

Finance Workgroup Fourth Meeting

• February 4, 2010



Today's Objectives

- Review current Sustainability Work Plan
- Review proposed Sustainability Pro Forma model
- Review & Refine MiHIN Financing Principles
- Finalize remaining work group schedule



Agenda

- Review current Sustainability Work Plan
- Review Sustainability Pro Forma Model
- Review Financing Principles
 - Florida, Maryland, & Pennsylvania
- Review & Refine Financing Principles for MiHIN
- Public Comment
- Next Steps
- Adjourn



Building A Financial Sustainability Plan

Review Planning Approach



Building A Sustainability Plan - Background

- The ONC State HIE Toolkit suggests that a State Strategic Plan must:
 - include a business plan enabling financial sustainability of governance and operations by the end of the Project period
 - describe initial plans related to financial sustainability
 - show how sustainability plan is endorsed by stakeholders
 - be capable of supporting HIE governance and operations beyond the ARRA funding



Building A Sustainability Plan - Background

- The ONC State HIE Toolkit suggests that a State Strategic Plan should address:
 - pricing models for HIE
 - stakeholder contributions and/or willingness to pay for services at a regional, state, or vendor level
 - the role of the state including the potential for health care methodologies to directly or indirectly subsidize the cost associated with HIE services



Financial Sustainability Work Plan

Review Work Plan



Review Sustainability Work Plan

The plan generally follows the steps suggested in the
ONC State HIE Toolkit.

1. Develop Financing Principles
 2. Identify & prioritize funded activities, both the
implementation & ongoing activities
 3. Assess available funding sources & mechanisms
 4. Identify technical implementation & operating costs
 5. Develop financial sustainability pro forma budgets
 6. Prepare final Business Financial Sustainability Plan
for inclusion in the MiHIN Strategic Business Plan
- Currently work is to be concluded by April 15, 2010



Review Sustainability Work Plan

The results of this planning effort will include the following MiHIN documents:

- New - List of Financing Principles
- Updated - HIE Services Architecture Roadmap (planned services)
- Validated – List of HIE Funded Activities
 - Ongoing governance activities
 - Ongoing technical activities
- Updated – List of Funding Sources & Mechanisms
- New - Sustainability Budget Pro Forma Models
- New - Business Financial Sustainability Plan



Financial Sustainability Budget Pro Forma

Review Pro Forma Model



Review Sustainability Budget Pro Forma Model

The **annual** Budget Pro Forma will incorporate MiHIN working documents and decisions related to the following:

- **Annual Capital Requirements**
 - HIE Service Architecture Roadmap
 - What services & when
 - Additional infrastructure requirements (existing services)
 - Additional non-infrastructure requirements
- **Total Capital Costs**
 - How are costs allocated between services
 - What are the funding mechanisms



Review Sustainability Budget Pro Forma Model

The **annual** Budget Pro Forma (continued):

- **Annual Operating Requirements**
 - Basis - HIE Service Architecture Roadmap
 - What services & when
- **Total Operating Costs**
 - Less: Direct funding sources & dollars
 - Non-reoccurring grant revenue
 - Non-reoccurring match revenue
 - Direct reoccurring revenue (fee-for-service)
 - Variable limited term revenue (sponsorships)
 - Difference: Unfunded operating costs



Review Sustainability Budget Pro Forma Model

The **annual** Budget Pro Forma (continued):

- **Annual Operating Requirements** (continued):
 - Total unfunded operating costs
 - Less: Value based revenues
 - Direct ROI-based revenues (ROI value fees)
 - Participant fees
- **Result: Net Margin or Loss**
 - What funding mechanisms are available
 - Operating reserves from prior years
 - Special participant assessments
 - Loss carried into the next year's operating budget



Michigan Sustainability Financing Principles

Step #1 Develop Financing Principles



Step #1 - Develop Financing Principles

- The ONC State HIE Toolkit states that defining core principles and goals is foundational; these:
 - guide planning and implementation
 - aid in determining how activities will be funded and financed
 - shape the selection, prioritization, and timing of investments
 - shape the selection, prioritization, and timing of service offerings



Review Financing Principles - Florida

- The cost of entry into the State HIE can not become a barrier.
- Long term funding of the State HIE can not be borne by health care providers.
- Health insurers and payers are the largest benefactors, their cost should align with the benefit.
- The State HIE plan should require minimal capital investment.
- Pricing of services will be based upon the value of the services.



Review Financing Principles - Maryland

- State monies should be leveraged to achieve sustainability.
- Participants will be willing to pay for value.
- The value of physician participation has increased due to ARRA incentives.
- The financial model should not rely on grants.
- Revenue should not be sought disproportionately from any one stakeholder group.
- Proper subscription fee models can incentivize higher utilization.



Review Financing Principles – Pennsylvania

- Assure State match for ARRA funding.
- Create sustainable business model using public and private financing.
- Minimize user costs for providers and payers.
- Ensure fair distribution and allocation of costs.
- Leverage existing sources of funding.
- Define the business case including expected ROI, business value, and potential cost savings.
- Establish mechanisms and processes to manage funding, reporting, and accountability.



Michigan Sustainability Financing Principles

Refine MiHIN Financing Principles



Refine Financing Principles – Michigan

Proposed Financing Principles:

- Multi-stakeholder collaboration is needed for success
- MiHIN must be self-sustaining
- MiHIN business model must balance cost & risk
- Stakeholders must see value to justify the investment
- Those who benefit should participate in paying the costs
- MiHIN should leverage existing HIT investments
- MiHIN must be attractive to a broad range of stakeholders to promote adoption



Public Comment Period

- Time allotted for Public Comment



Next Steps

- Review Objectives for today
- Requirements for next meeting(s)
- Assignments
- Decisions to make next time
- Adjourn

