

Dental Commission 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 dentists, dental assistants, dental anesthesia assistants, and expanded function dental auxiliaries ([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 increase to bring revenue into alignment with the cost of licensing and regulating dental professions.

The commission ended fiscal year (FY) 2021 with a fund balance of \$2,631,597. The commission is currently operating with an annual shortfall where expenditures are greater than incoming revenue. The fund balance is forecasted to decline below recommended reserves by the end of 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 dental commission regulates 23,991 active practitioners in Washington state ([Chapter 18.260 RCW](#) and [Chapter 18.350 RCW](#)). The commission receives an average of 3,550 new applications a year, with applications growing 10 percent from FY 2018 through FY 2021. This program retains an 88 percent renewal rate each year.

Annual fees charged at initial application and renewal generate revenue for this program ([WAC 246-817-990](#), [WAC 246-817-99005](#)). The last fee change occurred in January 2014, decreasing dental professional fees according to the chart below:

Fees: Rate Change History				
License Type	Title of Fee	Effective 07/25/2008	Effective 10/15/2010	Effective 01/01/14
Dentist	Application	\$700	No Change	\$500
	License without Examination	\$700	No Change	\$500
	License Renewal	\$375	\$551	\$350
	Late Renewal Penalty	\$200	\$288	No Change
Dental Anesthesia Permit	Application	\$150	No Change	No Change
	Permit Renewal	\$150		
	Late Renewal Penalty	\$75		
License Type	Title of Fee	Effective 07/01/2008	Effective 10/15/2010	Effective 07/01/13
Dental Assistant	Application	\$40	No Change	No Change
	License Renewal	\$20	\$21	
	Late Renewal Penalty	\$20	\$21	
Expanded Function Dental Auxiliary	Application	\$175	No Change	No Change
	License Renewal	\$160		
	Late Renewal Penalty	\$80		
Dental Anesthesia Assistant	Application	Not Licensed	Not Licensed	\$100
	License Renewal			\$75
	Late Renewal Penalty			\$50

Following the fee decrease in 2014, revenue declined 20 percent over two years, decreasing the fund balance to \$3.3 million in FY 2016. Revenue stabilized and began to grow at an annual average rate of three percent. Fee revenue totaled \$3,824,258 in FY 2021.

Expenditures

Costs for the program are classified into four primary categories: operations (19%), licensing (16%), discipline (48%), and indirect costs (17%). The percentages reflect the distribution of these costs in FY 2021.

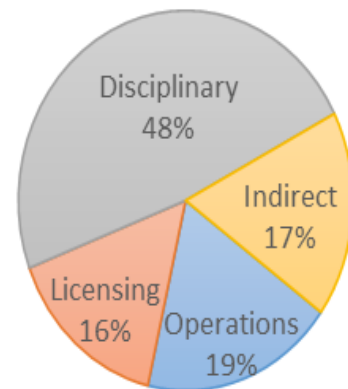
Operational costs account for 19 percent of total program spending and includes personnel to manage the program. This includes administrative oversight and program management, development and implementation of legislation and rules, communication and outreach, and relations with interested parties.

Licensing activities account for 16 percent of total program spending and includes the following services: credentialing, renewals, call center; online licensing (OLIC); background checks and revenue processing.

Discipline costs are the largest category of spending (48%). Costs in this category 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 (17%) 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).



Expenditures (continued)

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	674,909	774,681	732,762	722,511	692,361	710,829
Licensing	618,405	665,289	563,933	562,526	567,501	594,828
Discipline	1,387,191	1,686,914	1,854,441	1,881,965	1,790,711	1,838,439
Indirect	599,639	720,943	720,210	699,598	720,295	669,670
Subtotal	3,280,144	3,847,826	3,871,345	3,866,601	3,770,868	3,813,766
HELMS Assessment					52,937	394,518
Total	3,280,144	3,847,826	3,871,345	3,866,601	3,823,805	4,208,284

Cost Drivers

The cost to license and regulate dentists, dental assistants, dental anesthesia assistants, and expanded function dental auxiliary professionals has increased an average of 2.8 percent each year since FY 2016. The primary driver of this cost growth is due to discipline and the addition of the HELMS assessment project.

Disciplinary Growth

In 2016, the program spent \$1.38 million on the disciplinary process, receiving 580 complaints, 355 investigations, and 92 disciplinary actions. In FY 2017, disciplinary costs increased 22%, growing to \$1.68 million. This was due to an increase in investigations opened (384 investigations) and the number of cases that went to hearing resulting in a doubling of the number of health law judge hours charged.

Costs in subsequent years continued to grow, reaching 1.88 million in FY 2019, where the commission processed 634 complaints, opened 377 investigations, and took 114 disciplinary actions. In FY 2020 and 2021, disciplinary costs declined as the commission adjusted to working with licensees during the Coronavirus Disease 2019 (COVID-19) pandemic. Complaints grew in these years, with the commission receiving 843 complaints in FY 2020, and 749 in FY 2021. The commission is expected to continue receiving this level of case growth.

Cost Drivers

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 dental commission around \$682,000 over the next two years. The estimated total cost to the commission for the HELMS project is \$1.1 million 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. Based on these factors, the department recommends the program build a reserve of 17 percent, currently around \$715,000 or approximately 2 months of annual expenditures.

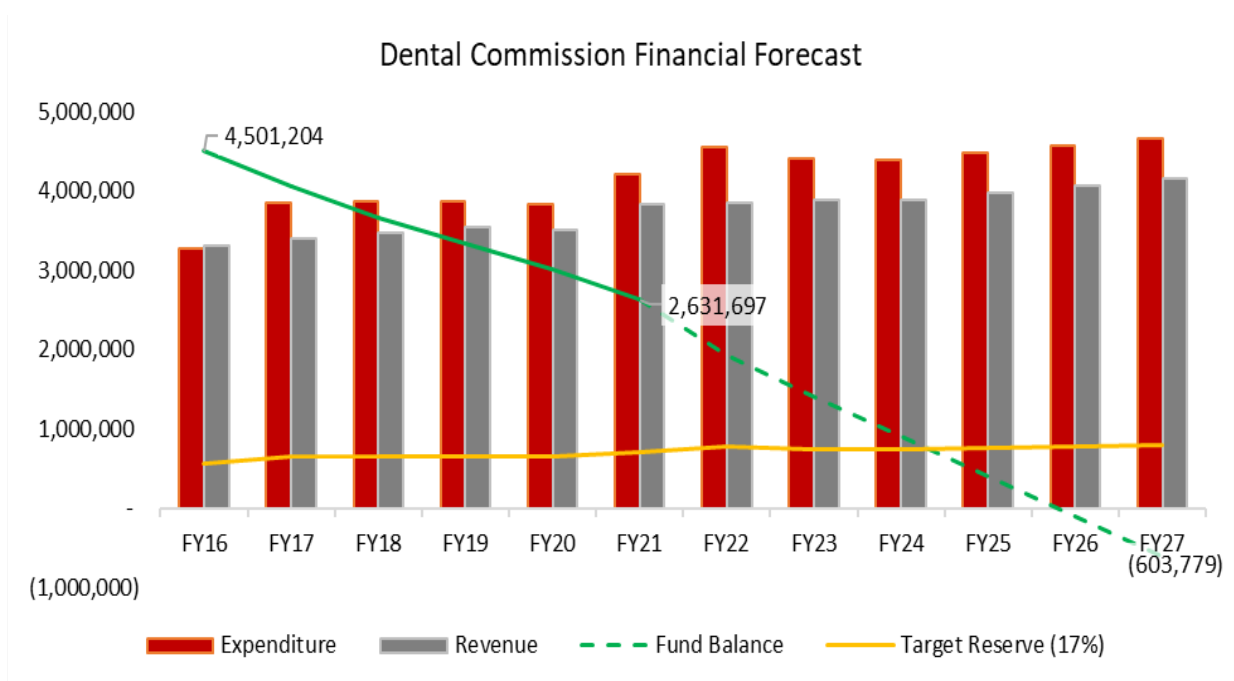
Financial Forecast

The dental commission is currently operating at an annual shortfall. Fees were reduced in 2014 to create an annual operating deficit to drawdown the program’s surplus fund balance. The fee decrease slowed the program’s revenue growth, reducing the fund balance gradually. The fund balance will meet financial requirements around FY 2025 but then further decline below the recommended reserves by FY 2027.

The department anticipates the number of new dental commission professions applications to be around 4,500 annually, maintaining a 2.4 percent average annual growth rate over the next six years. Renewals are projected to continue at a rate of 93 percent for dentists, 87 percent for dental assistants, 97 percent for expanded function dental auxiliaries, and 87 percent for dental anesthesia assistants.

Projected costs for biennium (BI) 2021-23 are aligned with allotments and reflect an increase of 4.4 percent per year on average over BI 2019-21 spending. Starting in FY 2024, general operating costs are estimated to grow two percent per year on average through FY 2027. This increase reflects statewide compensation adjustments as well as general inflation of cost of goods, and an expected 3% growth in disciplinary expenditures as the commission handles growing caseloads. The program is expected to be short \$1.4 million in revenue to cover costs and reserves by FY 2027.

Current and projected revenue is insufficient to cover the cost of licensing and regulating the program and maintain adequate reserves. The fund balance will continue to decline as the gap between revenue and expenditures continues. Therefore, the department concludes that current fees are not enough to sustain the cost of operating the program and meet the [statutory requirements](#).



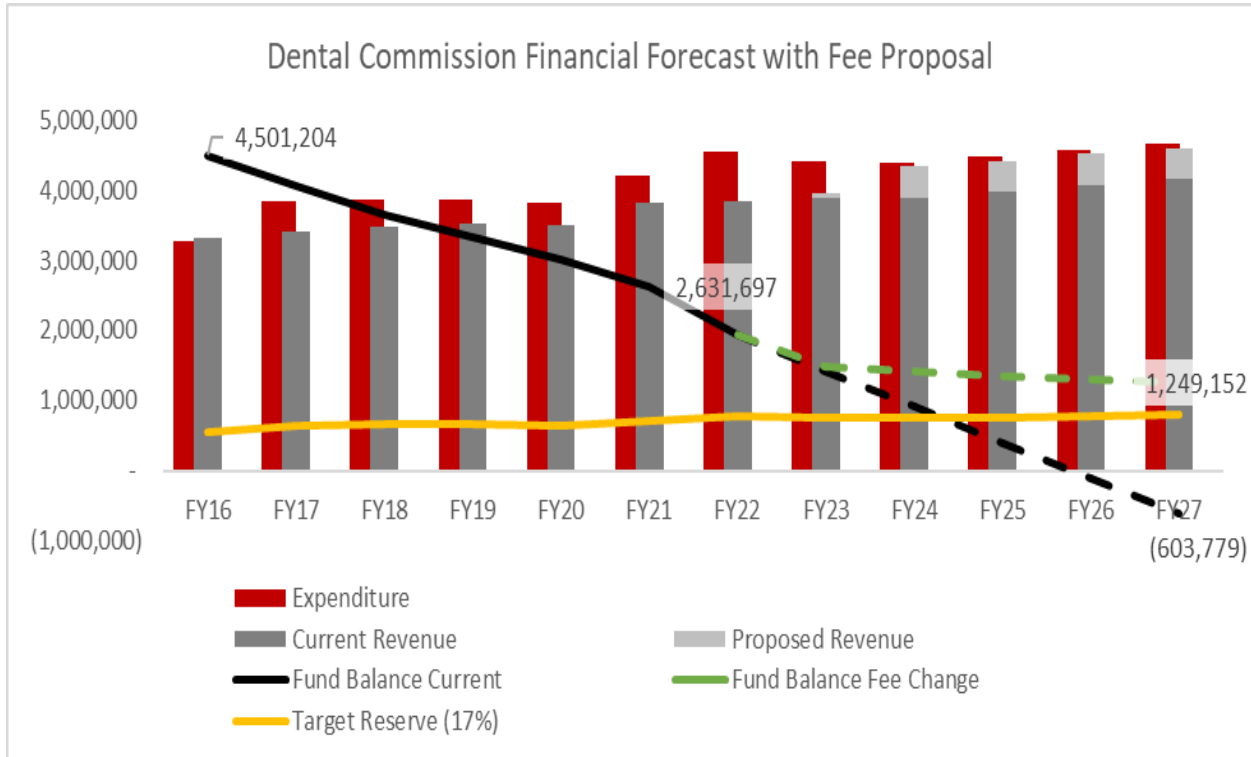
Fee Proposal

To address the commission’s annual operating shortfall, the department proposes raising renewal fees by \$4—\$15 per year, effective June 1, 2023. Late renewal penalties will adjust in accordance with standard departmental policy. Under this proposal, fees will increase for all professions under the commission, as shown in the table below.

Current and Proposed Fees			
Profession	Title of Fee	Current Fee	Proposed Fee
Dentist	Application	\$500	No Change
	License without Examination	\$500	No Change
	License Renewal	\$350	\$365
	Late Renewal Penalty	\$288	\$185
Dental Anesthesia Permit	Application	\$150	No Change
	Permit Renewal	\$150	\$160
	Late Renewal Penalty	\$75	\$80
Dental Assistant	Application	\$40	No Change
	License Renewal	\$21	\$25
	Late Renewal Penalty	\$21	\$25
Expanded Function Dental Auxiliary	Application	\$175	No Change
	License Renewal	\$160	\$165
	Late Renewal Penalty	\$80	\$85
Dental Anesthesia Assistant	Application	\$100	No Change
	License Renewal	\$75	\$85
	Late Renewal Penalty	\$50	No Change

Fee Proposal

The proposed fees are what the department has determined are necessary to fund program operations and slow the drawdown of the commission’s fund balance. The chart below shows projected revenue and expenditures for current and proposed fees from FY 2016 through FY 2027.



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

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