

Proposed Fee Narrative

WAC 246-808-990 Chiropractic Fees and Renewal Cycle

WAC 246-830-990 Massage Fees and Renewal Cycle

WAC 246-841-990 Nursing Assistant Fees and Renewal Cycle

WAC 246-940-990 Animal Massage Fees and Renewal Cycle

Overview

The Department of Health (department), Health Systems Quality Assurance (HSQA) Division's top priority is to protect and improve the health of people in Washington State. HSQA does this by assisting in development of health systems to improve patient safety. This helps ensure that everyone has access to good health care and emergency medical services. HSQA regulates and supports more than 430,000 health professionals in 86 health professions collaborating with boards, commissions, and advisory committees to set standards for education, credentialing, scope of practice, and conduct.

State law (RCW 43.70.250) requires that each health care profession be self-supporting and that the costs associated with administering each profession be borne by that program's credentialed practitioners. This law also directs the department to collect license fees (license, registration, or certification fees) to pay the costs of regulating each health care profession including audits, inspections, investigations, and disciplinary actions to protect and improve the health of all people in Washington State. Department policy and Office of Financial Management guidelines that require professions to have a sufficient reserve to cover unexpected costs, were also used. In addition, in November 2018, the State Auditor's Office (SAO) published their performance audit report, "Aligning Healthcare Professional Fees with Licensing Costs," to examine if the department aligns the fees it charges to healthcare professions with the costs of licensing. In response, the department is developing processes to review fees more consistently and enhance transparency of fund balances and fee-setting.

The department, working with the Board of Massage and Chiropractic Quality Control Commission, is proposing to increase licensing and active renewal fees for chiropractors, chiropractic x-ray technicians, massage therapists, nursing assistants, and animal massage therapists. The department is obligated to have each profession's program budget be self-sustaining within six years to be compliant with the law.

How Proposed Fees are Determined

Application and active renewal fees

Fee studies, based on the best information available at the time, are used to set the fees at rates that recover the costs of administering each health care program. The study analyses are based on six-year projections of fee revenue and expenses for each profession. Actual revenue and expenditure totals will vary depending largely on the numbers of practitioners and disciplinary activity each year. Continual analysis of the health care program is necessary to ensure fees keep pace with expenditures, while not allowing revenues to become excessive.

The department develops a best estimate based on these factors and costs predicated upon history and experience. On the revenue side, the number of licensees can vary from initial projections. On the expenditure side, costs can also vary from year to year. As the largest category of spending, discipline is complex and difficult to predict. It is influenced by the numbers of complaints received, cases investigated, cases litigated, and the complexity of each case. The disciplinary process includes the following:

- Assessment by a case management team to determine whether a case should be investigated or closed without investigation.

- Investigation, which can include interviewing key parties, gathering evidence, and working with outside local, state, and federal agencies. This can take a number of months depending on the complexity of the case.
- After investigation, possible outcomes includes summary actions, such as license revocation; settlement negotiations; hearings; formal charges; formal or informal discipline; or closure of the case with no action. In some cases, there is also formal compliance monitoring of the terms of a disciplinary order.

The fees also cover licensing costs, such as issuing and renewing credentials, completing background checks, confirming education and training of applicants, and expenses related to adopting rules to implement standards set or changed by the legislature.

Late renewal penalties

Late renewal penalties are not figured into the fee studies that are described below. It is difficult to anticipate how many practitioners will be late in renewing, but it is a small percentage of renewals. In addition, late penalties are used to recover additional costs involved in processing late renewals, which cannot be automated like on-time renewals. Late penalties are set using the following standards:

If the annual renewal fee is:

- \$1 to \$50, the late renewal penalty is set at 100% of the renewal fee.
- \$51 to \$100, the late renewal penalty is set at \$50.
- \$101 or more, the late renewal penalty is set at 50% of the renewal fee, and no more than \$300.

Proposed Fees

In proposing increases in fees, the department considered several factors including each profession's growth rate, revenues and expenditures, and the operating fund balance as a percentage of the program's total biennial expenditures. In addition, a reserve must be available for unanticipated expenditures such as costly disciplinary cases or other increases in operating costs. The reserve is set at a percentage of operating expenditures to address level of risk a profession may experience in revenue and expenditures. Some factors that increase level of risk include: overall size of budget to absorb unanticipated costs, expenditure trends (including disciplinary), licensee trends, state and federal law changes, and other legislative impacts.

The department considered multiple fee scenarios and determined that the proposed fees were best for preventing these programs' budgets from going into a deficit next biennium. Since fee studies are based on estimates, and actual revenue and expenditures will vary, the department takes a conservative approach to fee increases. The department continues to monitor each program's fund balance and make additional adjustments as needed.

Following are detailed projections based on current fees compared to proposed increased fees. Projected revenues are based on application and active renewal fees, since those are numbers we can anticipate and make up the vast majority of revenue. Other fees, such as late renewal penalties or duplicate credentials, are variable and more difficult to anticipate.

Chiropractors and Chiropractic X-ray Technicians

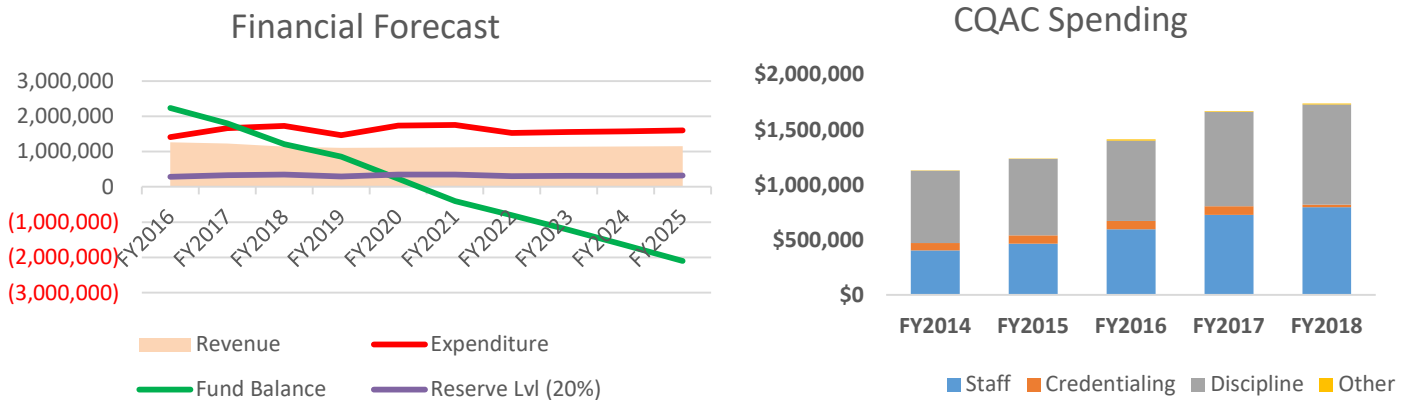
The Chiropractic Quality Assurance Commission (commission) is projected to have a fund balance of approximately \$856,000 by June 2019 and is forecasted to have a funding deficit of -\$2 million by 2025. The forecasted funding deficit amount includes the fund balance and the recommended reserve. The commission’s spending has grown significantly over the last five years. During the period from 2013 through 2018, total costs grew at a rate of 12% per year. The areas that saw the largest increases were program staffing and discipline.

In fiscal year (FY) 2014, staffing costs increased when the legislature approved the commission’s pilot status to become a semi-autonomous (partner) program. Staff spending increased 18.7% per year from FY 2014 through FY 2018, as the commission assumed responsibility for their own credentialing, renewal, case management, and call center functions.

Disciplinary expenses make up 52% of the commission’s budget compared to less than 45% for other boards and commissions. The reason for the above average disciplinary spending is three-fold: a high complaint and investigation rate, increased attorney general costs, and an increased number of high-priority cases.

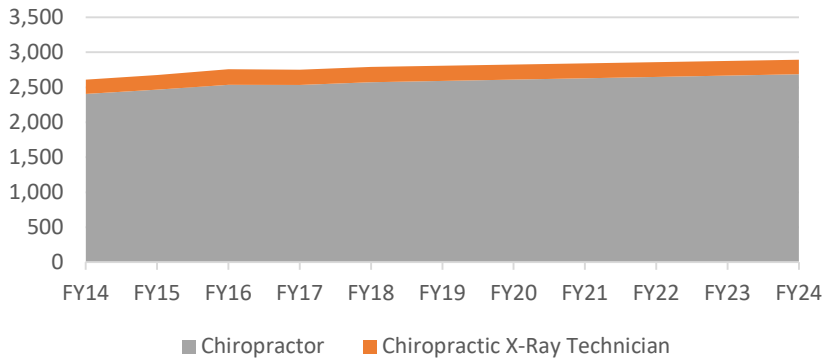
Due to a healthy fund balance, fees were lowered in January 2016 and August 2017. However, FY 2018 saw a dramatic increase in Attorney General costs that, in light of the recent fee decreases, will lead to an eventual fund balance deficit. Thus, this program will require a fee increase to bring the reserve fund to 20%.

In state fiscal years (FY): July - June



The number of licensed Chiropractors and Chiropractic X-Ray Technicians is growing at rate of 0.7% a year. Due to the recently lowered fees, fee revenue has decreased over the last year with licensing counts failing to offset the costs incurred by increasing Attorney General costs.

Licensing Trend



For more information on the Chiropractic Commission’s cost drivers, including a breakdown of disciplinary expenses, please refer to the attached document, Chiropractic Quality Assurance Commission – FY 2018.

Chiropractic Application and Active Renewal Fees

	Chiropractor		Chiropractic X-ray Technician	
	Current	<i>Proposed</i>	Current	<i>Proposed</i>
Application	\$330	\$625	\$47	\$135
Renewal (1 yr)	\$380	\$550	\$62	\$90
Late Penalty	\$190	\$225	\$62	\$50

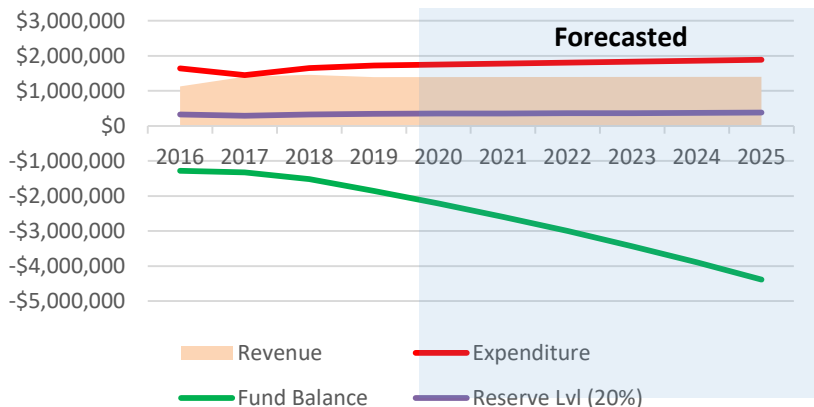
*Fees listed do not include University of Washington (UW) HEAL-WA annual surcharge of \$16.

Massage Therapists

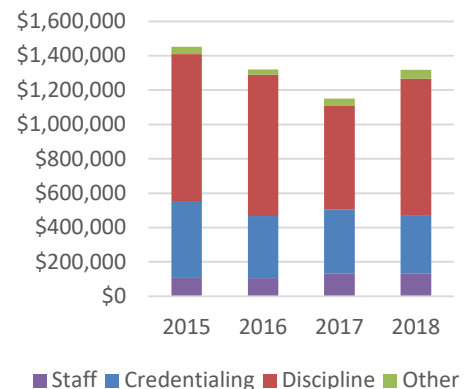
The massage therapist profession is projected to have a funding deficit of -\$2.2 million by June 2019 and that is forecasted to be around a -\$4.8 million deficit by June 2025. The profession needs approximately \$400K in additional revenue annually to climb out of the deficit by 2026, and a fee increase will be necessary to correct this trend. The primary factor contributing to this scenario is higher disciplinary costs than most other professions. The profession’s fund balance has been at a deficit level since 2013.

In state fiscal years (FY): July - June

Financial Forecast

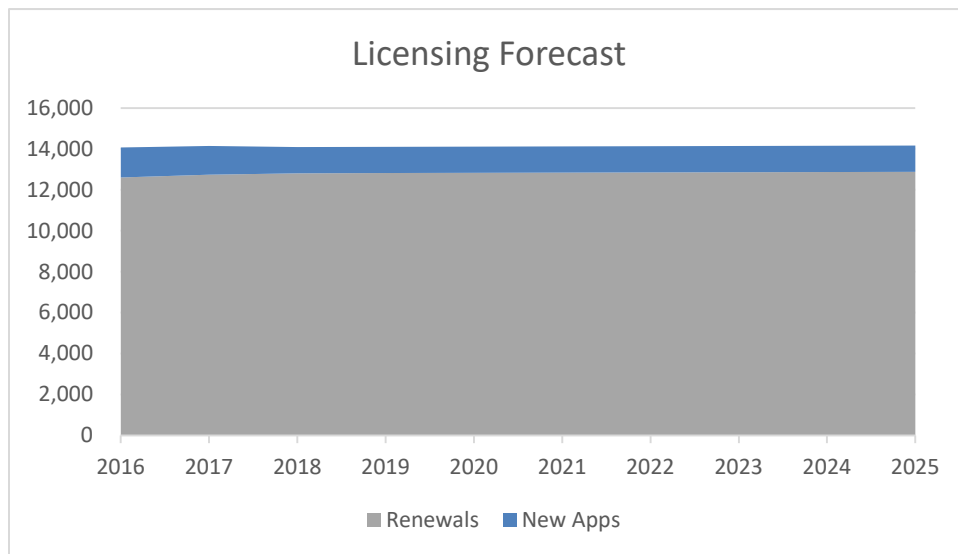


Expenditures by Category



Total disciplinary spending increased at a rate of 12.6% from FY2010 to FY2018. The biggest drivers of cost are investigation, legal, and attorney general spending, which currently account for around 61% of all disciplinary spending. This is in spite of the fact that the complaint rates since 2010 has averaged 2.7%, which is less than that of other professions.

The licensing trend is stable with only negligible growth forecasted at 0.1%. In 2018, the total licensee count was slightly lower than in 2011 and the trend is expected to remain around 14,000. This is a “mature” profession that has been around for a while and is at or near full market saturation level, although a slight increase may occur due to increased utilization of massage services by a growing state population.



For more information on the massage therapist profession’s cost drivers, including a breakdown of disciplinary expenses, please refer to the attached document, Massage Therapist Program – FY 2018.

Massage Application and Active Renewal Fees

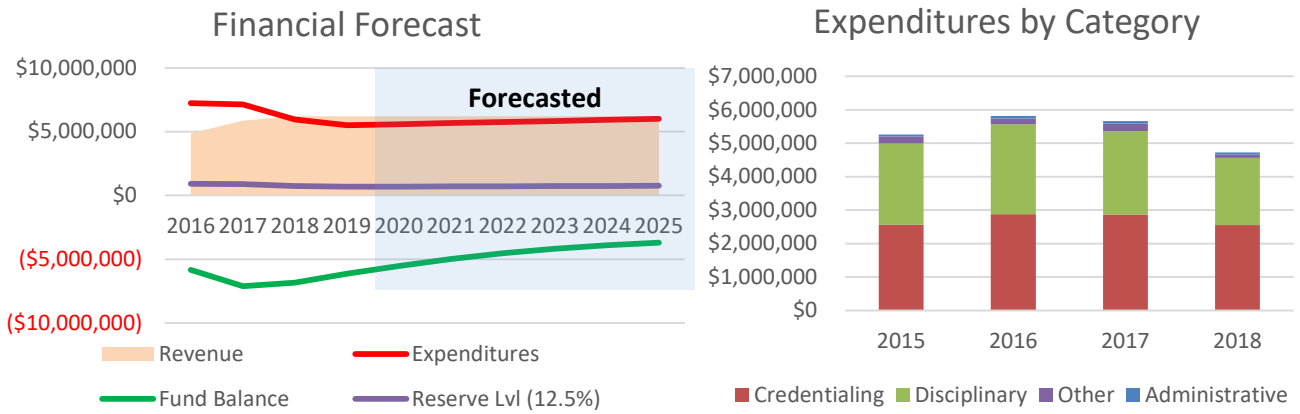
	Massage Therapist	
	Current	<i>Proposed</i>
Application	\$125	<i>\$210</i>
Renewal (1 yr)	\$90	<i>\$150</i>
Late Penalty	\$50	<i>\$75</i>

**Fees listed do not include University of Washington (UW) HEAL-WA annual surcharge of \$16.*

Nursing Assistants

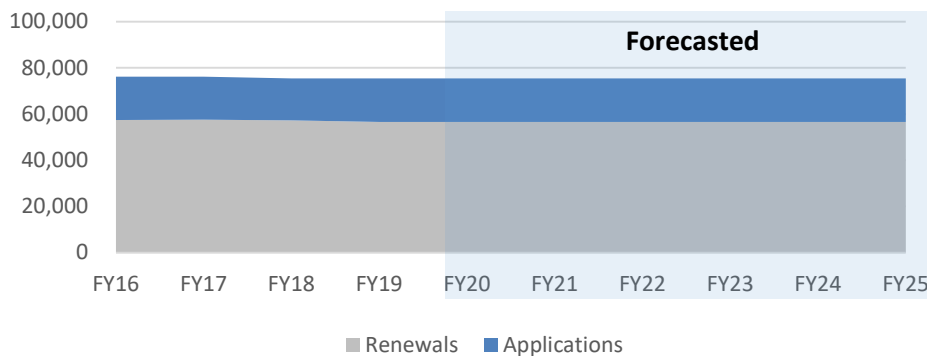
The nursing assistant program is projected to reach a funding deficit of -\$6.8 million by June 2019 that is forecasted to reach -\$4.4 million by 2025. The primary cost drivers are high credentialing and disciplinary costs. An increase is needed to climb out of the funding deficit and make the profession self-sustaining by 2025. Overall, this profession has a stable licensee base so the revenue will be more stable and will only need the minimum reserve of 12.5%.

In state fiscal years (FY): July - June



The program spends about 51% of its budget for credentialing activities, more than other secretary professions, which averaged 39%. The primary reason for high credentialing costs is high turn-over in the profession. New applications take more time to process than renewals. This keeps the number of applicants relative to existing practitioners high and explains the higher cost ratio of credentialing for this profession. The profession is “mature” and the job market for nursing assistants is stable for the demand level. While there are a lot of new applicants, many existing nursing assistants are moving to other occupations. This results in no real growth in the number of nursing assistants.

Licensing Forecast



For more information on Nursing Assistant cost drivers, including disciplinary expenses, please refer to the attached document, Nursing Assistants Program – FY 2018.

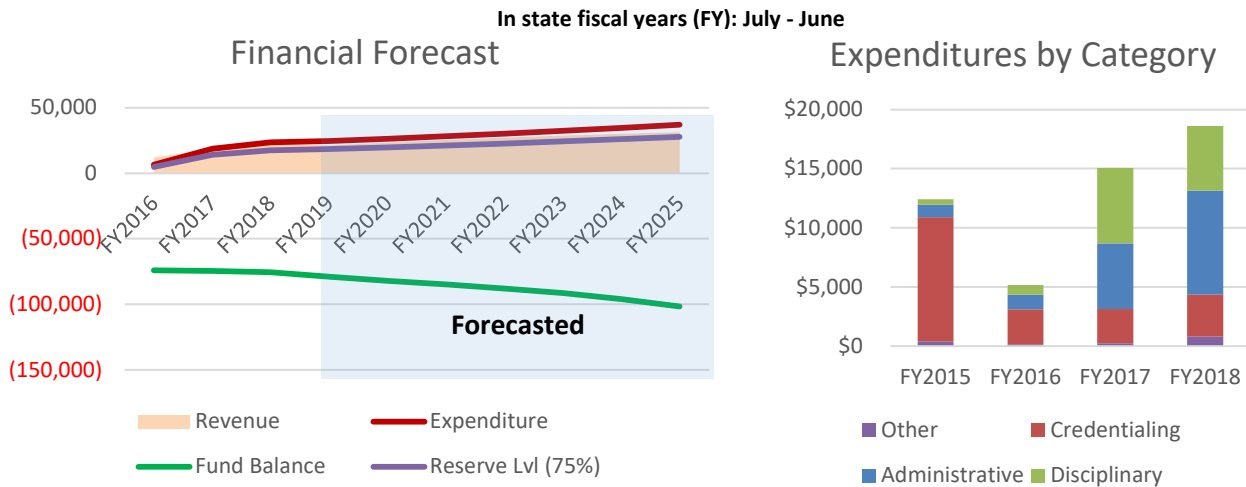
Nursing Assistant Application and Active Renewal Fees

	Nursing Assistant - Registered		Nursing Assistant - Certified	
	Current	Proposed	Current	Proposed
Application	\$65	\$85	\$65	\$85
Renewal (1 yr)	\$70	\$95	\$70	\$95
Late Penalty	\$50	\$50	\$50	\$50

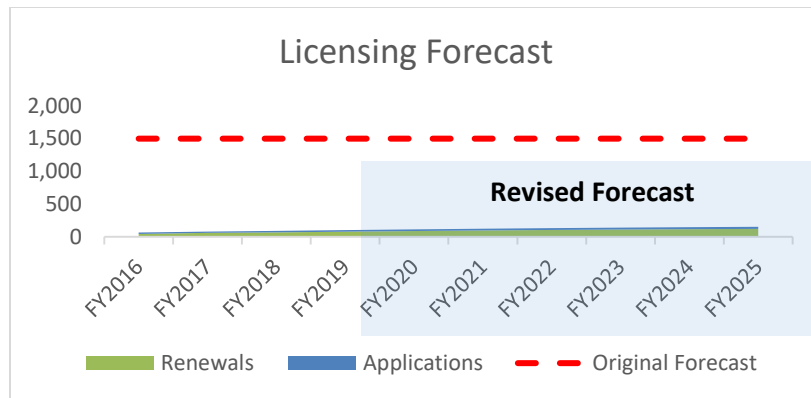
Animal Massage Therapists

The Animal Massage profession is projected to have a funding deficit of -\$97,500 by June 2019 and is forecasted to be approximately -\$129,500 in deficit by June 2025. The profession’s initial startup costs in 2008

of \$32,580 were never recovered because of a lower than estimated number of licenses being issued. A fee increase will be necessary to correct this trend and ensure a reserve of 75%.



When the program was implemented, the Office of Health Professions Quality Assurance estimated 1,000 initial applications with the number increasing by 250 licenses per year until reaching and remaining constant at approximately 1,500 licensees. These estimates were based on discussions with animal massage schools and representatives of licensees that influenced where the initial fee was set. In FY 2018, the program had 92 licensees and is projected to have 104 licensees in 2019, reaching 154 licensees by 2025. Currently, the average yearly growth in licensees is high at 13.6% compared to an average of 3.5% for all professions managed by the department, however this high growth rate has been steadily slowing down each year and is forecasted to continue gradually reducing until it is only about 3.9% by FY 2025. This will not be sufficient to bring the program out of its deficit within the foreseeable future.



For more information on Animal Massage cost drivers, including disciplinary expenses, please refer to the attached document, Animal Massage Program – FY 2018.

Animal Massage Application and Active Renewal Fees

	Large Animal Certification		Small Animal Certification	
	Current	<i>Proposed</i>	Current	<i>Proposed</i>
Application	\$250	\$440	\$250	\$440
Renewal (1 yr)	\$190	\$335	\$190	\$335
Late Penalty	\$95	\$170	\$95	\$170

