

Report of the Finance Workgroup

Background

The successful application of Health Information Technology in Minnesota to improve health care quality, assure patient safety and reduce cost depends upon a thorough understanding of the economic and financial characteristics of Minnesota's health care market and the effect of HIT on that market. Effective financial models are essential to the successful implementation of HIT because:

- HIT requires significant initial implementation, and ongoing investment of time and money;
- Financing is a major barrier, particularly for small (i.e., low volume), rural, and safety net providers and underserved communities; and
- The economic benefit of HIT adoption may be difficult to quantify, particularly for small providers.

Findings

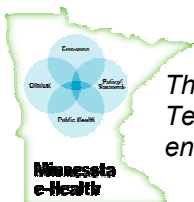
The following are observations and understandings the Finance Workgroup developed through its investigation, research and panel discussions:

- The greatest Value on Investment is derived from the implementation of interoperable systems rather than through deployment of independent, non-standard systems within individual practices or health care systems.
- Interoperability will lead to great return/value on investment, but it is difficult to quantify value, especially for small providers.
- The Value of Investment is derived from improved health care quality, as well as, efficiency and effectiveness.
- Within certain markets, investment in HIT is driven by purchaser (employer) and member market demand.

- Over time provider demand may drive HIT adoption in all practice settings.
- Financial requirements in the development or startup phase are different than requirements in the on-going operations phase, entailing different financing mechanisms and incentives.
- Appropriate alignment of financial resources with the target sectors and recipients is key to creating successful financing mechanisms.
- Ongoing maintenance, and research and development financing must be included in any proposed business plan.
- Both programmatic and financial considerations should be included in any proposed business plan

Principles

- Utilize the standards and technology included in the business plan for the Minnesota Health Information Exchange (MN-HIE).
- Investments in HIT need to advance interoperability and progress toward an integrated system. These investments represent the top priorities for collaborative action.
- Ideally, there is alignment between the cost of HIT investments and the benefits received. Organizations that most directly receive the benefit of the adoption of HIT will be primary investors in this adoption.
- All payers, public and private, have a financial interest to invest in and adopt HIT to realize cost efficiencies and improve health care quality.
- Payers, purchasers and providers meeting consensus minimal levels of financial solvency are expected to plan and budget for HIT



The Minnesota e-Health Initiative will accelerate the adoption and use of Health Information Technology to improve healthcare quality, increase patient safety, reduce healthcare costs and enable individuals and communities to make the best possible health decisions.

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investments as part of their financial, IT and capital budgeting processes.

- State government subsidies, financing or incentives need to complement rather than displace private and federal government investment. The design and targeting of public sector investments should be based on an objective assessment of the public good derived from that investment, the private sector resources that may reasonably be expected to be tendered, and the location and extent of financial barriers within the health system. Subsidies should only be provided to the extent needed to provide an acceptable return on investment or other benefit, and expenditures with a decent return on investment or cost/benefit ratio should finance themselves.
- Any public funds that finance HIT should:
 - Focus on investments for small, rural, or underserved communities.
 - Require a resource commitment from recipient such as financial matching funds, (grants, partial loans, loan guarantees, etc.), in-kind staff contributions, demonstrated production of general public benefit, etc.
 - Require the implementation of systems that are interoperable and that have impact in the improvement of safety and quality.

Call to Action

The MN-HIE Business Plan will:

- Support the implementation of the MN-HIE to facilitate the development of interoperable health information exchange capacity (Goal 2 of the Minnesota and National strategic frameworks).
- Support the adoption of interoperable HIT for a broad range of providers including “safety net” providers in small, rural, and underserved communities to improve health care quality, organizational effectiveness and realize cost efficiencies.
- Focus on the greater good of the citizens of Minnesota.

To develop and implement the MN-HIE, the Minnesota e-Health Steering Committee will:

- Determine financial requirements and sources of funding for the development of the MN-HIE Business Plan.
- Determine financial requirements and sources of funding to support the implementation of interoperable health information exchange for the business opportunities recommended in the business plan. The Steering Committee has recommended 1) e-Pharmacy, 2) Laboratory information exchange, and 3) Enhanced Communicable Disease Reporting and Communication as promising business opportunities deserving first consideration (See also Progress Report: September 2004-June 2005, “Proposed Actions for Year Two”).

Finance Workgroup Members

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