VERMONT

State of Vermont, Department of Vermont Health Access
Division of Health Care Reform
312 Hurricane Lane, Suite 201
Williston, VT 05495
HCR.vermont.gov
[Phone] 802-879-5900

Agency of Human Services

TO: **Rep. Mitzi Johnson, Chair**

FROM: **Steven Costantino, DVHA Commissioner**

DATE: **January 21, 2016**

RE: **Health Information Technology (HIT) Fund 32 V.S.A. § 10301(g)**

Overview

The State of Vermont launched the Health Information Technology (HIT) fund in 2008 dedicated to supporting programs that would provide electronic health information systems and practice management systems for health care and human service practitioners in Vermont. As provided for in 32 V.S.A. Chapter 243, the HIT fund accumulates receipts raised by a 0.199% charge on private health benefit claims.[1] The claims tax is administered by the Vermont Department of Taxes. Currently, management of the fund has been delegated by the Agency of Administration to the Department of Vermont Health Access (DVHA) under 18 V.S.A. Chapter 219, Subchapter 1. The fund is used for the development of programs and initiatives designed to promote and improve healthcare information technology and the utilization of HIT systems by practitioners, which has been primarily sponsored by Vermont Information Technology Leaders (VITL). Under current law, the HIT fund will sunset on June 30, 2017.

Early Years

In State Fiscal Years (SFY) 2009 and 2010, the fund was starting out and the State was developing plans for rolling out its HIT programs. In the first two years, the fund received $4,188,333.92 in revenue. Expenditures for both years combined was $1,531,836, leaving a balance at the end of SFY of $2,656,497.92. It was crucial for the State to begin growing a reserve in the fund, knowing that in the coming years expenditures would grow.

State Fiscal Years 2011-2013

During State Fiscal Years 2011 – 2013, the State increased the balance of the HIT fund to $6,956,639. This growth was achieved primarily due to a grant from the Office of the National Coordinator for Health Information Technology to promote the exchange of health information pursuant to the Health Information Technology for Economic and clinical Health (HITECH) Act, which was enacted by Congress as part of the American Recovery and Reinvestment Act (ARRA). This grant covered staff and personnel costs, as well as a majority of the annual funding awarded to VITL. The grant provided funding for three State Fiscal Years with the

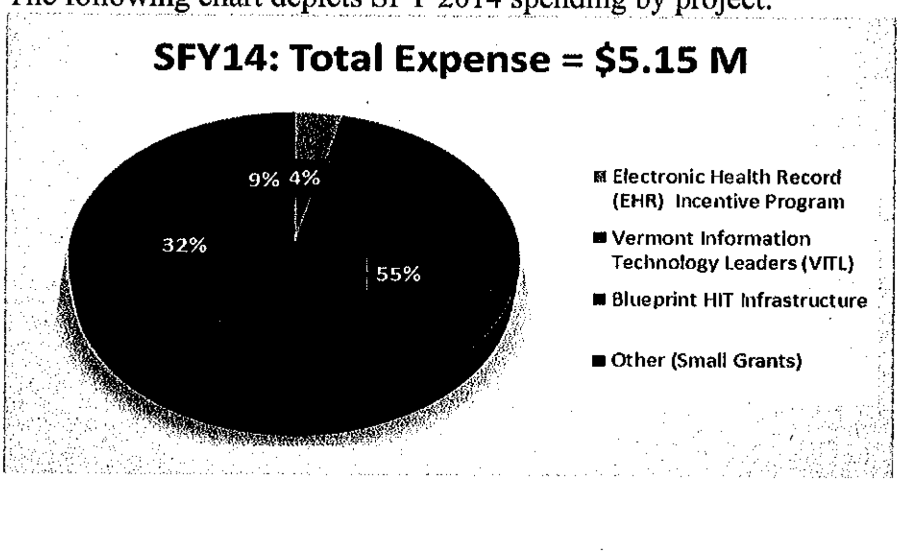
[1] This does not include Medicaid, Medicare, or other health care assistance programs financed with federal funds. See 32 V.S.A. 10401 for definitions.

award totaling $5,034,328. For all grant expenditures, the State was required to provide a match rate of 12.26%. The grant helped the State maximize HIT fund. In SFY 2011, receipts for the HIT fund totaled $2,877,846.67 with expenditures totaling only $589,402. In 2012, receipts increased to a total of $3,467,955.96 and expenditures totaled $1,856,814. In 2013, receipts totaled $3,122,198, and HIT expenditures of $2,721,643.07 were leveraged to maximize support of health information projects totaling $25,809,018. At the end of SFY 2013, the State submitted its *Report of Health Care Reinvestment Fund per 32 VSA Section 1301(g)* to the Legislative Joint Fiscal Committee indicating that the grant was expiring, which would cause federal funding to decrease and State HIT expenditures to increase in the coming years.

State Fiscal Year 2014

SFY2014 was the first year without the HITECH grant. The Centers for Medicaid and Medicare Services (CMS) approved a "fair share" formula that would assist the State in funding HIT activities, but this federal match rate was not as advantageous as it was under the HITECH grant. In other words, the State had to contribute a higher amount toward the expenditures, because of the reduced federal match percentage. The State and CMS agreed to use a "fair share" allocation for eligible projects with a blend of Medicaid and State funds that varies annually. One condition for the funding match eligibility is that other insurance issuers (payers) must also benefit from the HIE and provide funding for it, which occurs in Vermont due to the structure of the HIT Fund and the claims tax that supports it. Because the fund had a balance of $6.9 million at the beginning of SFY2014, the State was able to support the predicted increase in expenditures. In SFY 2014, the State received $3,273,051.91 in receipts. Expenditures peaked at $5,150,204 during this fiscal year as a result of decreased federal assistance and the State's continued desire to support HIT efforts. As indicated in previous HIT reports to the Legislature, the State was prepared for the fund's expenditures to exceed its receipts in SFY 2014, and at the end of the year, the balance of the fund was $5,079,487. The State supported $20,237,388 in HIT projects in SFY 2014 with a State contribution of $5.1 million.

The following chart depicts SFY 2014 spending by project:



VERMONT

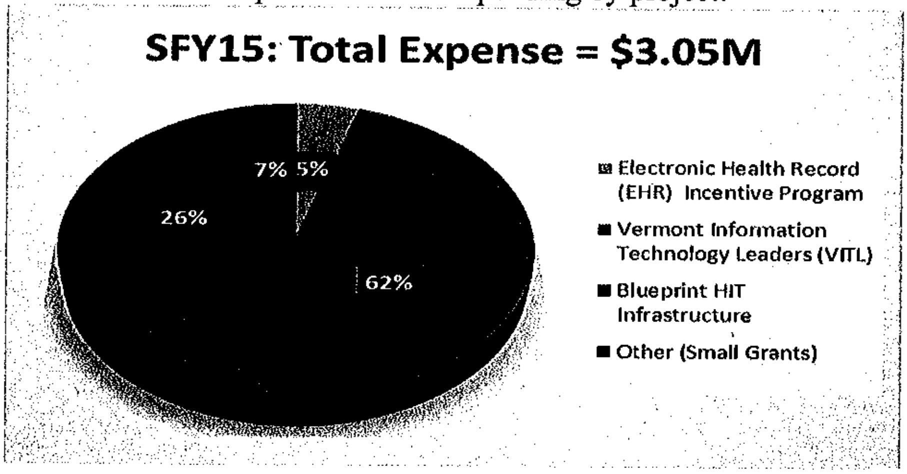
State of Vermont, Department of Vermont Health Access
Division of Health Care Reform
312 Hurricane Lane, Suite 201
Williston, VT 05495
HCR.vermont.gov
[Phone] 802-879-5900

Agency of Human Services

State Fiscal Year 2015

In State Fiscal Year 2015, the State was able to use Vermont's Global Commitment for Health Medicaid 1115 waiver to provide federal matching dollars in order to assist with covering the cost of VITL's agreements and projects. In an effort to extend the sustainability of the HIT Fund, the State made a determination in SFY 2015 to decrease overall expenses, while carefully supporting on-going investment in HIT development and operations. In SFY 2015, receipts were at an all-time high of $3,467,991. Expenditures decreased significantly from SFY 2014 to $3,053,859, primarily due to the new match rate and decreased investment in projects. The $3.05 million in HIT funds expended supported a total spend of $12,143,795 in health information projects for the year.

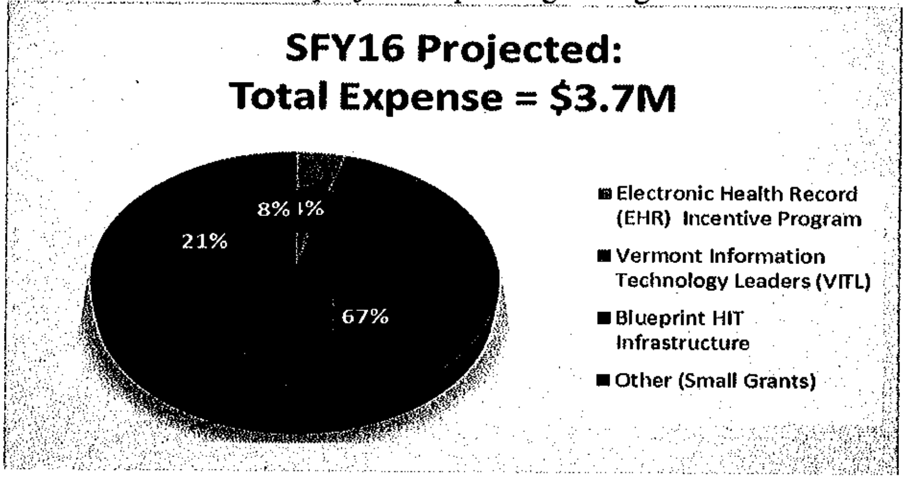
The below chart depicts SFY 2015 spending by project:



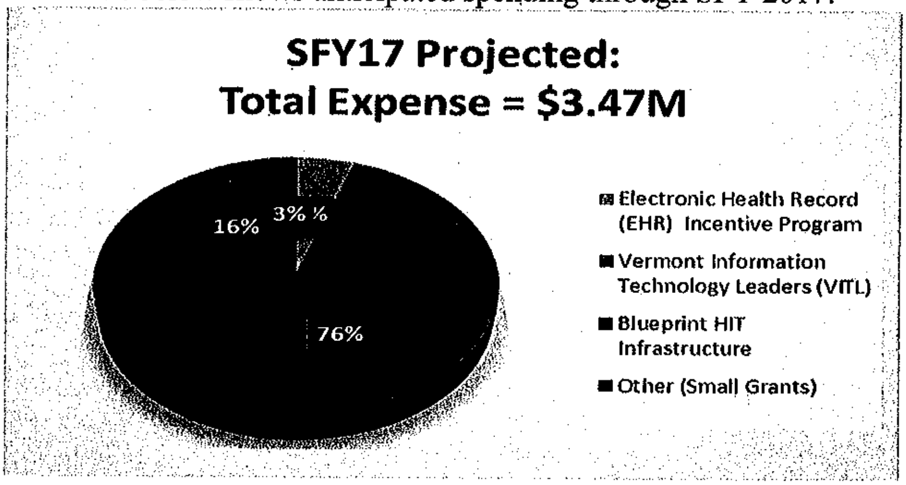
Current Status of the HIT Fund in State Fiscal Year 2016 and Projection for SFY 2017

The health care claims tax dedicated to the HIT fund sunsets on June 30, 2017, as provided for in current law. The State has been increasingly cautious in its management of the HIT fund in SFY 2016 and in regard to budget development for SFY 2017. The State intends to continue its current support of HIT operations and development with an emphasis on supporting operations until future HIT related funding is identified by the Legislature. HIT Fund expenses are projected to moderately increase as development in previous years continues to require operational support. At the fund's current rate of expenditure, the fund is projected to be depleted approximately twelve months after the fund's sunset. However, if the fund is extended at the current rate of expense, investment, and management of its balance, the fund is projected to be sustainable through SFY 2021.

The chart below shows projected spending through SFY 2016:



The chart below shows anticipated spending through SFY 2017:



Conclusion

Throughout the years, the health claims tax dedicated to the HIT fund has provided Vermonters with a mechanism to support the increasing demand for the exchange and access of health information. The State proposed an extension of the claims tax last year, in order to continue providing financial support to its HIT investments; however, this was not accepted by the Legislature. If the claims tax for the HIT fund is not extended beyond June 30, 2017, the fund will support current expenses and investments through its known end-date in SFY 2017.