

Finance Workgroup Fifth Meeting

March 11, 2010



Today's Objectives

- Review Outcomes of the Sub-Governance Workgroup meeting
- Review revised Sustainability Decision Timeframes
- Approve MiHIN Financing Principles
- Review & Revise Funding Mechanism Applicability
- Review & Revise Sustainability Strategy / Approach
- Finalize remaining work group schedule



Agenda

- Review Outcomes of the Sub-Governance Workgroup meeting
- Review Revised Sustainability Decision Timeframes
- Approve MiHIN Financing Principles
- Review & Revise Funding Mechanism Applicability
- Review & Revise Sustainability Strategy / Approach
- Finalize remaining work group schedule
 - Add meetings for **March 25th** and **April 2nd**
- Public Comment
- Next Steps
- Adjourn



Financial Sustainability

Review Outcomes From Sub-Governance Workgroup Meeting



Financial Sustainability

Review Revised Sustainability Decision Timeframes



Financial Sustainability – Future Decisions

	Action Item	FWG Review Date <small>Approval Date</small>	GWG Review Date <small>Approval Date</small>
1	Finalize Financing Principles	02-18-2010 03-11-2010	02-17-2010 03-18-2010
2	Finalize Sustainability Strategy & Approach	03-11-2010 03-17-2010	03-25-2010 03-31-2010
3	Finalize 5-year Capital & Operating Budgets to be the basis for sustainability modeling	03-17-2010 03-25-2010 (N)	03-31-2010 04-09-2010
4	Approve Financial Sustainability section of the MiHIN Strategic Plan & the Pro Forma Models	04-02-2010 (N) 04-07-2010	04-09-2010 04-14-2010



Financial Sustainability

**Approve
Financing Principles**



Financial Sustainability – Financing Principles

	Financing Principle	Funding Implications
1	Multi-stakeholder collaboration is needed for success	Membership, Subscription, and Sponsorship Fees based upon equitable formulas
2	MiHIN must be self-sustaining	Not dependent upon grants
3	MiHIN business model must balance cost, value, & risk	Fee-for-Service & Transaction Fees in addition to Membership, Subscription, & Sponsorship Fees based upon equitable formulas
4	Stakeholders must see value to justify the investment	
5	MiHIN should leverage existing private and public HIT and HIE investments, and to the extent possible not duplicate these existing or planned investments	



Financial Sustainability – Financing Principles

	Financing Principle	Funding Implications
6	Grants should be used to enable the launch and evaluation of a new value added service, but should not be relied upon for the long term sustainability of a service or for MiHIN itself	Fee-for-Service & Transaction Fees in addition to Membership, Subscription, & Sponsorship Fees based upon equitable formulas
7	Revenue should not be sought disproportionately from any one stakeholder or group of stakeholders	Membership, Subscription, and Sponsorship Fees based upon equitable formulas
8	Those who benefit should participate in paying the costs; long-term sustainability will be dependent upon fair contribution from those who benefit including all who realize benefits such as those related to improvements in care, quality, patient safety, patient and provider satisfaction, reduced disparity in care, reduced redundancy in tests, admissions, visits and procedures, and improved communications resulting in cost reduction or avoidance	Fee-for-Service & Transaction Fees in addition to Membership, Subscription, & Sponsorship Fees based upon equitable formulas



Financial Sustainability – Financing Principles

	Financing Principle	Funding Implications
9	MiHIN should be attractive to a broad range of stakeholders and be implemented in phases, as necessary, to deliver early results to promote adoption	
10	MiHIN must encourage adoption by being an open and non-proprietary network	
11	MiHIN must support participant access to non-MiHIN supplied HIT and HIE applications hosted by other participants or service providers	



Financial Sustainability

**Review & Revise
Funding Mechanism Applicability**



Financial Sustainability – Funding Mechanisms

Participants	Funding Mechanism Descriptions listed below this matrix								Grants (for non-MiHIN Services)	Access Fees (for non-MiHIN Services)
	Membership Fees (paid provider)	Subscription Fees (paid user)	Sponsorship Fees	Transaction Fees	Fee-For-Service Fees	Legislated Fees	Grants	Access Fees		
State of Michigan	1	1	1	1	1	1	1	1	1	
Medical (as a payer)	2	2	2	2	2	2	2	2	2	
Health Information Exchanges (HIE)	4	1	1	1	1	1	1	1	1	
Regional Health Information Organizations (RHIO)	4	1	1	1	1	1	1	1	1	
Regional Health Information Organizations (RHIO)	4	1	1	1	1	1	1	1	1	
Health Systems	3	4	4	4	4	4	4	4	4	
Hospitals	3	4	4	4	4	4	4	4	4	
Critical Access Hospitals	3	4	4	4	4	4	4	4	4	
Physician Group Practices	3	4	4	4	4	4	4	4	4	
Physicians	3	4	4	4	4	4	4	4	4	
Federally Qualified Health Centers	3	4	4	4	4	4	4	4	4	
Other Eligible Providers	3	4	4	4	4	4	4	4	4	
Free-standing Surgery Centers	4	4	4	4	4	4	4	4	4	
Other Free-standing Treatment Centers	4	4	4	4	4	4	4	4	4	
Free-standing Diagnostic Centers	4	4	4	4	4	4	4	4	4	
Health Plans/Insurers	4	2	3	2	1	3	3	3	3	
Health Plan Administrators	4	2	3	2	1	3	3	3	3	
Employers	4	2	3	2	1	3	3	3	3	
Consumers/Patients	1	1	1	1	1	1	1	1	1	
Researchers	1	2	1	1	1	1	1	1	1	
Other										
Enter New Participant Type										
Enter New Participant Type										
Enter New Participant Type										



Financial Sustainability

Review & Revise Financial Sustainability Strategy / Approach



Financial Sustainability – Strategy

Strategy - implement a series of funding mechanisms that:

- Recognizes that *all who benefit* from the values realized from the exchange of health information *will equitably participate in the financing* and support of the statewide shared services network (MiHIN)
- Encourages *adoption and use* of health information technologies (HIT) and the exchange of health information within and across *sub-state and private Health Information Exchanges* (HIE) thus *enabling "meaningful use"*
- Enables the *extension and expansion* of the capabilities, services, and benefits of the exchange of health information within the State of Michigan and across the nation *through and beyond* the initial four years of the ARRA grant funding (2010 – 2013)



Financial Sustainability – Approach

Approach - utilize access & usage based funding mechanisms to:

- Ensure the operational sustainability of MiHIN
- Enable the equitable allocation of costs among stakeholders
- Ensure that the pricing structures reflect the relative value of each service
- As much as practical reflect the environmental, economic, and political circumstances affecting the delivery of healthcare in Michigan



Financial Sustainability – Approach

The approach to financing will look at four time frames:

- **2010 & 2011** – funding will be through the HITECT grant and the State of Michigan match
- **2012** – access & usage fees from the primary MiHIN customer base, the Sub-state & Private HIEs, will be instituted to begin the establishment of sustainability funding
- **2013 & beyond** – additional usage fees may be instituted to accommodate additional MiHIN customers and services
- **2014 & beyond** – MiHIN will depend totally upon usage fees for sustaining operations



Financial Sustainability – Approach

Financial Sustainability Modeling will be used in two phases:

- **Phase 1** – will be initiated to support the development and submission of the MiHIN Strategic & Operational Plans to ONC; **estimated** capital & operating budgets will be used
- **Phase 2** – will be initiated after the new MiHIN organization is created and ONC funding is approved; **actual** capital & operating budgets will be used



Financial Sustainability – Approach

Phase 1 - Modeling will be used to:

1. develop initial estimated operating and capital budgets for each of the six years (2010 – 2015)
2. develop projections of revenues required of each funding mechanism for each year
3. provide initial cost projections for the pilot implementations
4. provide the basic financial information required for submission of the MiHIN Strategic and Operational Plans to ONC



Financial Sustainability – Approach

Phase 2 - Modeling will be used to fully analyze:

1. the impact, appropriateness, acceptability, and timing of each of the funding mechanisms as it relates to each stakeholder group
2. the size and number of participants in each stakeholder group
3. the timing of the delivery of each of the identified service priorities
4. the extent to which a given service can be directly associated with one or more stakeholder groups



Financial Sustainability – Approach

Phase 2 - Modeling will be used to fully analyze: (continued)

5. the extent to which the value of a given service can be determined and associated with one or more stakeholder groups
6. the extent to which a given service has a directly associated ROI that can be associated with one or more stakeholder groups



Financial Sustainability – Approach

Phase 2 Modeling will be used to:

1. finalize revenue targets by funding mechanism and stakeholder group
2. establish appropriate and equitable fee structures
3. incorporate the fee structures into the Stakeholder Trust Agreements
4. develop and submit the MiHIN Financial Sustainability Business Plan to ONC by the 02-10-2011 deadline.



Public Comment Period

- Time allotted for Public Comment



Next Steps

- Review Objectives for today
- Requirements for next meetings
- Set two new meeting dates
 - March 25th & April 2nd
- Assignments
- Decisions to make next time
- Adjourn

