

## **Fee Narrative**

WAC 246-919-990 Physician and Surgeon Fees and Renewal Cycle

WAC 246-918-990 Physician Assistants Fees and Renewal Cycle

October 1, 2019

### **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. 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 Washington Medical Commission (WMC), is proposing to increase renewal fees for allopathic physicians and physician assistants. The department is obligated to have each profession's program budget be self-sustaining within six years to be compliant with the law. No changes are proposed for license application fees.

### **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 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 include 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**

The WMC's budget is anticipated to be in a deficit of over -\$6.7 million by the end of the 2019-21 biennium. Current fees are not sufficient to cover the work of the commission. The goal of the proposed fee increases is to bring licensing fee revenues in alignment with the actual costs of regulating this program and avoid the projected growing deficit, while bringing year-end reserves to an amount equaling one and a half months of operating costs over a six-year period.

An adequate reserve is required to be available for unanticipated expenditures such as costly disciplinary cases or other increases in operating costs, and is set at a percentage of expenditures. In proposing increases in fees, the department and WMC considered several factors: the profession's growth rate; revenues and expenditures; and the operating fund balance as a percentage of the program's total biennial expenditures.

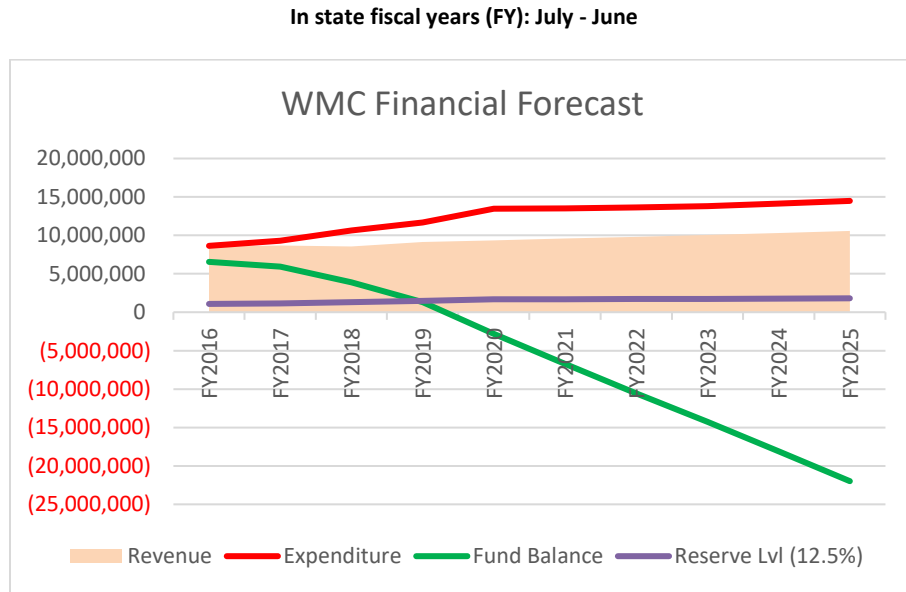
The department and WMC considered multiple fee scenarios and determined that the proposed fees were best for preventing the program's budget from going into a deficit next biennium, and bringing it to the reserve balance of an amount equal to one and a half months of expenditures. Since fee studies are based on estimates, and actual revenue and expenditures will vary, the department takes a conservative approach to fee increases. We will continue to monitor the program's fund balance, including reserves, 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 renewal fees, since this is where the WMC earns the majority of revenue. Other fees, such as late renewal penalties or duplicate credentials, are more variable and difficult to anticipate. The calculations do not include the University of Washington (UW) HEAL-WA annual surcharge of \$16 or the Washington Physician Health Program (WPHP) annual surcharge of \$50, since these surcharges do not support WMC operational cost. The department collects these fees at licensing and renewal, and forwards to UW HEAL-WA and WPHP, instead of these programs billing and collecting from individual practitioners.

## Washington Medical Commission

The Washington Medical Commission (WMC) is projected to have a funding deficit<sup>1</sup> of -\$8.4 million by June 2021<sup>2</sup> and is forecasted to have a deficit of -\$23.8 million by June 2025. Factors that impacted the costs of the WMC were related to the following:

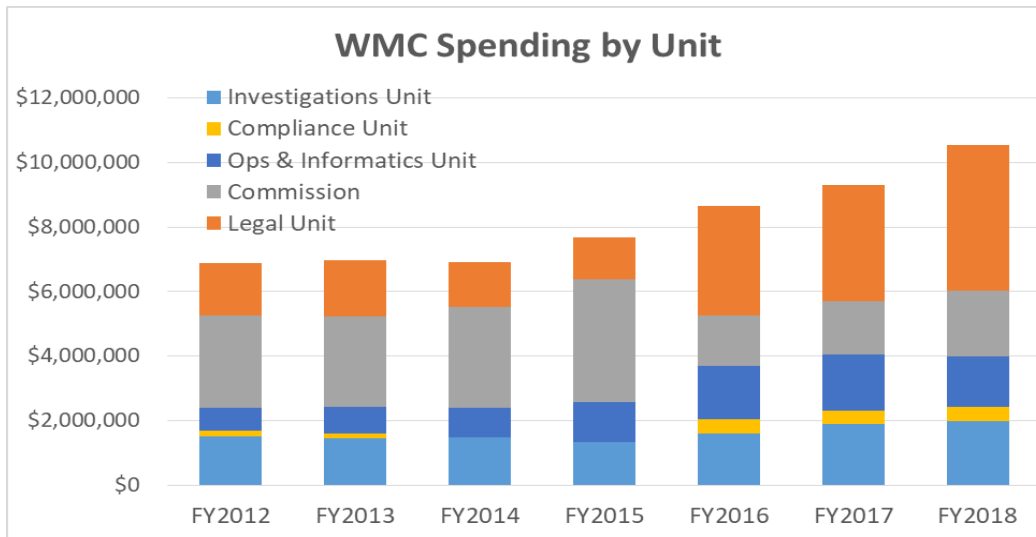
- The profession has experienced a significant increase in disciplinary and litigation-related costs the last few years that appear to now be normalized ongoing costs.
- Increased costs over time for credentialing, case management, discipline, and call center functions.



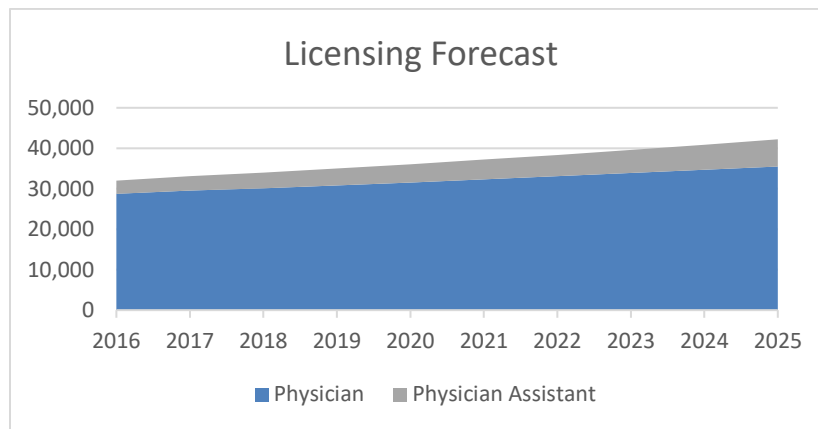
The chart below illustrates WMC spending by unit. These functions are carried out by dedicated WMC staff. The investigations unit is responsible for investigating a complaint. The compliance unit monitors licensees under a disciplinary order. Ops and Informatics assume costs associated with credentialing new and renewal licensees. The commission costs include case management functions, call center functions, and Medical Commissioner workload. The legal unit amasses costs associated with adjudicating and disciplining a case.

<sup>1</sup> The funding deficit amount includes WMC expenditures and the recommended reserve deposits.

<sup>2</sup> State Fiscal years run from July to June.



The number of licensed physicians and surgeons are gradually increasing at a rate of 2.4% while licensed physician assistants are growing at a rate of 8.4%. This yields an overall growth rate of 3% annually for the WMC. The growth rate has historically created a stable revenue stream for the WMC, but no longer funds increases in disciplinary spending and corresponding staffing increases due to workload.



**WMC Active Renewal Fees  
(renewal every two years)**

	Physician		Physician Assistant	
	Current	Proposed	Current	Proposed
Renewal (every 2 years)	\$525	\$824	\$70	\$247
Late Penalty	\$262.50	\$300	\$50	\$124

*\*Fees listed do not include University of Washington (UW) HEAL-WA annual surcharge of \$16 or Washington Physician Health Program annual surcharge of \$50.*