Washington State Department of Health

OCTOBER 2022

Agency Affiliated Counselor
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 agency affiliated counselors (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 financial forecast, the program requires a fee increase to bring revenue into alignment with the cost of licensing and regulating agency affiliated counselors.

The program ended fiscal year (FY) 2021 with a fund balance of negative $3.5 million. The program is forecasted to continue operating at a deficit, contributing to further decline of the fund balance through FY 2027. This document summarizes data on revenue, expenditures, fund reserve, cost drivers, financial forecast, and the proposed fees.

Ted Dale
Program Manager
Health Systems Quality Assurance
Washington State Department of Health
Ted.dale@doh.wa.gov

Revenue

As of July 2021, the department licensed 9,279 active agency affiliated counselors in Washington state (Chapter 18.19 RCW). The number of new applicants increased 12 percent since FY 2019. This profession averages a 76 percent renewal rate each year. This results in an annual growth rate around three percent over the past three years for total licensed agency affiliated counselors.

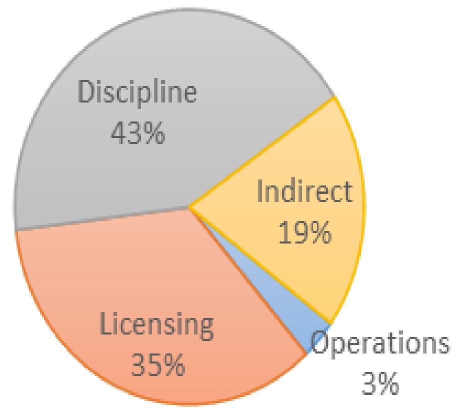
Annual registration fees charged at initial application and renewal generate revenue for this program (WAC 246-810-990). The last fee change occurred in March 2018, increasing the annual application and renewal fees from $60 to $90 and from $50 to $75, respectively. The history for agency affiliated counselor fees is as follows:

Fees: Rate Change History				
License Type	Title of Fee	Effective 7/1/09	Effective 7/1/14	Effective 3/1/18
Agency Affiliated Counselor	Application and Initial Registration	$50	$60	$90
	Registration Renewal	$40	$50	$75
	Late Renewal Penalty	$40	No Change	$50

In the year following the 2018 fee increase, application and renewal fee revenue increased 36 percent. For the past two years, application fee revenue increased an average of 4 percent annually.

Expenditures

Costs for the agency affiliated counselor program are classified into four primary categories: operations (3%), licensing services (35%), discipline (43%), and indirect costs (19%). The percentages reflect the distribution of these costs in FY 2021.



Operational costs make up the smallest portion of total program spending and includes 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.

The largest cost for the agency affiliated counselor program is discipline. Discipline makes up 43 percent of total program spending and includes the following activities: legal services; legal compliance; complaint intake; investigations; discipline case management; adjudicative services; and Attorney General costs. These costs vary and are charged to the program based on number of credentials and usage rates for the various services. Discipline costs have grown an average of two percent annually over the past three years.

The second largest cost for the agency affiliated counselor program is licensing services. Licensing activities account for 35 percent of total program spending. The licensing cost category includes the following services: credentialing (processing applications and renewals); call center; online licensing (OLIC); FBI background checks; revenue processing; and Prometric contract fees. Licensing costs have grown an average of seven percent annually over the past three years.

Expenditures (continued)

The last main cost category is indirect costs, which are agency-wide, general management costs necessary for any program to exist. These costs make up 19 percent of the program's total spending. These costs 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.

Lastly, the HELMS (Healthcare Enforcement and Licensing Management System) assessment is a temporary cost that is assessed against the fund balance of each healthcare program 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	41,800	62,084	56,257	61,202	51,576	37,743
Licensing	311,323	361,762	322,672	326,619	371,088	391,462
Discipline	316,006	368,812	452,348	447,538	391,871	477,675
Indirect	161,010	204,994	214,533	211,459	211,989	218,132
Subtotal	**830,139**	**997,652**	**1,045,810**	**1,046,817**	**1,026,523**	**1,125,013**
HELMS Assessment					18,960	138,253
Total	**830,139**	**997,652**	**1,045,810**	**1,046,817**	**1,045,483**	**1,263,266**

Cost Drivers

The cost to license and regulate agency affiliated counselors (excluding HELMS) stayed comparatively the same from FY 2018 to FY 2021 – increasing only two percent annually. Nevertheless, the program's fund balance continues to decline, primarily due to the program's historic deficit and unforeseen expenses surrounding the HELMS assessment.

Program Deficit

The primary driver for the need to raise fees is due to an operating deficit that has accumulated each year for the past 12 years. The program has carried a negative fund balance since the dissolution of the registered counselor profession. When the registered counselor profession was terminated in fiscal year 2010, all counseling professions inherited a portion of the money owed from that program. This was distributed based on the prorated share of registered counselors transferring to each of the new professions. Forty percent of the amount was transferred to agency affiliated counselors, costing the program $404,000 in FY 2011. The ending fund balance in FY 2011 was negative $606,000 and has declined further each year as expenditures have exceeded revenues. The program requires $3.5 million in additional revenue to recover the deficit accumulated through June 2021.

Agency Affiliated Counselor Program Annual Operating Deficit				
Fiscal Year	**Revenue**	**Expenses**	**Deficit**	**Fund Balance**
2009				373,727
2010	1,720,999	2,074,235	-353,236	20,491
2011	1,461,199	2,087,456	-626,257	-605,766
2012	279,744	499,119	-219,375	-825,141
2013	308,981	702,632	-393,651	-1,218,792
2014	345,393	592,506	-247,113	-1,465,905
2015	487,578	637,441	-149,863	-1,615,768
2016	529,711	830,139	-300,428	-1,916,197
2017	598,653	997,652	-398,999	-2,315,196
2018	625,554	1,045,810	-420,256	-2,735,453
2019	848,849	1,046,817	-197,968	-2,933,421
2020	840,778	1,045,483	-204,705	-3,138,126
2021	923,158	1,263,266	-340,108	-3,478,235

Cost Drivers (continued)

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 agency affiliated counselor program around $239,000 over the next two years. The estimated total cost to the agency affiliated counselor program for the HELMS project is $396,000 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, expenditures are less prone to significant impacts resulting from enforcement costs and the occurrence of other unforeseen events. Also, the program has maintained predictable credentialing numbers which lowers financial risk. Based on these factors, the department recommends the program build a reserve of 20 percent, currently around $253,000 or approximately 2-3 months of annual expenditures.

Financial Forecast

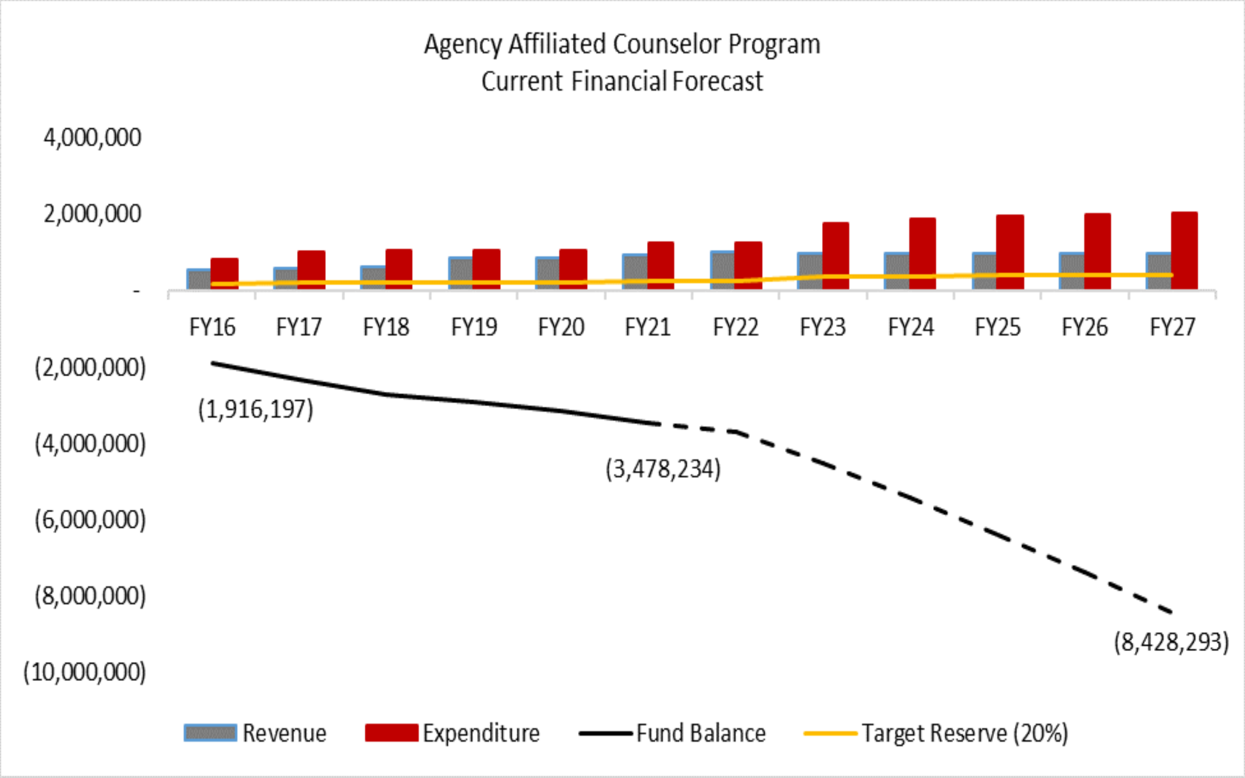
The agency affiliated counselor program is currently operating at a deficit. The 2018 fee increase did not provide enough revenue to cover operating expenses and therefore the program's negative fund balance continued to increase.

The department anticipates the licensee base to grow 2 percent annually in line with historic trends. In addition to the regular agency affiliated counselor applications and renewals, the department anticipates 3,093 intern applications each year due to [Engrossed Second Substitute House Bill 1504 – Workforce Education Investment Act (E2SHB 1504)] that passed in 2021.

The department anticipates costs for the agency affiliated counselor program to increase by $753,000 annually starting in FY 2023. This additional spending is the projected cost of implementing and regulating the intern licensee program initiated by E2SHB 1504. These increases lead to a required recommended reserve level of $404,000 in FY 2027.

The agency affiliated counselor program is expected to be short $4.9 million in revenue to cover costs over the next six years. This shortfall added to the program's $3.5 million deficit, results in a program fund balance of negative $8.4 million by the end of FY 2027.

The chart below shows actual revenue and expenditures from FY 2016 through FY 2021, and projected revenue and expenditures from FY 2022 through FY 2027.



Fee Proposal

The department proposes a two-fold solution to achieve a healthy fund balance for agency affiliated counselors.

- The department intends to increase fees to the level required to recover the current operating expenses of the program. To address the annual operating cost of the program, the department would need to raise application fees $85 and renewal fees by $110 per year, effective June 1, 2023. Under this proposal, application fees will increase from $90 to $175. Renewal fees will increase from $75 to $185.
- To recover the program's historic operating deficit of $3.5 million, the department requested $1.1 million GF-S in each of the next two fiscal years, for a total of $2.2 million over the 2023-25 biennium. The department plans to request an additional $2.3 million in GF-S in FY 2026.

This two-pronged approach will enable this profession to achieve a healthy fund balance over the next two biennia while minimizing the impact of fee increases on these licensees.

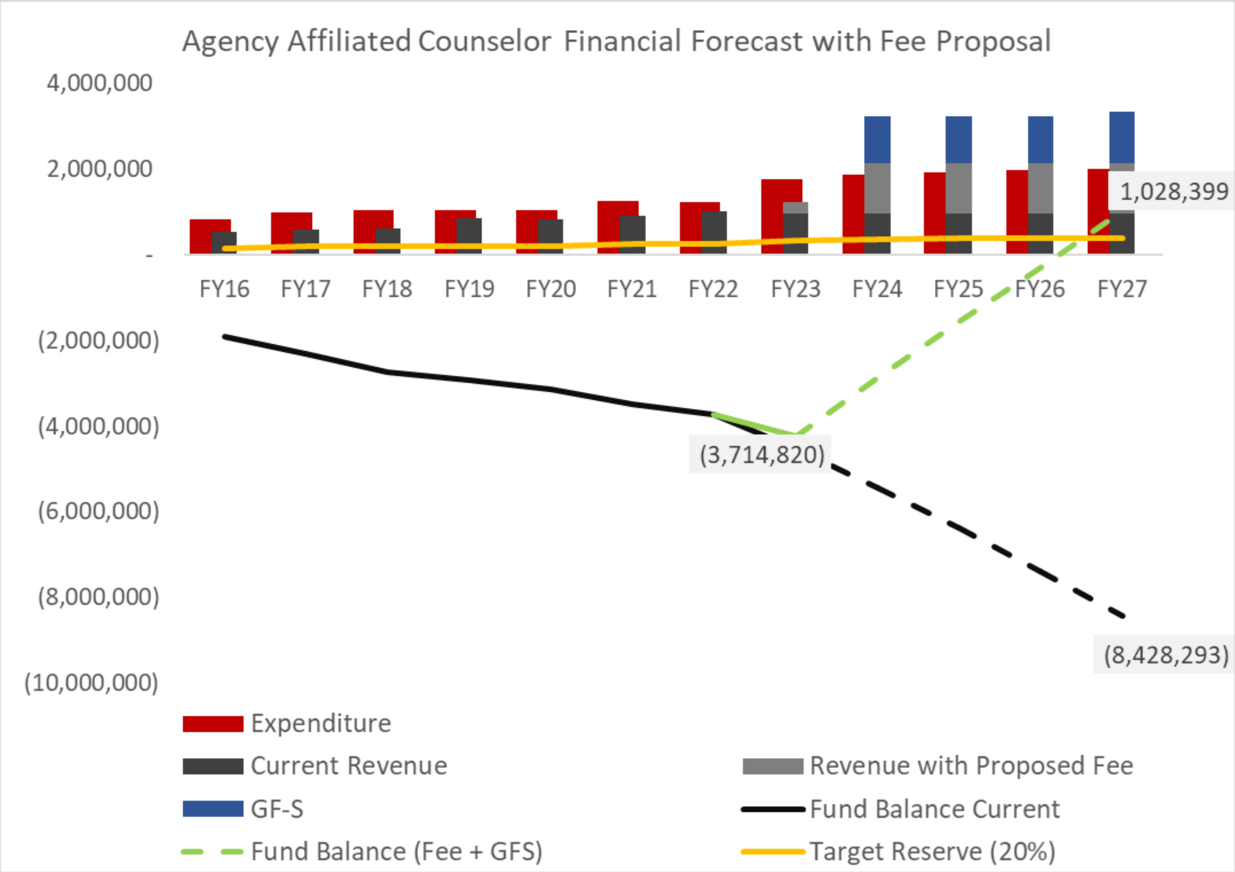
The table below shows the anticipated fees for agency affiliated counselors to achieve a healthy fund balance by FY 2027 with GF-S to offset the historical deficits:

Current and Proposed Fees			
Profession	Title of Fee	Current Fee	Proposed Fee
Agency Affiliated Counselor	Application and Registration	$90	$175
	Registration Renewal	$75	$185
	Late Renewal Penalty	$50	$95

The department anticipates the licensee base to decline by 25 percent following the proposed fee increase. This fee increase brings agency affiliated licensing fees into closer proximity with the fees of other counseling professions. It is expected that licensees who historically have held the agency affiliated counselor license due to its lower licensing costs will now choose to apply for other behavioral health licenses in line with their professional activity. This anticipated decline in licensees has been taken into account when calculating the proposed fees.

Fee Proposal

The chart below shows the projected fund balance in light of the fee proposal and GF-S funding. This proposal is what the department has determined necessary to offset the historical deficits and achieve a healthy fund balance by FY 2027.



If the department's GF-S ask remains unfunded, the department will be obligated to pursue additional fee increases in FY 2024 in order to bring the program's fund balance into alignment with statutory requirements.

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