u>
Expenses:		
Program:		
Patient Level Data System	374,240	343,529
Efficiency and Productivity	254,750	253,893
All Payer Claims Database	1,269,424	1,247,405
ConnectVirginia	4,754,064	3,031,326
Other projects	<u>219,697</u>	<u>219,269</u>
Total program	6,872,175	5,095,422
 Management and general	 <u>623,349</u>	 <u>321,836</u>
 Total expenses	 <u>7,495,524</u>	 <u>5,417,258</u>
 Change in net assets without donor restrictions	 2,209,337	 3,998,241
 Net assets without donor restrictions, beginning of year	 <u>7,982,518</u>	 <u>3,984,277</u>
 Net assets without donor restrictions, end of year	 <u>\$ 10,191,855</u>	 <u>\$ 7,982,518</u>

See accompanying notes to financial statements.



# STATEMENTS OF CASH FLOWS

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,209,337	\$ 3,998,241
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	54,123	20,750
Net investment income reinvested	(178,954)	(67,803)
Change in assets and liabilities:		
Accounts receivable	(1,147,241)	(1,104,025)
Other	17,000	(17,000)
Accounts payable	(244,387)	216,859
Accrued expenses	10,551	(11,263)
Deferred revenue	<u>(78,442)</u>	<u>346,708</u>
Net cash provided by operating activities	641,987	3,382,467
Cash flows used in investing activities:		
Purchases of property and equipment	<u>(46,946)</u>	<u>(40,858)</u>
Net change in cash and cash equivalents	595,041	3,341,609
Cash and cash equivalents, beginning of year	<u>4,319,248</u>	<u>977,639</u>
Cash and cash equivalents, end of year	<u>\$ 4,914,289</u>	<u>\$ 4,319,248</u>

See accompanying notes to financial statements.

# STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2021

	Patient Level Data System	Efficiency and Productivity	All Payer Claims Database	Connect Virginia	Other Projects	Management and General	Total
Accounting fees	\$ 924	\$ 629	\$ 3,135	\$ 11,739	\$ 542	\$ 1,531	\$ 18,500
Data processing	215,545	499	981,986	4,317,572	430	1,214	5,517,246
Depreciation and amortization	2,704	1,840	9,170	34,344	1,587	4,478	54,123
Dues, licenses, and permits	1,084	738	3,677	22,962	636	1,796	30,893
Employee benefits	27,679	45,820	44,591	31,441	42,485	119,868	311,884
Equipment rental and maintenance	77	53	262	981	45	128	1,546
Graphic design and printing	2,234	230	1,148	4,300	199	561	8,672
Insurance	2,437	1,659	8,267	30,962	1,431	4,037	48,793
Legal fees	351	239	10,581	57,024	206	582	68,983
Maintenance and repairs	181	123	615	2,305	107	300	3,631
Marketing	364	248	1,235	4,625	214	603	7,289
Miscellaneous	5	3	16	59	3	111	197
Network maintenance	388	264	1,315	4,926	228	642	7,763
Office cleaning and landscaping	210	143	714	2,673	124	348	4,212
Office supplies	346	235	1,211	4,392	203	573	6,960
Payroll administration	33	22	112	419	19	55	660
Payroll taxes	6,742	11,160	10,861	7,658	10,348	31,085	77,854
Phone, fax and teleconferencing	945	644	3,207	12,013	555	1,566	18,930
Postage and delivery	1,077	202	1,005	3,765	174	491	6,714
Product development	3,197	464	2,310	8,652	400	1,128	16,151
Real estate tax	423	288	1,434	5,370	248	700	8,463
Salaries	101,836	168,579	164,057	115,679	156,309	442,512	1,148,972
Subcontractor services	4,638	3,157	15,733	58,921	2,723	7,682	92,854
Travel and meeting expenses	153	104	518	1,940	90	253	3,058
Utilities	515	351	1,748	6,545	302	853	10,314
Website	152	17,056	516	2,797	89	252	20,862
	<u>\$ 374,240</u>	<u>\$ 254,750</u>	<u>\$ 1,269,424</u>	<u>\$ 4,754,064</u>	<u>\$ 219,697</u>	<u>\$ 623,349</u>	<u>\$ 7,495,524</u>

See accompanying notes to financial statements.

# STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2021

	Patient Level Data System	Efficiency and Productivity	All Payer Claims Database	Connect Virginia	Other Projects	Management and General	Total
Accounting fees	\$ 568	\$ 419	\$ 2,061	\$ 6,808	\$ 362	\$ 532	\$ 10,750
Data processing	192,629	-	959,500	2,249,953	-	-	3,402,082
Depreciation and amortization	2,521	1,863	9,154	22,246	1,609	2,362	39,755
Dues, licenses, and permits	344	254	1,248	3,033	219	322	5,420
Employee benefits	29,218	46,147	41,059	122,947	46,067	67,616	353,054
Equipment rental and maintenance	194	144	705	1,714	124	182	3,063
Graphic design and printing	508	376	1,846	4,486	324	477	8,017
Insurance	2,374	1,754	8,619	20,945	1,515	2,223	37,430
Legal fees	812	3,057	31,917	55,636	518	760	92,700
Maintenance and repairs	285	211	1,036	2,519	182	268	4,501
Marketing	521	1,102	1,890	4,595	332	488	8,928
Miscellaneous	41	30	147	358	26	38	640
Network maintenance	286	213	1,045	2,539	184	270	4,537
Office cleaning and landscaping	318	235	1,156	2,808	204	298	5,019
Office supplies	612	452	2,222	5,400	391	573	9,650
Payroll administration	40	29	144	350	25	37	625
Payroll taxes	6,568	10,373	9,230	27,637	10,356	15,199	79,363
Phone, fax and teleconferencing	1,581	1,169	5,741	13,952	1,009	1,481	24,933
Postage and delivery	396	293	1,439	3,496	253	371	6,248
Product development	868	641	3,151	7,657	554	813	13,684
Real estate tax	536	397	1,949	4,735	343	503	8,463
Salaries	95,237	150,419	133,833	400,750	150,159	220,398	1,150,796
Subcontractor services	5,769	4,264	20,950	50,908	3,682	5,405	90,978
Travel and meeting expenses	477	365	4,366	8,572	304	447	14,531
Utilities	589	435	2,138	5,194	376	551	9,283
Website	237	29,251	859	2,088	151	222	32,808
	<u>\$ 343,529</u>	<u>\$ 253,893</u>	<u>\$ 1,247,405</u>	<u>\$ 3,031,326</u>	<u>\$ 219,269</u>	<u>\$ 321,836</u>	<u>\$ 5,417,258</u>

See accompanying notes to financial statements.

# NOTES TO FINANCIAL STATEMENTS

## 1. Nature of Organization

Virginia Health Information (“the Organization”) is a nonprofit, tax-exempt section 501(c)(3) organization which compiles, stores, analyzes, and evaluations patient level data for the Commonwealth of Virginia (the “Commonwealth”).

In February 1993, the Commonwealth joined 38 other states that established legislation to create a statewide patient level database. This database, to be maintained by the Organization, is the Commonwealth’s only public resource for all inpatient hospital discharge information.

On June 19, 2019, the Organization executed an Agreement of Merger and Plan of Merger (the “Agreements”) with ConnectVirginia HIE, Inc. with an effective date of July 1, 2019. The Agreements stipulated the Organization as the surviving entity. The merger was accounted for using the acquisition method as required by Financial Accounting Standards Board guidance contained in Business Combinations (Topic 805). As a result, the Organization received a contribution from ConnectVirginia HIE, Inc. of cash on July 1, 2019 of \$596,997, which is reflected as contributions on the accompanying 2020 statement of activities.

## 2. Summary of Significant Accounting Policies

### Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (“GAAP”) as determined by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”).

### Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

### Accounts Receivable

Accounts receivable consists of amounts due from healthcare organizations, primarily representing fees and fines for non-processed and verified data submissions, and amounts due from grantors under grant agreements. The Organization’s policy is to treat any receivables outstanding for greater than six months as uncollectible. Management determined no allowance was needed at June 30, 2021, and June 30, 2020.

### 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 in the statements of activities.

### Property and Equipment

Property and equipment is stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the various assets. Estimated useful lives are 3 years for computer equipment and software, 7 years for office furniture and fixtures, and 40 years for building and building improvements.

### Net Assets

The Organization is required to report amounts separately by class of net assets as follows:

#### Net Assets Without Donor Restrictions

Those funds currently available for general use and not subject to donor-imposed restrictions.

#### Net Assets With Donor Restrictions

Those funds subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or passage of time. These net assets represent contributions and grants, which must be spent for the purpose designated by the donors. Expirations of donor restrictions on net assets (i.e., donor-stipulated purpose has been fulfilled and/or stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization did not have any net assets with donor restrictions at June 30, 2021 or 2020.

### Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers (Topic 606)”. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective July 1, 2020, the first day of the Organization’s fiscal year, using the modified retrospective approach. The adoption of this ASU did not have a material impact on the financial statements.

1. The Organization serves as the entity responsible for the compilation, storage, analysis and evaluation of patient level data provided by inpatient hospitals in the Commonwealth.
2. The Organization 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 the Commonwealth.
3. The Organization develops and disseminates healthcare cost and quality information derived from any and all new projects determined by the Organization’s Board of Directors.
4. The Organization collects, compiles and publishes HEDIS information reports voluntarily submitted by health maintenance organizations or other healthcare plans, as appropriate.
5. The Organization receives, maintains and preserves certain data records and publications and fills requests for information related to those records and publications. voluntarily submitted by health maintenance organizations or other healthcare plans, as appropriate.

In addition to the government appropriations noted above, Virginia Health Information also recorded revenue from:

1. Implementation and operation of Commonwealth’s All Payer Claims Database.
2. Operation of ConnectVirginia, the statewide health information

exchange for the Commonwealth of Virginia, including the Emergency Department Coordination Care ("EDCC") Program.

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 the Organization.
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

Significant contracts are generally for one-year periods with payments received quarterly. Revenue is recognized when the obligations under the terms of a contract with a customer are satisfied, measured as the amount of total consideration expected to be received in exchange for transferring goods or providing services. Contract fee revenue is recognized over time, over the length of the related contract. Contract fee revenue totaled \$3,584,842 for 2021 and \$2,232,568 for 2020. Sales and programming revenue is recognized at a point in time when services are performed. Sales and programming revenue totaled \$5,915,338 for 2021 and \$6,465,258 for 2020.

Contract assets represent the Organization's right to consideration in exchange for services transferred to a customer. There were no contract assets at June 30, 2021 or 2020. Contract liabilities represent the Organization's continuing obligation to transfer products and services to a customer when the customer prepays consideration for products and services. The Organization had \$268,266 of contract liabilities at June 30, 2021 and \$346,708 of contract liabilities at June 30, 2020. These liabilities were for continuing services owed to customers for contract fee revenue, and are classified as deferred revenue in the accompanying statements of financial position.

### Functional Allocation of Expenses

The costs of providing various program and supporting services have been summarized on the functional basis in the statements of activities. Expenses have been summarized based on classification, regardless of the funding source. Accordingly, salaries and wages have been allocated based on time spent in the various functions. All contractual costs have been allocated as management and general, and occupancy costs have been allocated based on the indirect costs allowed by the various contracts. All other expenses are charged as actual costs incurred by the various functions.

### Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Management has evaluated the effect of guidance surrounding uncertain income tax positions and concluded that the Organization has no significant financial statement exposure to uncertain income tax positions at June 30, 2021 and 2020. The Organization is not currently under audit by any tax jurisdiction.

### Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents; accounts receivable; and accounts payable and accrued expenses approximate fair value because of the short-term nature of these financial instruments.

### Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, accounts receivable, and investments. Cash and cash equivalent balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. The Organization generally has balances in excess of the FDIC insurance limit.

Accounts receivable are due from the Commonwealth and large healthcare providers in the Commonwealth. The nature of these healthcare providers reduces the risk of collectability of accounts receivable. At June 30, 2021 and 2020, approximately 68% and 54%, respectively, of accounts receivable was due from two customers/grantors. Revenues earned from one grantor were approximately 67% for 2021 and 35% for 2020 of total revenues.

The Organization holds investments in a variety of financial instruments, which are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain marketable securities and the level of uncertainty related to changes in the value of marketable securities, it is at least reasonably possible that changes in the risks in the near term could materially affect amounts reported on the financial statements.

### Subsequent Events

Management has evaluated subsequent events through March 21, 2022, the date the financial statements were available to be issued, and has determined that there are no subsequent events to be reported in the accompanying financial statements.

## 3. Investments

Investments consists of the following at June 30:

	2021	2020
Cash and cash equivalents	\$ 620,361	\$ 255,614
Equities	592,318	461,882
Corporate fixed income	912,885	400,034
Certificates of deposit	-	829,080
	<u>\$ 2,125,564</u>	<u>\$ 1,946,610</u>

## 4. Property and Equipment

Property and equipment, net consists of the following at June 30:

	2021	2020
Land	\$ 159,000	\$ 159,000
Building and building improvements	618,196	618,196
Computer equipment and software	318,231	271,285
Office furniture and fixtures	<u>100,597</u>	<u>100,597</u>
	1,196,024	1,149,078
Less: accumulated depreciation	<u>(559,630)</u>	<u>(505,507)</u>
	<u>\$ 636,394</u>	<u>\$ 643,571</u>

Depreciation and amortization expense totaled \$54,123 in 2021 and \$39,755 in 2020.

## 5. Fair Value Measurements

The FASB has issued guidance for measurement and disclosure of fair value and establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal and most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The levels of the hierarchy are defined as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology are quoted prices for similar

instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets.

Level 3 Inputs to the valuation methodology are unobservable for the instrument and significant to the fair value measurement. The Organization did not have any Level 3 assets at June 30, 2021 and 2020.

Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for investments carried or disclosed at fair value:

### Cash and cash equivalents

Valued at the cash balance.

### Equities

Valued at the closing price reported on the active market on which the individual mutual funds and common stocks are traded.

### Corporate fixed income

Valued at the present value of the bond's cash flow which includes periodic interest payments and the repayment of principal.

### Certificates of deposit

Valued at face value and accrued interest.

Investments measured at fair value on a recurring basis at June 30, 2021 include the following:

	Fair Value Using:			Total
	Level 1	Level 2	Level 3	
Money market	\$ 255,614	\$ -	\$ -	\$ 255,614
Equities	461,882	-	-	461,882
Corporate fixed income	-	400,034	-	400,034
Certificates of deposit	-	829,080	-	829,080
	<u>\$ 717,496</u>	<u>\$ 1,229,114</u>	<u>\$ -</u>	<u>\$ 1,946,610</u>

Investments measured at fair value on a recurring basis at June 30, 2020 include the following:

	Fair Value Using:			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 620,361	\$ -	\$ -	\$ 620,361
Equities	592,318	-	-	592,318
Corporate fixed income	-	912,885	-	912,885
	<u>\$ 1,212,679</u>	<u>\$ 912,885</u>	<u>\$ -</u>	<u>\$ 2,125,564</u>

## 6. Employee Retirement Plan

The Organization sponsors a defined contribution retirement plan (the "Plan") which covers all employees who meet eligibility requirements. The Plan enables participants to make contributions, and the Organization may elect to match the employee's contribution. The Organization's contribution to the Plan was \$101,794 in 2021 and \$115,061 in 2020.

## 7. Indemnification

The Organization has certain obligations to indemnify its current and former directors for certain events or occurrences while the officer or director is, or was serving, at the the Organization's request in such capacities. The maximum liability under these obligations is limited by the Code of Virginia. The Organization's insurance policies serve to further limit its exposure.

## 8. Commitments and Contingencies

### Data Processing

The Organization 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. Through the year ended June 30, 2019, the Organization provided \$276,817 of the APCD budget each year. As of July 1, 2019, the Organization was no longer responsible for any portion of the APCD budget.

The Organization entered into a contract with a vendor to provide data processing services related to development of the APCD. The Organization incurred expenses under the contract of \$900,000 for 2021 and \$900,000 for 2020.

To help support the Organization's effort to manage and administer a patient level database for the Commonwealth, the Organization entered into a contract with a vendor to provide computer programming, data processing, reporting and consulting services. The vendor 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. The Organization incurred expenses under this contract of \$229,482 for 2021 and \$192,629 for 2020. This contract renews on an annual basis only after both the Organization and the vendor agree on the terms of an extension.

In connection with the merger as described in Note 1 and the EDCC Program described in Note 2, the Organization is party to a contract with a vendor to provide a single, statewide technology solution that connects all hospital emergency departments in the Commonwealth to facilitate real-time communication and collaboration among physicians, other health care providers, and clinical and care management personnel for patients receiving services in hospital emergency departments, for the purpose of improving the quality of patient care services. The Organization incurred expenses under this contract of \$4,056,545 for 2021 and \$2,006,239 for 2020. This contract automatically renews on an annual basis.

### Federal Awards

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for noncompliance with grantor restrictions. Such audits could also result in the grantor prohibiting future funding of such grant. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, for any impact from the revocation of future grant funds cannot be determined at this date.

## 9. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, comprise the following:

	2021	2020
Cash and cash equivalents	\$ 4,914,289	\$ 4,319,248
Accounts receivable	2,864,998	1,717,757
Investments	<u>2,125,564</u>	<u>1,946,610</u>
	<u>\$ 9,904,851</u>	<u>\$ 7,983,615</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

# SCHEDULE OF EXPENDITURES OF FEDERAL AWARD

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
Department of Health and Human Services			
Pass-through payments:			
Virginia Department of Health Public Health Crisis Response Awards	93.354	VDH-17-901-0178-3	\$ <u>1,000,000</u>

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARD

### 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Virginia Health Information ("the Organization") under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFS) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, results of operations, or cash flows of the Organization.

### 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### 3. Indirect Cost Rate

The Organization has not elected to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

# INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of  
Virginia Health Information  
Richmond, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Virginia Health Information. (the "Organization"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 21, 2022.

## Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Virginia Health Information's Response to Findings

Virginia Health Information's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Keiter

March 21, 2022  
Glen Allen, Virginia



# INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors  
Virginia Health Information  
Richmond, Virginia

## Report on Compliance for Each Major Federal Program

We have audited Virginia Health Information's (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2021. The Organization's major federal program is identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

## Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

## Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and the Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

## Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

## Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing

our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material *weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2021-002 that we consider to be a material weakness.

The Organization's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Keiter

March 21, 2022  
Glen Allen, Virginia

# SCHEDULE OF FINDING & QUESTIONED COSTS

YEARS ENDED JUNE 30, 2021

## A. SUMMARY OF AUDIT RESULTS

1. Unmodified opinion on the basic financial statements.
2. A material weakness disclosed during the audit of the financial statements is reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No noncompliance which is material to the financial statements was disclosed by the audit.
4. A material weakness in internal control of major federal award programs disclosed during the audit is reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. Unmodified opinion on compliance for major programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. Major Programs:
8. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
9. The auditee did not qualify as a low risk auditee.

Name of Federal Program or Cluster	CFDA#
Public Health Crisis Response Awards	93.354

## B. FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 2021-001 Controls over Cash Disbursements

**Condition:** The same individual enters payables into the accounting ledger, approves bills for payment, prepares the payments, signs the checks, and reconciles the bank statements.

**Criteria:** Segregation of duties controls should be implemented to properly separate custody of assets, authorization and approval of transactions, and recording and recordkeeping of transactions.

**Cause:** There are no procedures in place to divide the tasks in the process between individuals.

**Effect:** Without segregating these tasks, there is heightened risk of erroneous and/or fraudulent disbursements from the individual performing the process.

**Recommendation:** Procedures should be implemented in the cash disbursements process to segregate these tasks.

## Views of Responsible Officials and Planned Corrective

**Actions:** Virginia Health Information agrees with the finding and is in process of implementing the recommended procedures.

## C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

Finding 2021-001 Public Health Crisis Response Awards – Assistance Listing No. 93.354; Grant No. VDH-17-901-0178-3; Grant Period – Year ended June 30, 2021

**Material Weakness:** As discussed at Finding 2021-001, sufficient segregation of duties controls are not in place surrounding cash disbursements. The lack of internal controls may result in erroneous or fraudulent cash disbursements. Procedures should be implemented to add additional controls in this process.

Finding 2021-002 Public Health Crisis Response Awards – Assistance Listing No. 93.354; Grant No. VDH-17-901-0178-3; Grant Period – Year ended June 30, 2021

**Condition:** Federal awards are not consistently identified upon granting of award, and expenditures are not tracked according to related awards.

**Criteria:** Federal awards and related expenditures require proper identification and tracking.

**Cause:** No procedures are in place to perform proper identification and tracking.

**Effect:** Without understanding the source of funds, there is a risk that compliance requirements will not be understood or adhered to, resulting in noncompliance that could require funds received and spent be returned.

**Recommendation:** Virginia Health Information should review all contracts at time of the award and identify the ultimate source of funding. Once identified, each should be set up in the accounting ledger to record expenditures in line with the related funding.

## Views of Responsible Officials and Planned Corrective

**Actions:** Virginia Health Information agrees with the finding and is in process of implementing the recommended procedures.

## D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

# CORRECTIVE ACTION PLAN

YEARS ENDED JUNE 30, 2021

Virginia Health Information respectfully submits the following corrective action plan for the year ended June 30, 2021.

Name and address of independent public accounting firm:

Keiter  
4401 Dominion Boulevard  
Glen Allen, Virginia 23060

Audit period: July 1, 2020 – June 30, 2021

Company contact information: Deborah Waite, Chief Operating Officer, 804-643-0001

The findings from the June 30, 2021 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Finding 2021-001

**Recommendation:** Procedures should be implemented in the cash disbursements process to segregate these tasks.

**Action taken:** We are in the process of implementing additional segregation of duties into our cash disbursements process to ensure separation of custody of assets, authorization and approval of transactions, and recording and recordkeeping of transactions

Finding 2021-002

**Recommendation:** Virginia Health Information should review all contracts at time of the award and identify the ultimate source of funding. Once identified, each should be set up in the accounting ledger to record expenditures in line with the related funding.

**Action taken:** We are in the process of implementing additional procedures to review funding sources upon beginning of any new contracts and tracking of related expenditures within our accounting software.

FROM NUMBERS TO KNOWLEDGE



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