



Home Care Aide 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 certified home care aides ([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 home care aides.

The program ended fiscal year (FY) 2021 with a fund balance of negative \$6,203,000. 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.

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Revenue

As of July 2021, the department licensed 26,653 active home care aides in Washington state ([Chapter 18.88B RCW](#)). The number of new applicants has declined 26 percent since FY 2019, largely due to the early pandemic waivers and [Senate Concurrent Resolution 8402](#) which extended the deadline for training and certification requirements until the state of emergency due to coronavirus disease 2019 (COVID-19) ends. While the number of new applicants has declined, the number of renewals has increased, resulting in the total number of licensed home care aides remaining comparatively the same for the past three years.

Annual certification fees charged at initial application and renewal generate revenue for this program ([WAC 246-980-990](#)). The last fee change occurred in May 2016, increasing the application and renewal fee from \$60 to \$85 annually. The history for home care aide certification fees is as follows:

Fees: Rate Change History			
License Type	Title of Fee	Effective 01/01/11	Effective 05/01/16
Home Care Aide	Application and Initial License	\$60	\$85
	Certification Renewal	\$60	\$85
	Late Renewal Penalty	\$30	No Change

For three years following the 2016 fee increase, application fee revenue increased an average of 34 percent annually. Fee revenue totaled \$3,295,039 in FY 2021.

Expenditures

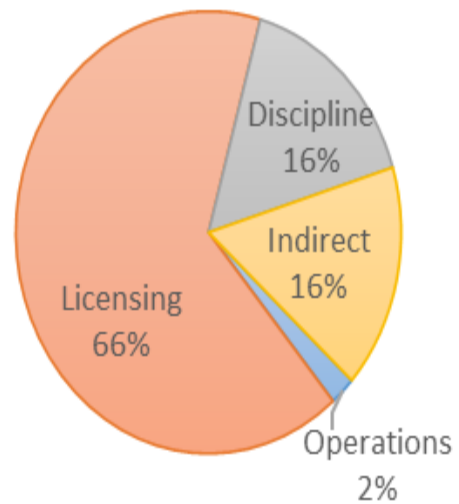
Costs for the home care aide program are classified into four primary categories: operations (2%), licensing (66%), discipline (16%), and indirect costs (16%). The percentages reflect the distribution of these costs in FY 2021.

Operational costs make up the smallest portion of total program spending (2%) 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.

The primary cost for the home care aide program is licensing services. Licensing activities account for 66 percent of total program spending. The licensing cost category includes the following services: credentialing (processing home care aide applications and renewals); call center; online licensing (OLIC); background checks; revenue processing; and Prometric contract fees.

The home care aide program has its own credentialing unit to process applications and renewals. This unit consists of 16 FTEs (full-time equivalent) dedicated to the program. Credentialing services include managing the entire application process for incoming credentials from reception to issuance; processing renewals; renewing expired reissuance credentials; processing continuing education audits; archiving paper license; and processing incoming mail.

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 vary from year-to-year and are charged to the program based on number of credentials and usage rates for the various services.



Expenditures

Indirect costs (16%) 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	196,603	209,519	149,554	102,304	83,162	78,535
Licensing	2,281,961	2,386,458	2,662,277	3,190,732	2,675,101	2,401,563
Discipline	440,921	516,104	599,273	434,006	507,174	583,377
Indirect	461,464	525,693	622,689	522,969	618,411	601,709
Subtotal	3,380,949	3,637,774	4,033,794	4,250,012	3,883,848	3,665,184
HELMS					60,336	455,785
Total	3,380,949	3,637,774	4,033,794	4,250,012	3,944,184	4,120,969

Cost Drivers

The cost to license and regulate the home care aide program increased an average of 8 percent annually from FY 2016 to FY 2019. Total spending peaked in FY 2019. Costs went down in in the 2019-21 biennium primarily due to reduced spending in operations and licensing activities. While these cost savings benefit the program, the fund balance remains impacted by the program’s long standing operating deficit and the addition of costs surrounding the HELMS Assessment project.

Program Deficit

The primary driver for the need to raise fees is due to the program deficit that has accumulated each year since the program’s inception in 2011. The ending fund balance in FY 2011 was negative \$422,000 and has declined further each year as expenditures have exceeded revenues. Program costs exceeded initial expectations due to the unique needs of the program including specialized credentialing teams, application translation and interpretation services, and an above average complaint rate that drives higher costs for investigations and legal services.

The department raised fees in 2016 but not to the level required to eliminate the deficit because of significant stakeholder opposition and concern that higher fees would make it difficult for those in this low-wage profession to continue working and threaten access to care for vulnerable adults. As a result, the home care aide regulatory program has fallen into further deficit each year. The table below details the program’s yearly revenue, expenses, and fund balance from 2011 through 2021. The program requires \$6.2 million in additional revenue to recover the deficit accumulated through June 2021.

Home Care Aide Program Annual Operating Deficit				
Fiscal Year	Revenue	Expenses	Deficit	Fund Balance
2011	0	421,774	-421,774	-421,774
2012	70,922	581,091	-510,169	-931,943
2013	443,434	1,179,273	-735,840	-1,667,782
2014	1,494,998	1,695,668	-200,670	-1,868,452
2015	1,726,251	2,164,263	-438,012	-2,306,464
2016	1,012,518	3,380,949	-2,368,431	-4,674,895
2017	3,139,581	3,637,774	-498,193	-5,173,088
2018	3,791,383	4,033,794	-242,411	-5,415,499
2019	4,207,661	4,250,012	-42,351	-5,457,850
2020	4,024,846	3,944,184	80,662	-5,377,188
2021	3,295,039	4,120,969	-825,931	-6,203,118

Cost Drivers (continued)

HELMS Assessment

The second driver of the program's growing costs is the HELMS Assessment project. 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 home care aide program around \$788,000 over the next two years. The estimated total cost to the home care aide program for the HELMS project is \$1.3 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. The reserve requirement for the Home Care Aides program is set at 20 percent of annual expenditures, currently around \$824,000.

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 stable credentialing numbers which lowers financial risk. Based on these factors, the department recommends the program build a reserve of 20 percent or approximately 2-3 months of annual expenditures.

Financial Forecast

The 2016 fee increase did not provide enough revenue to cover expenses and therefore the program continued operating at a deficit. The home care aide program ended FY 2021 with a fund balance of negative \$6.2 million.

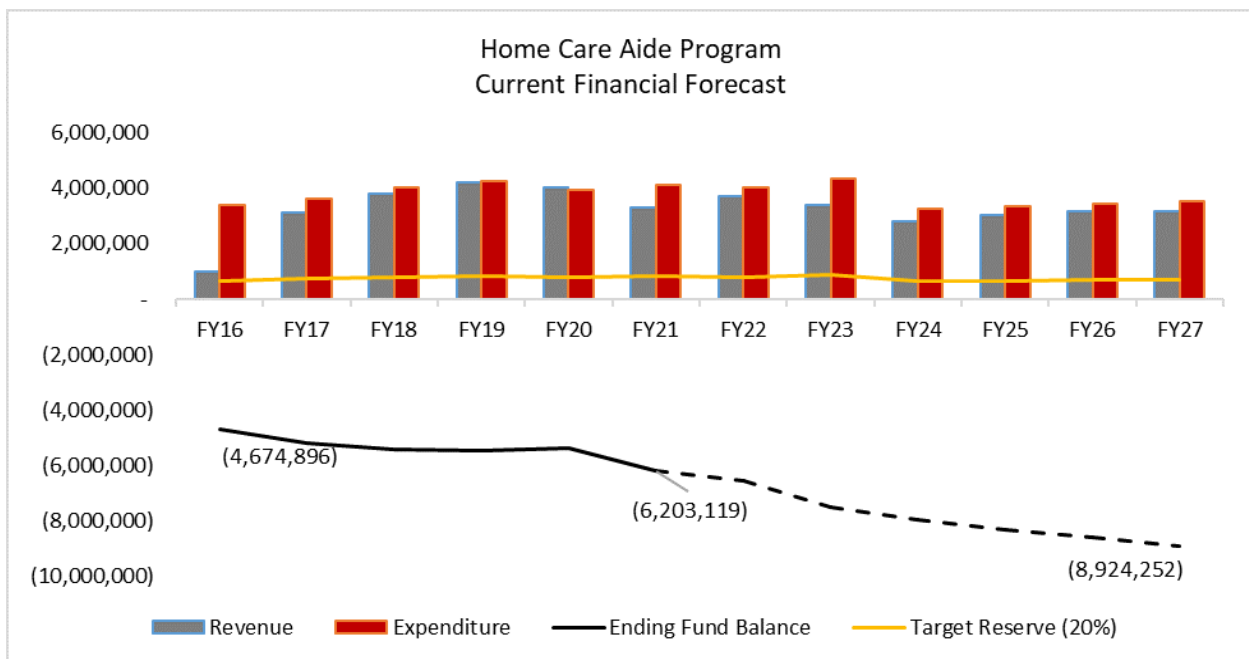
The department anticipates new application rates to continue at the lower 2021 level following expiration of the state of emergency and waivers. For this analysis, it is projected that the number of applications will begin to increase again starting in the 2023-25 biennium at a rate of 7.6 percent each year, and that 54 percent of applicants will renew the following year.

Program expenditures are expected to grow approximately \$240,000 in FY 2024 due to legislation passed in the 2021 session ([ESHB 1120 Concerning state of emergency operations impacting long-term services and supports](#)). Additionally, general operating costs are estimated to grow 1.3 percent per year on average through FY 2027. This increase reflects statewide compensation adjustments as well as general inflation of cost of goods.

In FY 2023, the department will no longer collect exam fees on behalf of applicants for Prometric. This change reduces revenue and program costs by approximately \$900,000 each year. This change is anticipated to have \$0 net fiscal impact.

The Home Care Aide program is expected to be short \$2.7 million in revenue to cover costs over the next six years. This shortfall added to the program’s \$6.2 million negative fund balance, results in a program fund balance of negative \$8.9 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 healthy fund balances for home care aides.

- 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 home care aide program, the department would need to raise application and renewal fees by \$15 per year, effective June 1, 2023. Under this proposal, application and renewal fees for home care aides will increase from \$85 to \$100 and late renewal fees will increase \$20.
- To recover the program’s historic operating deficit of \$6.2 million, the department requested \$3 million GF-S in each of the next two fiscal years, for a total of \$6 million over the 2023-25 biennium. The department plans to request an additional \$1.5 million in GF-S in FY 2026.

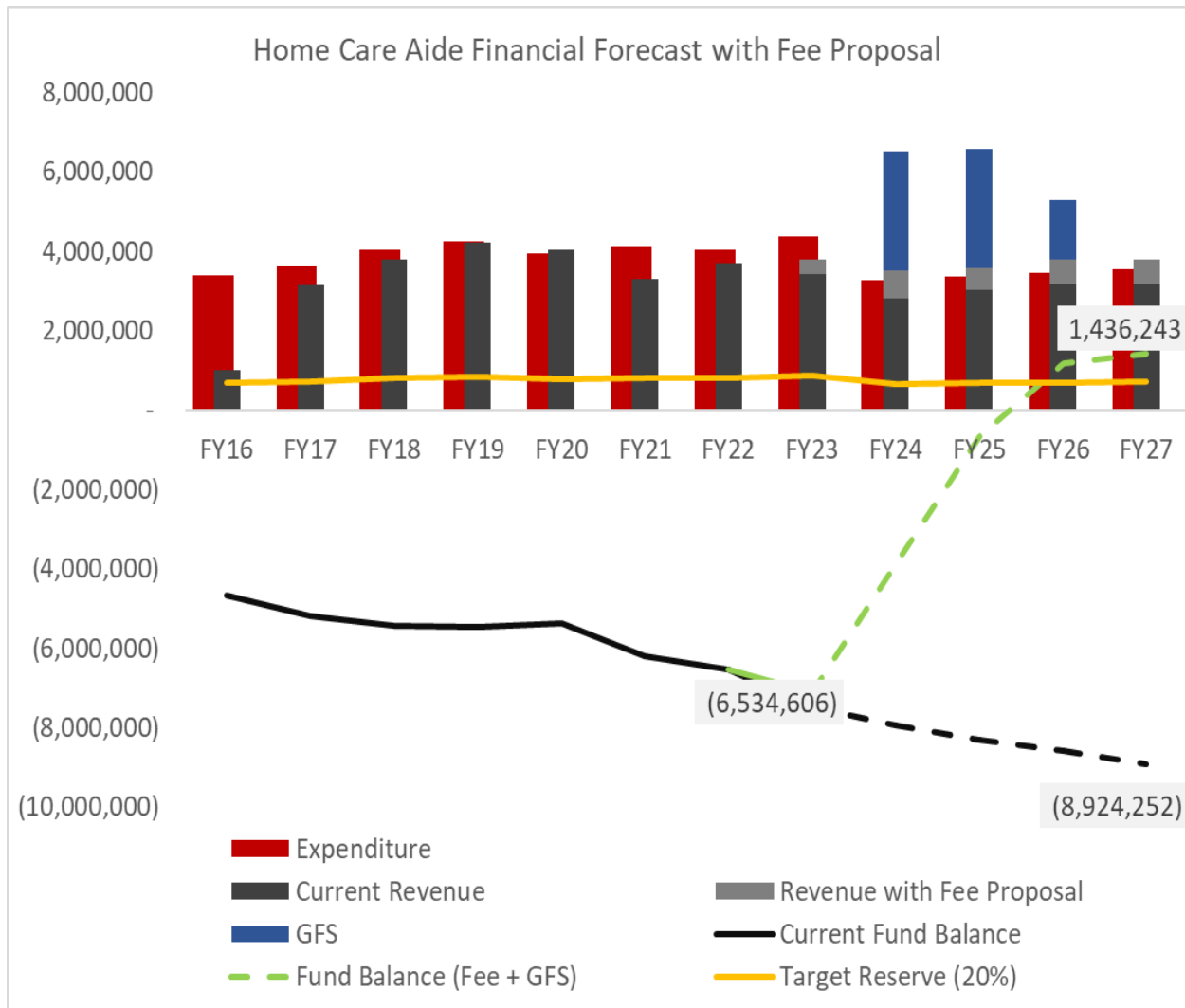
This two-pronged approach will enable this profession to achieve a healthy fund balance over the next two biennia while minimizing the impact of fee increases on these licensees.

Current and Proposed Fees			
Profession	Title of Fee	Current Fee	Proposed Fee
Home Care Aide Certification	Application and License	\$85	\$100
	Certification Renewal	\$85	\$100
	Late Renewal Penalty	\$30	\$50

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.

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 .



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

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