

ONC Budget Clarification Statement for Oregon's Operational Plan for HIE

Budget Clarification Statement

As part of Oregon's strategic and operational planning process for Health Information Exchange (HIE), Oregon's HIE planning team developed a full expected costs budget, reflecting the total expected costs of transformative health information exchange over a four-year period from 2010-2014. The total expected costs are primarily, but not entirely, funded by the federal State Health Information Exchange Cooperative Agreement Program. In accordance with strict guidance from the Office of the National Coordinator (ONC), the budget submitted with Oregon's Strategic and Operational Plans to ONC, referred to as the federal ONC submission budget, reflect only the federal grant portion and the required non-federal match,.

Federal funding available through ONC's Cooperative Agreement Program does not provide adequate funding necessary to achieve comprehensive statewide HIE in Oregon. The difference between the budget submitted to ONC in late August 2010 and the full expected costs of the operational plan over the four-year period is approximately \$6 million. This substantial difference represents the target sum needed from other sources in order to achieve the goals and objectives identified in the strategic and operational plans. It is anticipated that one or more non-federal funding sources will be identified in the coming months through Oregon's financial sustainability planning process. These to-be-determined financing sources, along with the development of a sustainable financing plan for the state designated entity (SDE), will be critical to the long-term success and completion of the objectives identified in the strategic and operational plans. Oregon, with approval from HITOC, will submit a revised project budget to ONC in February 2011. The revised budget will include additional non-federal financing sources for HIE services and any revised estimates for project expenditures as identified during the financial sustainability planning process.

Both budgets include all four years of the ONC Cooperative Agreement Program and provide a high-level overview of the general expenditures connected to key initiatives and programmatic activities. The budget spreadsheets also reflect projected costs for ongoing planning and implementation activities required to develop a comprehensive statewide health information exchange in Oregon. Both budget spreadsheets are found on the HITOC website (*link*).

Synopsis: The difference between the two budgets is primarily due to acquisition costs and operational expenditures for HIE services. Total costs for technology acquisition, including central core HIE services, have been estimated between \$6-7 million; the federal ONC submission budget only includes \$4 million for the technology purchase. Annualized operating costs of central core HIE services have been conservatively estimated at approximately \$2 million. Annualized operating costs in the federal budget submission in Years 3 and 4 allow for \$150,000 and \$50,000, respectively. Total costs for operating the SDE in Years 3 and 4 have been estimated at approximately \$1.8 million; the federal ONC submission budget contains \$1.1 million for SDE operational costs. It is important to note that estimates for acquisition costs of HIE services and annual operating costs for both the HIE technology infrastructure and the SDE, anticipate the identification of sufficient additional revenues to cover the full-expected projected costs as part of the sustainable financial planning during the Fall/Winter 2010-2011

Table 1: Federal ONC Submission Budget 2010-2014

Total estimated costs for each project year	
Year 1: February 2010-January 2011	\$1,217,877
Year 2: February 2011-January 2012	\$6,228,951
Year 3: February 2012-January 2013	\$1,248,496
Year 4: February 2013-January 2014	\$1,038,496
<i>Total Project Budget</i>	\$9,733,820

Table 2: Full Expected Costs Budget 2010-2014

Total estimated costs for each project year	
Year 1: February 2010-January 2011	\$1,641,587
Year 2: February 2011-January 2012	\$7,416,863
Year 3: February 2012-January 2013	\$3,377,993
Year 4: February 2013-January 2014	\$3,377,243
<i>Total Project Budget</i>	\$15,813,686

Because of the rapidly evolving landscape, all implementation and operational activities and projected expenditures are subject to change during Phases 1 and 2. The project estimates contained in the federal ONC submission budget are based on advice from state budget and fiscal analysts, state contracting officials and legal counsel, independent consultant experts, and/or extrapolated from similar costs encountered by other states engaged in HIE-related planning and/or operational activities. All prospective actions within the strategic and operational plans should be viewed as part of the full expected costs budget.