

Health Information Exchange (HIE) Sustainability: *Lessons Learned by the Indiana Health Information Exchange*

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Indiana Health Information Exchange

Conflict of Interest Disclosure

John Kansky, MSE, MBA

Has no real or apparent
Conflicts of interest to report.

Session Learning Objectives

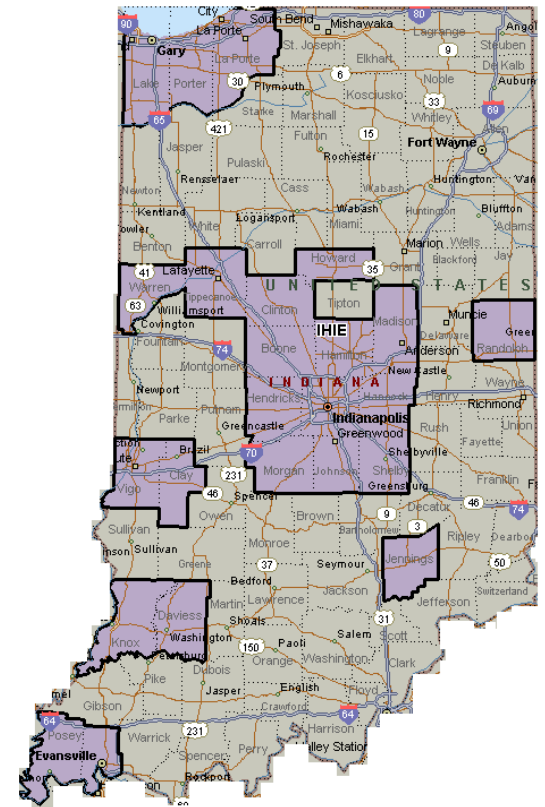
- Attendees will learn how to...
 - Judge and test the sustainability of a given HIE or HIE service concept based on principles of HIE sustainability
 - Apply HIE sustainability principles to the analysis of their (or any) HIE
 - Recognize sustainable HIE service models

The “Roadmap” of this Session

- Indiana Health Information Exchange background
- The soapbox and the green eyeshade: *An HIE Venn diagram*
- Sustainability Principles: *IHIE’s Lessons Learned*
- The Peanut Butter Principle
- Q&A

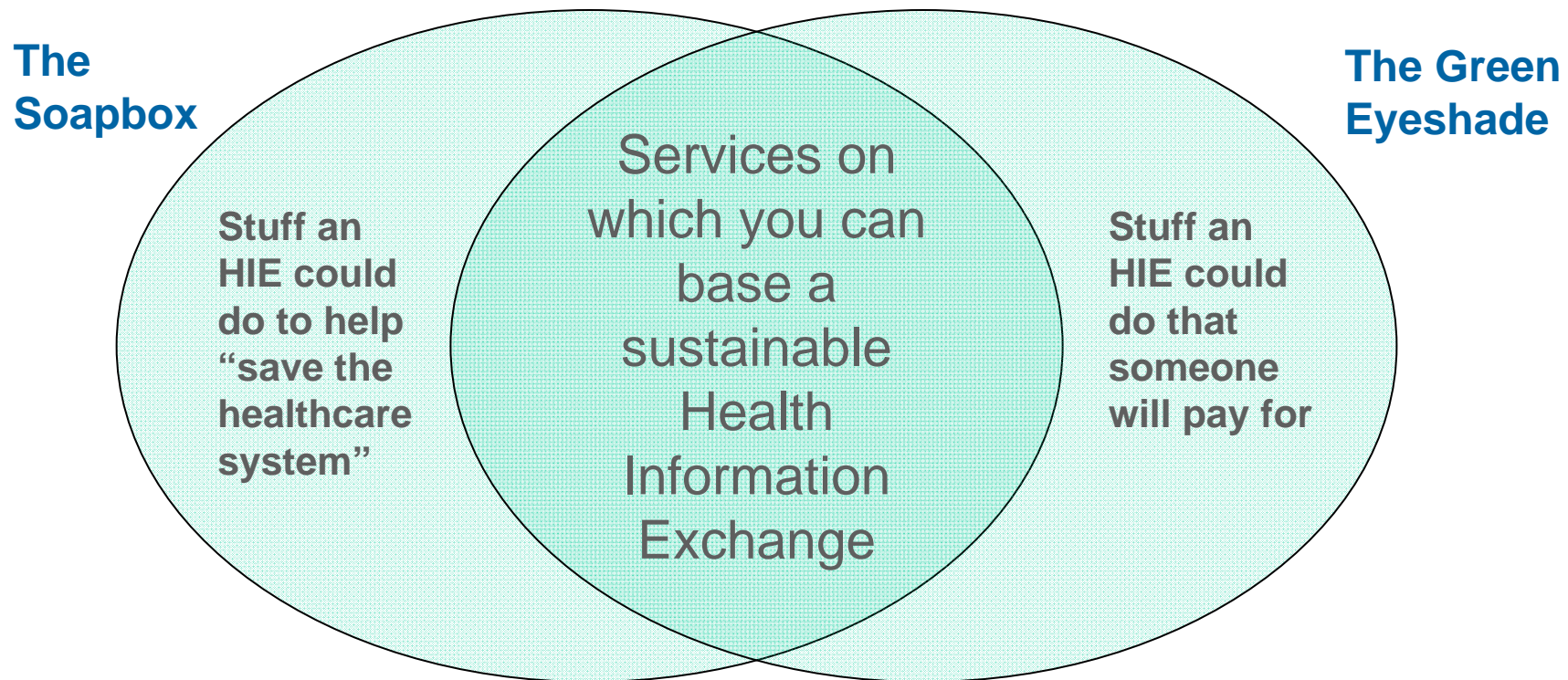
The Indiana Health Information Exchange

- Founded in February 2004
- Based on the technology, knowledge, and experience of the Regenstrief Institute
- 42 employees
- Annual revenues in excess of \$5 million
- Providing services to 58 hospitals (18 health systems), 13,000 clinicians, and 3 payors
- Serving an area with a population of over 3 million people



The Soapbox and the Green Eyeshade

There are services that a health information exchange could theoretically provide for which there is no apparent business model. There are also services that have business models that are outside the mission of a typical HIE.



HIE Sustainability – *Basic Conceptual Principles*

Based on the experience of 6 years of operation and an on-going history of service development, launch, and support, IHIE bases its sustainability plans seven basic principles. We believe these principles are key to health information exchange being a self-sustaining endeavor.

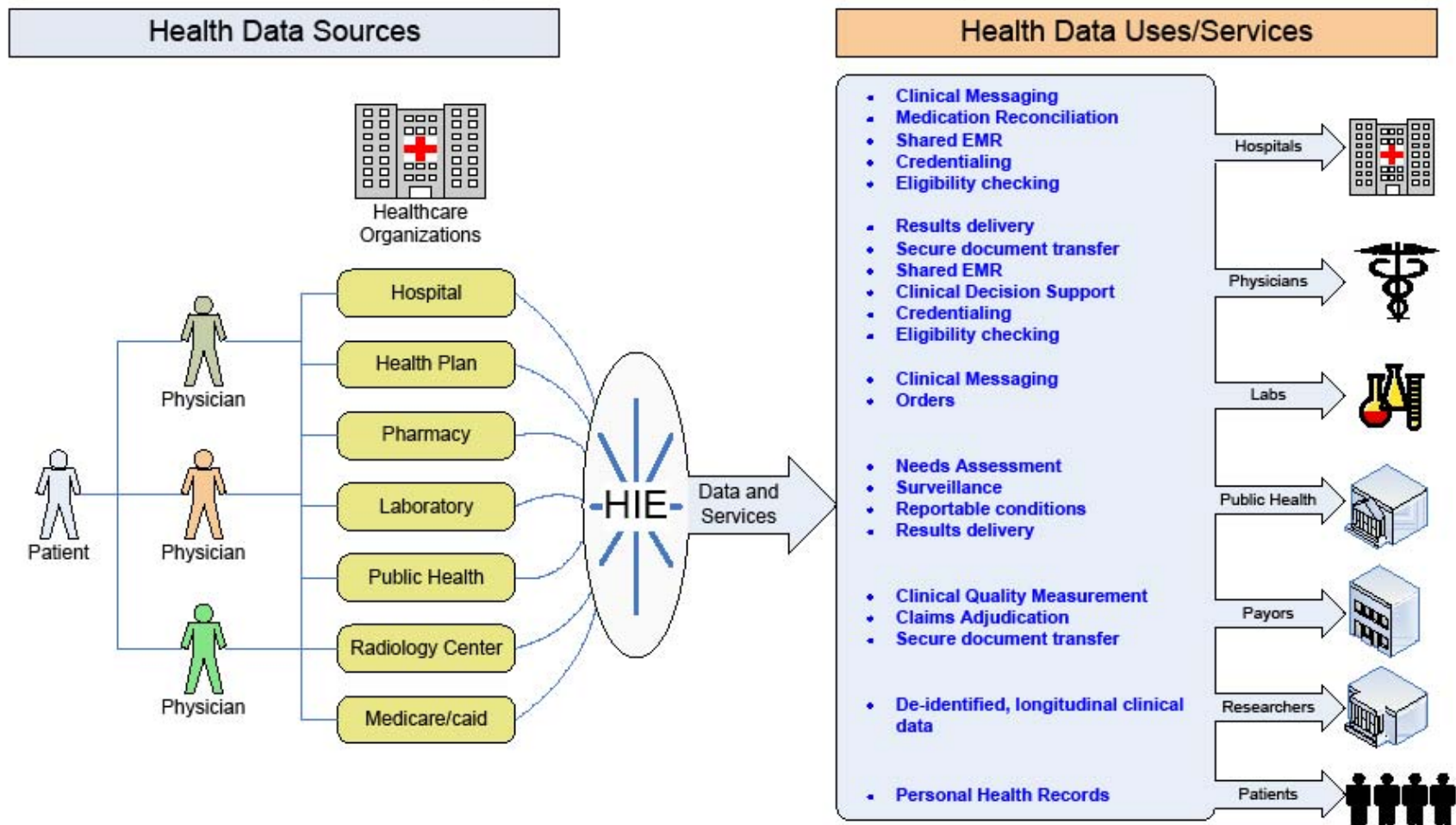
- **Principle 1:** HIE is a Business
- **Principle 2:** The Leveraging of High-cost, High-value Assets
- **Principle 3:** No Loss Leaders
- **Principle 4:** Independent, Local Sustainability
- **Principle 5:** Natural Monopoly
- **Principle 6:** The Need for Scale
- **Principle 7:** Avoidance of Grants for Operational Cost

Principle 1: HIE is a Business

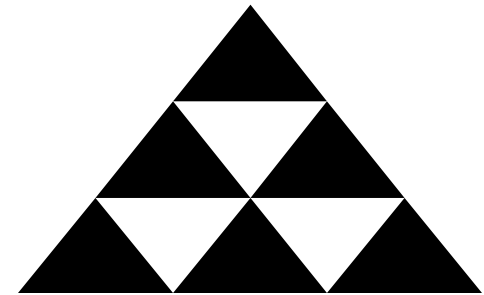
- HIE is a business and as with all businesses, creating a sustainable HIE requires:
 - offering services that the market wants...
 - at a price the market will bear...
 - doing so in such a way that revenue exceeds expenses.
 - services delivered by the HIE must be at a level that healthcare organizations have come to expect from their suppliers.



Health Information Exchange – Service Concept



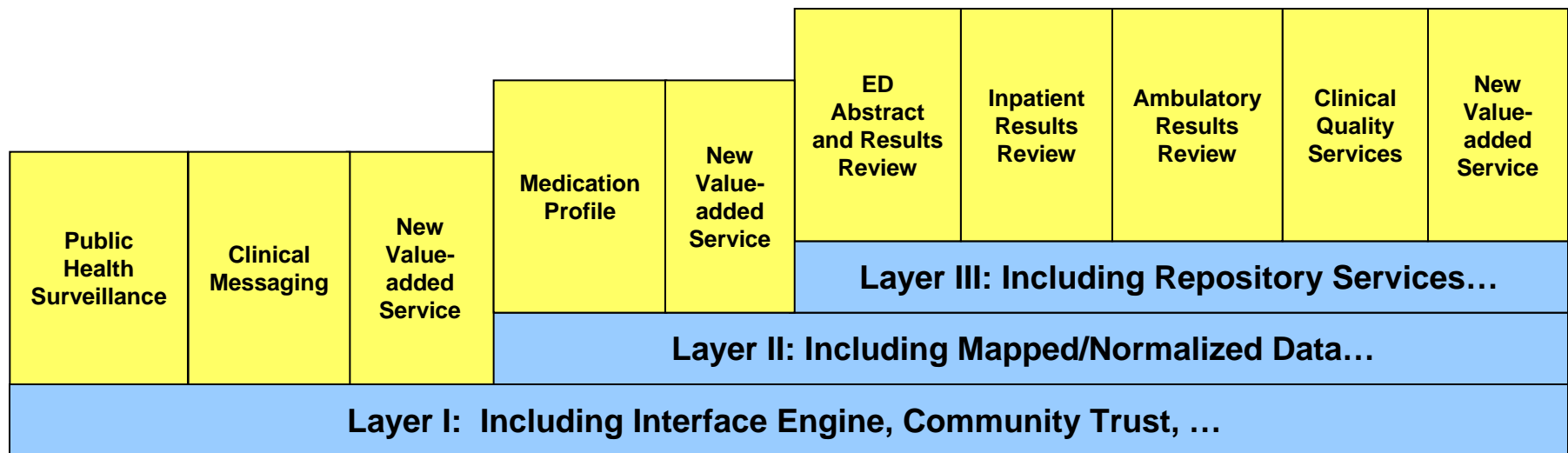
Principle 2: The Leveraging of High-cost, High-value Assets



- Once dollars have been invested in the creation of HIE infrastructure, it is essential to leverage and re-use those assets to deliver as much and as many services as is necessary to achieve sustainability.
 - the services an HIE is able to provide to the market must be capable of producing sufficient revenue to cover expenses
 - due to the cost of the infrastructure that is required, offering multiple services to various market stakeholders is conducive to sustainability.

The Leveraging of High-cost, High-value Assets

HIE assets are interdependent and, once created, can be leveraged to deliver additional services.



A layer of necessary investment

Value-added services that can be built upon the HIE investment

Principle 3: No Loss Leaders

- Loss leaders are goods or services “sold at a loss” to create profit through other, related goods or services
- In the business of HIE, avoid loss leader services that promise to amass data or infrastructure to support a future sustainable service.
 - The HIE policy and business model landscape is evolving too rapidly
 - The risk that the future services might never be possible is too great and should not be factored into sustainability plans
- Examples include many “secondary use” concepts (e.g. information for pharma research)



Principle 4: Independent, Local Sustainability

- When the country is connected via the national health information network (NHIN), many HIEs will be giving or receiving more value than a given partner.
- Therefore, in the future “NHIN economy,” dollars will need to change hands between HIE partners.
- However, until the business rules are defined, sustainability plans of individual HIEs, based in a specific market or region, should not be dependent on HIE-to-HIE exchange.
 - National niche data sources may be exceptions



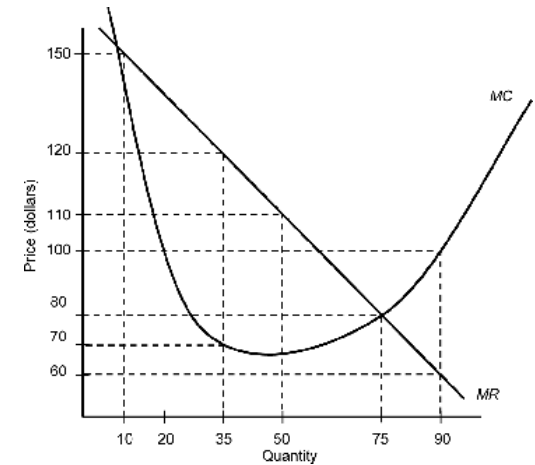
Principle 5: Natural Monopoly

- HIEs are natural monopolies.
 - the total cost of producing HIE services for a given market is lower if there is just a single producer than if there are several competing producers.
 - There is a large cost for the necessary infrastructure (which is a fixed cost), making the creation of a redundant infrastructure wasteful and detrimental to the economy as a whole.



Principle 6: The Need for Scale

- Micro-economics tells us that there is an optimal size for businesses of any given type; therefore, there is an optimal size for an HIE.
 - There is a scale (e.g. in terms of population of the market served) at which a given HIE service model is optimal and below which a given service model is not economically sustainable.
 - Based on the experience of the largest HIEs, the upper bound of the optimal size of a health information exchange business has not yet been reached.



Principle 7: Avoidance of Grants for Operational Costs

- Grants are indispensable sources of start-up funds for HIEs or individual services, but should not be counted on to cover operational costs beyond a ramp up stage.
- Once fully operational, HIE services must be able to generate revenue equal to or in excess of expenses such that grants (or other non-operating revenue sources) are not necessary to cover operational costs.



The Peanut Butter Principle

	Problem to Solve	Solution	Byproduct Issue	Secondary Solution	Outcome
George Washington Carver (early 1900's)	Soil depleted by Cotton	Plant Peanuts to replenish lost nutrients in the soil	What to do with all the peanuts?	Make and sell products that use peanuts, e.g.: <ul style="list-style-type: none"> • Peanut butter • Peanut oil 	Sustain the southern economy (Keep growing cotton)
Health Information Exchange (2010)	<ul style="list-style-type: none"> • Rising cost of healthcare • Need to improve healthcare quality and safety 	Build HIE infrastructure (and use it to address the problems)	How does society (or a given community) pay for HIE? i.e. financially sustain it	Offer/sell services that use (and reuse) the HIE infrastructure, e.g.: <ul style="list-style-type: none"> • Electronic Results delivery • Clinical Quality Services • Medication profile 	Make positive contributions to health and healthcare

Questions?

For Further Information, Please Contact:

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