NHIN and RHIOs: Getting Started – Organizing Models for Regional Health Information Organizations

The Health Information Technology Summit West

March 7, 2005

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National Consensus Has Emerged: 
Transform U.S. Healthcare From Paper-Based to Electronic System

Institute of Medicine Report  
“Fostering Rapid Advances in Health Care: Learning from System Demonstrations” 2002

“In the 20th Century, bricks and mortar constituted the basic infrastructure of the healthcare delivery system. To deliver care in the 21st Century, the system must be based upon a health information and communications technology infrastructure that is accessible to all patients and providers.”

President Bush 2004 State of Union  
January 20, 2004

“By computerizing health records, we can avoid dangerous medical mistakes, reduce costs and improve care.”

Appointment of Dr. David Brailer as the National Coordinator of Health Care Information Technology, in a sub-cabinet position (May, 2004)

“The simple vision is that we want to see every American covered by one or more regional health information organizations.”  
Dr. David Brailer, WSJ, 9/22/04

Senator Clinton/Senator Frist  
Joint Washington Post Op-Ed Article:  
“How to Heal Health Care”, August, 2004

“Recently the Department of Health and Human Services announced a 10-year plan to build a new health information infrastructure. And while there is no consensus yet on all the changes needed, we both agree that in a new system, innovations stimulated by information technology will improve care, lower costs, improve quality and empower consumers.”
HHS Framework for Strategic Action

- HHS July, 2004 release of “The Decade of Health Information Technology: Framework for Strategic Action”; The Framework sets forth three interrelated core strategies for pursuing these objectives:
  
  - **Promoting EHR adoption by clinicians.** This will be achieved through regional grants and contracts, increased availability of low-rate loans, “pay for use” of EHR programs, pay-for-performance programs and by reducing the risk of product implementation failure through development of minimal product standards for EHR functionality, interoperability, and security;

  - **Supporting the creation of Regional Healthcare Information Organizations (“RHIOs”).** RHIOs are collaborative entities that facilitate the development, implementation, and application of secure health information exchange across care settings; and

  - **Facilitating interoperability on the national scale.** In November, federal officials released a Request for Information (“RFI”) inviting responses seeking public comment and input regarding how widespread interoperability of health information technologies and health information exchange can be achieved.
What is Driving the Change in Federal Policy - - High Costs

Health Care Spending Per Capita

Source: *Health, United States, 2002*
Five Countries: Luxembourg, Canada, Germany, Norway, Switzerland
G-7 Countries: Canada, France, Germany, Italy, Japan, United Kingdom
What is Driving the Change in Federal Policy - -
Unnecessary Costs

Practice Variation

- Risk-adjusted cost varied almost 3-fold...
  Duke Clinical Research Institute 2002

- Cost of poor quality was...nearly 30% of the expense base...core medical processes that comprise the majority of what we do
  Mayo Clinic

- 72% drop in mean respiratory costs...
  APAM 2000

- 27% difference in cost of treating otitis media...
  Ozcan 1998

- 20 to 30% of the acute and chronic care that is provided today is not clinically necessary...
  Becher, Chause 2001

- The cost of poor quality in health care is as much as 60% of costs...
  Brent James, M.D., Inc.

- 30% of direct health care outlays are the result of poor-quality care...
  MBGH, Juran, et al. 2002
HIT Investment - Playing Catch-Up

- IT investment claimed 6.5-11.1% of revenues in consumer services, insurance and financial industries in 2002, but only 2 - 4% for the healthcare industry.

- Only 6 - 13% small and medium based physician practices have adopted EHRs, growing 1% per year
The "EHR Adoption Gap":

- Sweden
- Netherlands
- Denmark
- United Kingdom
- Finland
- Austria
- Germany
- Belgium
- Italy
- Luxembourg
- Ireland
- Greece
- United States
- Spain
- France
- Portugal

Source: HealthAlliant
Financing is a Significant Barrier

Benefit Flow Drives Financing

% of Savings Captured by

Private Payers: 89%
Medicare
Medicaid
Self-insured
Self-pay

Physicians: 11%

Ambulatory Computer-based Physician Order Entry

Source: Center for Information Technology Leadership, 2003
The Case for Change: Efficiency

“...we studied the value of electronic data flow between providers (hospitals and medical group practices) and other providers, and between providers and five stakeholders with which they exchange information most commonly: independent laboratories, radiology centers, pharmacies, payers and public health departments...”

“...Fully standardized HIEI could yield a net value of $77.8 billion per year once fully implemented...a compelling business case exists for national implementation of fully standardized HIEI...”

“...We suspect that the clinical payoff in improved patient safety and quality of care could dwarf the financial benefits projected from our model, which are derived from redundancies that are avoided and administrative time saved...”

Source: Health Affairs
“The Value of Health Care Information Exchange and Interoperability”, January 19, 2005
The Case for Change: Value Creation

50% of Cost
20% of Return

Source: SBCCDE, CITL, Gordian Project analysis
What Are Regional Health Information Organizations?
RHIOs are regional entities which support the development, implementation and application of secure health information exchange.

Regional Health Information Organization

- Financing
  - Capital
- Regulatory Decisions
  - Privacy and security standards
  - Operating standards
  - Core data set
  - Clinical protocols
  - Data use rules
- Information Technology
  - Development
  - Operations
    - Security
    - Training
    - Support
  - NHIN Compliance
- Clinical Process Improvement
  - Clinical Guidelines
  - Operations
    - Implement
    - Training
    - Support
- Incentives
  - Performance goals
  - Incentive structure
  - Coordination of payers and employers
- Public Relations
  - Marketing Strategy
  - Communication Plan
  - Website management
  - Media management
  - Performance publication
- Consumer Participation
  - Patient advocacy
  - Patient involvement strategies

Potential Outsource Partners exist

Source: HealthAlliant
RHIOs: Formation and Funding

- Fueled by federal and private investment, RHIOs are in the early stages of development in communities throughout the U.S.
  - Federal Initiatives (AHRQ, ONCHIT)
  - Private Sector Initiatives (Mass Blue Cross, HealthAlliant, Wellpoint, Bridges, IHA)
  - State Initiatives (Tenn, Florida, New York, Rhode Island)
- RHIOs may become vehicle for administering financial incentives to support IT investment and use
RHIOs: “Wiring” Healthcare

Current system fragments patient information and creates redundant, inefficient efforts

Future system will consolidate information and provide a foundation for unifying efforts

Source: Indiana Health Information Exchange
RHIOs: Emerging Issues

- No Federal guidelines at this point, but likely that they will emerge in the next several months; field will evolve over time
- Key issues to be defined with respect to RHIOs:
  - Geographic coverage
  - Requirements regarding numbers of stakeholders/definition of “community” project
  - Relationship to National Health Information Network (“NHIN”)
  - Tax status of an entity
  - Availability of Federal funding
  - Certification/Accreditation
  - Requirements in Federal Contracts
  - State role in defining RHIOs
- Federal role likely to be permissive encouraging innovation in marketplace, while seeking to promote federal goal of interoperability through National Health Information Network
Reviewing legal options necessitates a multi-faceted process involving an analysis of:

- The key business decisions that first need to be made in order to define the organization’s mission and scope
- The range of options facing the organization relative to:
  - Governance Structure
  - Tax Status of Legal Entity
  - Terms and Conditions of Participant Agreements
RHIOs: Governance Options

- **Classes of Membership** -- Categories of interested participants (e.g., institutional providers, physicians and medical groups, other clinicians, managed care companies and insurers, local employers, public health agencies, public representatives) could be divided into “classes” and represented on the governing body by one or more representative members.

- **Restrictive Membership** -- The governing body could consist of a limited number of members of diverse backgrounds chosen because of their leadership skills and standing in the community, their ability to articulate the views of various constituencies yet rise above those interests in determining the future of the project, etc.
RHIOs: Legal Entity Options

- **Virtual Model** -- No new legal entity is formed; rather, the project is operated under a contractual arrangement via (a) a “hub-and-spoke” format (see e.g., original Santa Barbara design), or (b) a single agreement among the participating parties (see e.g., original Indianapolis design).

- **Non-Profit Corporation Model** -- A non-profit corporation is formed to be the development and/or operating company for the project. It could be organized to qualify as a 501(c)(3) tax-exempt organization; or it could be a taxable non-profit. It could have only a governing board, or it could have "members" (comparable to stockholders) who elect the governing board and/or have the right to vote on certain (but not all) matters affecting the corporation/project.
For-Profit Corporation Model -- A for-profit corporation is formed to be the development and/or operating company for the project. The corporation would have stockholders (who could consist of one or more classes - representing different levels of "investment", with different voting rights), who would in turn elect the members of the board of directors.

Limited Liability Company Model -- A limited liability company is formed to be the development and/or operating company for the project. The operating agreement for the company would provide who holds what economic interests in the entity and their respective rights, as well as the role of a governing body (if any) distinct from the equity owners.
RHIOs: Lessons from the Field

- Importance of Leadership and Creating Shared Vision Among Key Stakeholders
- Organization of Project - Needs to be interdisciplinary and inclusive
  - Clinical
  - Legal/Organization
  - Financial
  - Technology
  - Communications
- First step is creating strategic business plan: this will drive all future steps
- Structure of organizational vehicle may minimize legal complexity - multi-stakeholder not-for-profit structure, with independent decision making body, will significantly reduce concerns regarding fraud and abuse and antitrust
RHIOs: Lessons from the Field

- State law privacy issues may present larger hurdles to project than HIPAA

- Largest and most complex issues involve:
  - Defining role of RHIO as compared to and in relation to role of stakeholders contracting with the RHIO
  - Creating financing plan for the project; Think of financing as occurring in three stages:
    - Planning
    - Development
    - Operations
  - Note RHIO may enable financing of certain information technology investment by outside entities; this capital/operating cost will be borne by the outside entities, not the RHIO itself.
“We are almost out of tricks here. The only thing left is to reduce the illness burden on society. Eliminating errors in the healthcare system through HIT is the best way to do that.”

-Anonymous Commentator