



Acupuncture and Eastern Medicine Practitioner Fee Cost Drivers

The Department of Health (department) works to protect and improve the health of all people in Washington State. We accomplish this work, in part, through regulation of health care providers and facilities, including acupuncture and eastern medicine practitioners ([Chapter 18.130 RCW](#)).

State law, [RCW 43.70.250](#) (License fees for professions, occupations, and businesses), requires fees to fully fund the work of licensing and regulating health care professions. Considering the program's financial forecast, the department recommends a fee decrease to bring the fund balance into alignment with the recommended reserve amount.

The program ended fiscal year (FY) 2021 with a fund balance of \$1.3 million. The fund balance is currently operating at a surplus and exceeds the recommended reserve balance by more than \$1.2 million. The program is projected to continue adding to the excess reserves each year through FY 2027. This document summarizes data on revenue, expenditures, fund reserve, cost drivers, financial forecast, and the proposed fees.

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Revenue

As of July 2021, the department licensed 1,560 active acupuncture and eastern medicine practitioners in Washington state ([Chapter 18.06 RCW](#)). The program receives around 100 new applications a year. Due to the Coronavirus Disease 2019 (COVID-19) pandemic, the number of applications and renewals dipped to 81 in FY 2020 and FY 2021. This profession averages a 96 percent renewal rate each year. For the past six years, revenue increased an average of one percent annually, totaling \$343,896 in FY 2021.

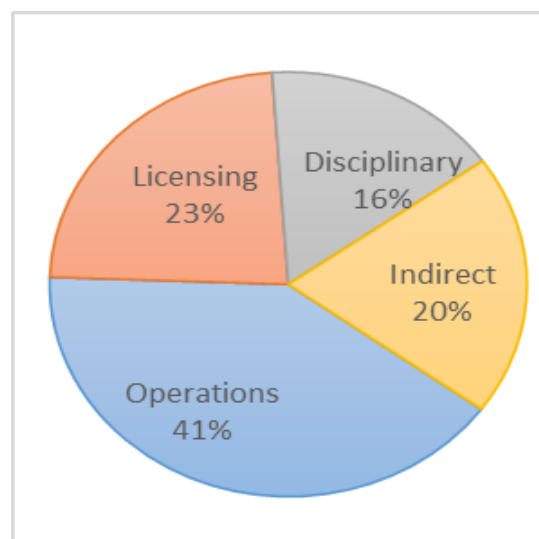
Annual fees charged at initial application and renewal generate revenue for this program ([WAC 246-803-990](#)). The last fee change occurred in October 2010, increasing the fee according the table below:

Fees: Rate Change History			
License Type	Title of Fee	Effective 07/01/03	Effective 10/15/10
Acupuncture and Eastern Medicine Practitioner	Application and Initial License	\$50	\$109*
	License Renewal	\$90	\$205*
	Late Renewal Penalty	\$50	\$105

*This fee includes the \$9 fee to access the University of Washington HEAL-WA health resources website. The HEAL--WA fee did not exist in 2003.

Expenditures

Costs for the program are classified into four primary categories: operations (41%), licensing (23%), discipline (16%), and indirect costs (20%). The percentages reflect the distribution of these costs in FY 2021.



Expenditures (continued)

Operational costs are the largest expense of this program (41%) and include personnel to manage the program. This includes administrative oversight and program management, development and implementation of legislation and rules, communication and outreach, and relations with interested parties.

Licensing activities (23%) include the following services: credentialing, renewals, call center; online licensing (OLIC); background checks and revenue processing.

Discipline costs (16%) include the following activities: legal services; legal compliance; complaint intake; investigations; discipline case management; adjudicative services; and Attorney General costs. These costs are variable from year-to-year and are charged to the program based on number of credentials and usage rates for the various services.

Indirect costs (20%) are agency-wide, general management costs necessary for any program to exist and consist of administrative activities for the general operation of the agency. Examples of indirect costs include financial services, human resources, and information resource management. The indirect rate is a standardized method of charging individual programs for their share of indirect costs and is reviewed and approved annually by the U.S. Department of Health and Human Services.

The HELMS (Healthcare Enforcement and Licensing Management System) assessment is a temporary cost that is assessed against the fund balance of each healthcare profession and facility that will benefit from the new modernized electronic licensing system that is replacing the department's current system (ILRS). The assessment is charged annually for the duration of the project (FY 2021 through FY 2023).

The table below shows expenditures for each of these cost categories over the past six years.

Program Spending by Category						
Fiscal Year	2016	2017	2018	2019	2020	2021
Operations	39,621	66,266	66,772	73,009	90,042	79,314
Licensing	30,418	29,674	34,892	35,901	43,744	45,738
Discipline	70,018	66,860	56,770	60,401	34,617	31,751
Indirect	32,068	41,228	41,028	42,968	43,823	38,858
Subtotal	172,125	204,028	199,462	212,279	212,226	195,662
HELMS Assessment					3,236	23,485
Total	172,125	204,028	199,462	212,279	215,462	219,146

Cost Drivers

The cost to license and regulate the acupuncture and eastern medicine program increased five percent annually from FY 2016 to FY 2021, with growth primarily related to increases in staffing workload and the HELMS assessment.

Operations

In FY 2017, the program paid for an additional 2.98 staffing FTEs (full-time equivalent), increasing the monthly hours billed from 0.37 in FY 2016 to 0.62 in FY 2017. The additional staff increased salary and benefit costs by \$21,470. In subsequent years, the program maintained this level of spending and FTEs. In FY 2020, the total FTEs charged increased to 0.77 monthly due to added program work implementing Substitute House Bill 1865 which added new continuing education requirements, changed the program name, deleted apprenticeship and tutorial requirements and other housekeeping changes. This work cost the program an additional \$14,000 in salaries and benefits.

HELMS Assessment

HELMS is a modernized electronic licensing system that the department is pursuing to replace the outdated ILRS. Funding for the HELMS project is provided by assessing each program's fund balance annually for the duration of the project (FY 2021 through FY 2023).

The HELMS project will cost the program around \$41,000 over the next two years. The estimated total cost to the program for the HELMS project is \$67,000 over the four years.

Fund Reserve

The Office of Financial Management (OFM) requires agencies to maintain a reasonable working capital reserve in state accounts to cover fluctuations in cash flow. The cash reserve should be enough to protect against financial volatility as a result of significant disciplinary activity or unforeseen changes in license trends.

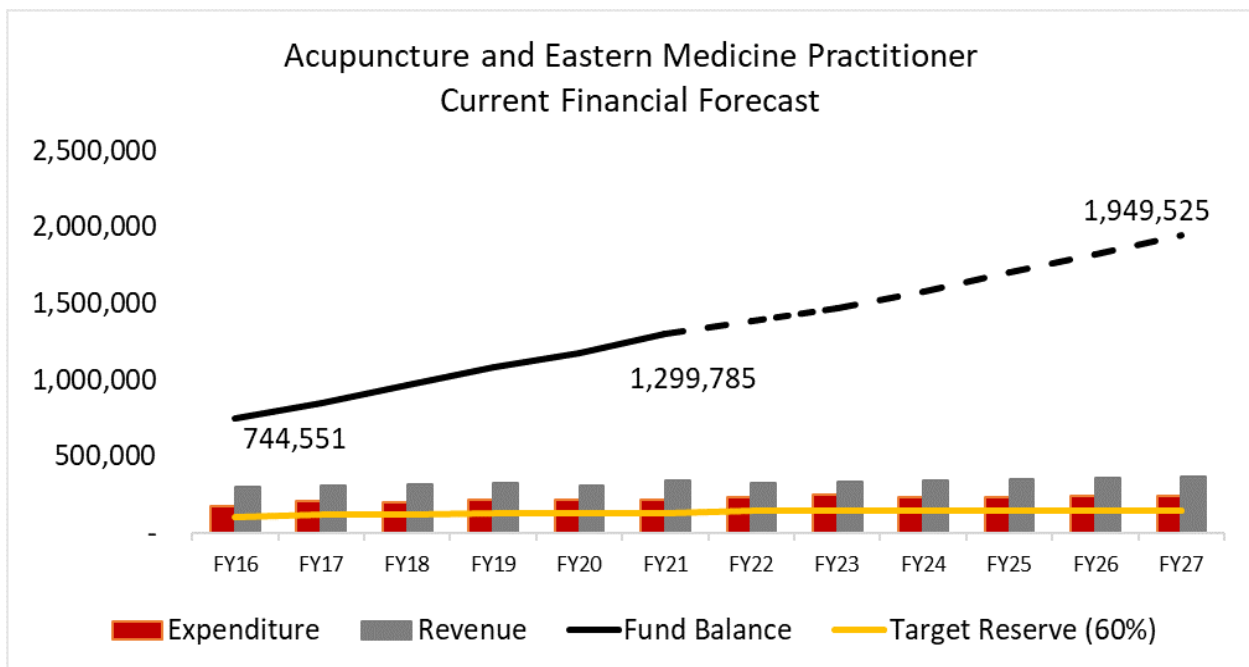
Due to the size of this program, the fund balance is susceptible to expenditures resulting from enforcement costs and the occurrence of other unforeseen events. Based on these factors, the department recommends the program build a reserve of 60 percent, currently around \$131,000 or approximately 7 months of annual expenditures.

Financial Forecast

The acupuncture and eastern medicine program is currently operating at a surplus. The program ended FY 2021 with a fund balance of \$1,299,785.

The department anticipates new applications to grow less than one percent over the next five years. Renewals are projected to continue at the average renewal rate of 96 percent. This conservative projection is in alignment with guidance from program experts in combination with [growth projections for the acupuncture and eastern medicine profession](#) from the Bureau of Labor Statistics (BLS).

The department anticipates costs for the program to increase by 14 percent in biennium (BI) 2021-23 as the program returns to pre-pandemic levels of activity. The department estimates subsequent growth to be less than one percent each year thereafter. Cost increases are primarily due to inflation in personnel-related costs as well as an anticipated return of higher levels of disciplinary activity.



The program is expected to generate enough revenue to cover expenses over the next six years, growing the surplus fund balance. The chart above shows actual revenue and expenditures from FY 2016 through FY 2021, and projected revenue and expenditures from FY 2022 through FY 2027.

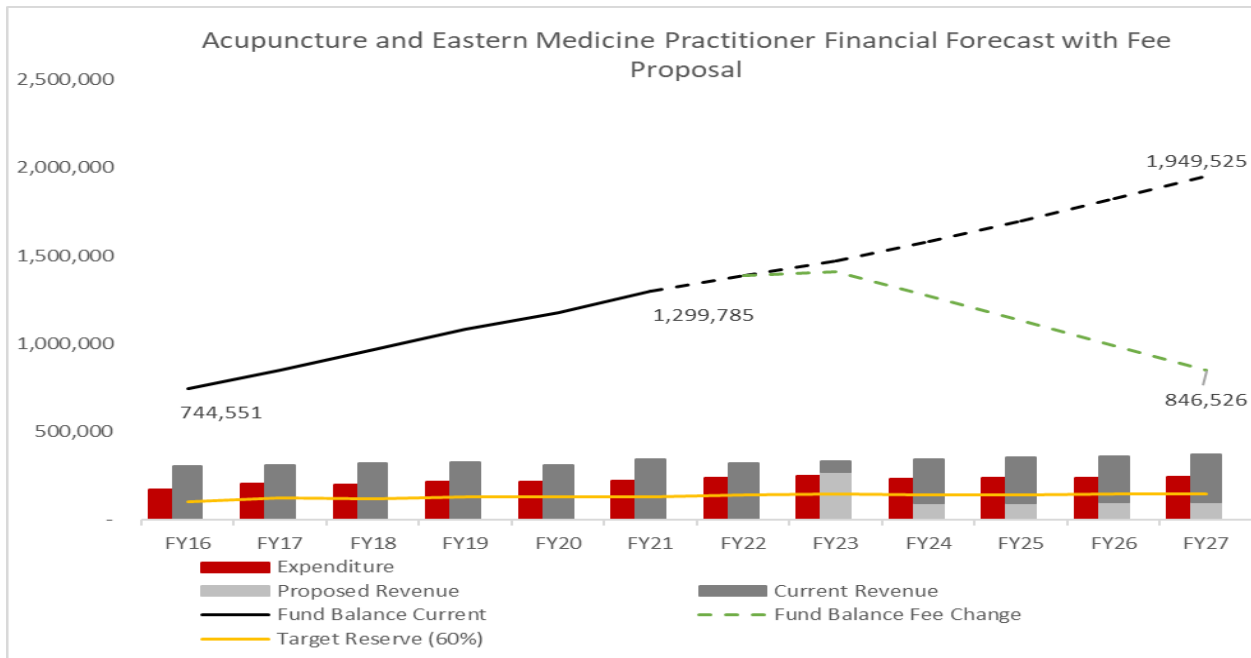
Fee Proposal

To begin bringing the acupuncture and eastern medicine fund balance into alignment with requirements, the department proposes lowering application, renewal, and late penalty fees effective June 1, 2023. Under this proposal, fees will decrease as shown in the table below.

Current and Proposed Fees			
Profession	Title of Fee	Current Fee	Proposed Fee
Acupuncturist and Eastern Medicine Provider	Application and License	\$109*	\$60*
	License Renewal	\$205*	\$60*
	Late Renewal Penalty	\$105	\$50

*This fee includes the \$9 fee to access the University of Washington HEAL-WA health resources website.

This proposal allows the department to begin decreasing the program’s excess fund balance at a sustainable rate. This proposal allows a gradual fund balance reduction that enables the program to maintain a lower fee rate beyond the six-year outlook. The chart below shows projected revenue and expenditures for current and proposed fees from FY 22 through FY 27.



The department will continue to monitor the financial health of the acupuncture and eastern medicine program over a six-year outlook and propose fee adjustments as needed to comply with statutory requirements.

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