

Executive Summary

Driven by the opportunities to improve health care quality and reduce health care spending, many Federal, State, and private entities are aggressively pursuing initiatives to improve the flow of clinical, financial, and administrative data within the U.S. health care system. Clinicians would benefit from more timely and accurate information about patients' health status, health history, and "best treatment" information. Patients would benefit from improved access to timely and accurate clinical information and health benefit claims. Public and private payers would benefit from faster and easier access to information on treatment trends and patients' outcomes.

As a result of these overlapping benefits, numerous initiatives to speed the exchange of automated health information are under way at the Federal, State, and local levels. To date, State government involvement in health information exchange (HIE) activities has not received the same attention as Federally-sponsored and industry-sponsored HIE activities. However, State involvement in data exchange activities is growing as States seek a localized HIE-based response to improving health care quality, efficiency, and savings. This report addresses the current State HIE environment and analyzes State-specific HIE activities and initiatives.

The Agency for Healthcare Research and Quality (AHRQ) commissioned Avalere Health (Avalere) to prepare this report to capture and characterize the broad landscape of State HIE activities with an emphasis on identifying trends and best practices in the areas of project financing, programmatic sustainability and patterns of successes, and challenges. AHRQ was particularly interested in those HIE projects in which the State's government, including the Medicaid agency, is actively engaged. To provide the raw data for the analysis, Avalere conducted a general scan of State-based HIE activities and an in-depth review of one State-based HIE project in each of the following States: Arizona, Florida, Hawaii, New York, North Carolina, Rhode Island, Tennessee, and Utah.

States occupy several roles in the health care system: they operate as sponsors of health insurance for their employees; they frequently employ providers to deliver care to their citizens; they regulate the provision of care and insurance; and they provide essential public health services and oversight activities. Driven in large measure by these various roles, the nature of States' projects reviewed in this report varied significantly. Despite this variation, Avalere's analysis yielded a number of significant findings regarding various projects' goals and designs, their levels of progress, and their unique future challenges as they proceed with HIE implementation:

No two HIE projects are alike: Most projects share similar goals to improve quality health care and reduce costs. Beyond these goals, the projects vary tremendously with respect to engaged stakeholders, available funding, community history, selected technology, and implementation strategy. This variation is particularly true for the infrastructure components selected to enable information sharing.

Most projects are still in the early stages: The majority of projects are either in the planning phases or in the early implementation phase, exchanging only narrow sets of data. Publicly available characterizations of projects often indicate greater progress than what proves to be true with further research.

Size and experience affords unique alternatives: States with several years of HIE experience more readily foster broad stakeholder buy-in, while small States may be in a better position to promote a single vendor solution.

Funding varies widely: Federal and State grants are the most common sources of funding. The type and amount of funding varied significantly for each individual project.

Sustainability is the long-term but still elusive goal: Sustainability and a long-term revenue model are primary goals for most HIE projects. None of the projects included in the in-depth analysis have achieved a sustainable funding or operations model. Funding, particularly for infrastructure, will continue to pose a

significant challenge to the longevity and stability of State-based HIE projects. New public and private funding solutions will need to be identified and evaluated.

States are critical stakeholders but their primary leadership role may be time limited: The State plays many critical roles as a funder, data resource and partner, project facilitator, and neutral convener in promoting HIE projects. Many projects currently led by States anticipate turning over the primary leadership to non-profit organizations, due in part to the need for self-sustainability.

Despite the highlighted projects' diversity, certain criteria emerged as keys to success in both the planning and implementation phases, including:

- Strong State leadership and political support;
- Broad stakeholder involvement and early engagement of physicians; and
- Short-term "wins" to demonstrate the HIE value proposition.

For State-based HIE activities to succeed, it will be important for Federal and State decisionmakers to exercise sustained and consistent leadership. The critical goals of such leadership should include the promotion of cross-fertilization of projects, of shared learning, and translating programmatic successes across communities, States, and regions. Federal and State leaders will face the natural barriers and challenges to timely adoption of various HIE projects including bureaucratic inertia, financing, and coordination of disparate yet well-meaning individual HIE activities.

The Federal government has set an aggressive pace for HIE adoption, with the goal of nationwide interoperable electronic medical records by 2014. However, the study highlights that State and local communities are still working to determine how best to engage stakeholders effectively and will be challenged to meet such an aggressive implementation timeline. As Federal and State decisionmakers seek to support the growing number of State and community efforts, it will be important that they bridge the emerging gaps between Federal goals and the realities of local implementation.

With the breadth of activity, the variability of projects, and the fast-paced push from the Federal government, it is clear that the entire health care community – national, State, and local – will need to continue to work collaboratively to develop consistent and common mechanisms to interpret, capture, and share the lessons learned about this emerging market and its impact on health care.