



Office of the Washington State Auditor

Pat McCarthy

Aligning healthcare professional fees with licensing costs

Joint Legislative Audit Review Committee

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Audit questions



Has the Department of Health set licensing fees for healthcare professions to reflect the costs of licensing those professions?



Are the licensing and disciplinary costs charged to healthcare professions consistent with state law and government guidance?

Key audit results

- Reserves for the Health Professions Account have declined in recent years.
- 77 percent of the professions had fees that were too high or too low in relation to their costs.
- Most costs appeared reasonable. Professions paid some charges that did not benefit them.

Background

- DOH licenses over 400,000 professionals within 44 professions
- State law requires each profession to cover its own costs through licensing fees
- Professions can only be charged for licensing and disciplinary activities



How fee revenues are managed

Licensing Fee Revenue



How professions believe fee revenues are managed

Licensing Fee Revenue



How professions believe fee revenues are managed

Licensing Fee Revenue



Expenses



How professions believe fee revenues are managed

Licensing Fee Revenue



Expenses



Reserves

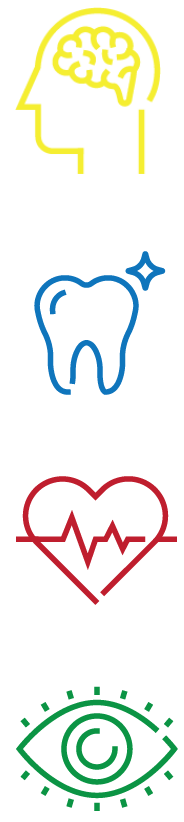
How fee revenues are actually managed

Licensing Fee Revenue

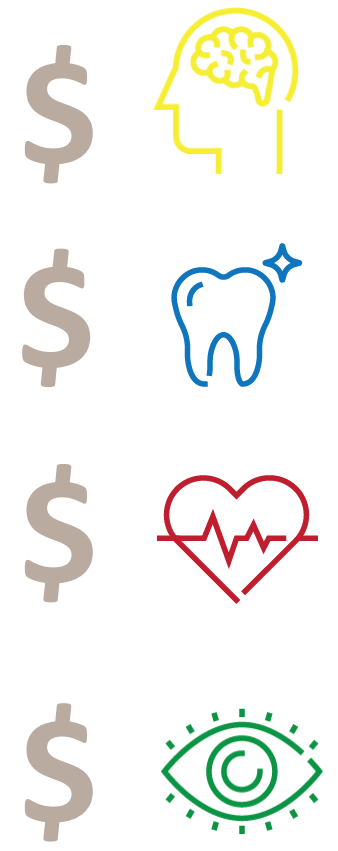


How licensing fee revenues are actually managed

Licensing Fee Revenue



Expenses



How licensing fee revenues are actually managed

Licensing Fee Revenue

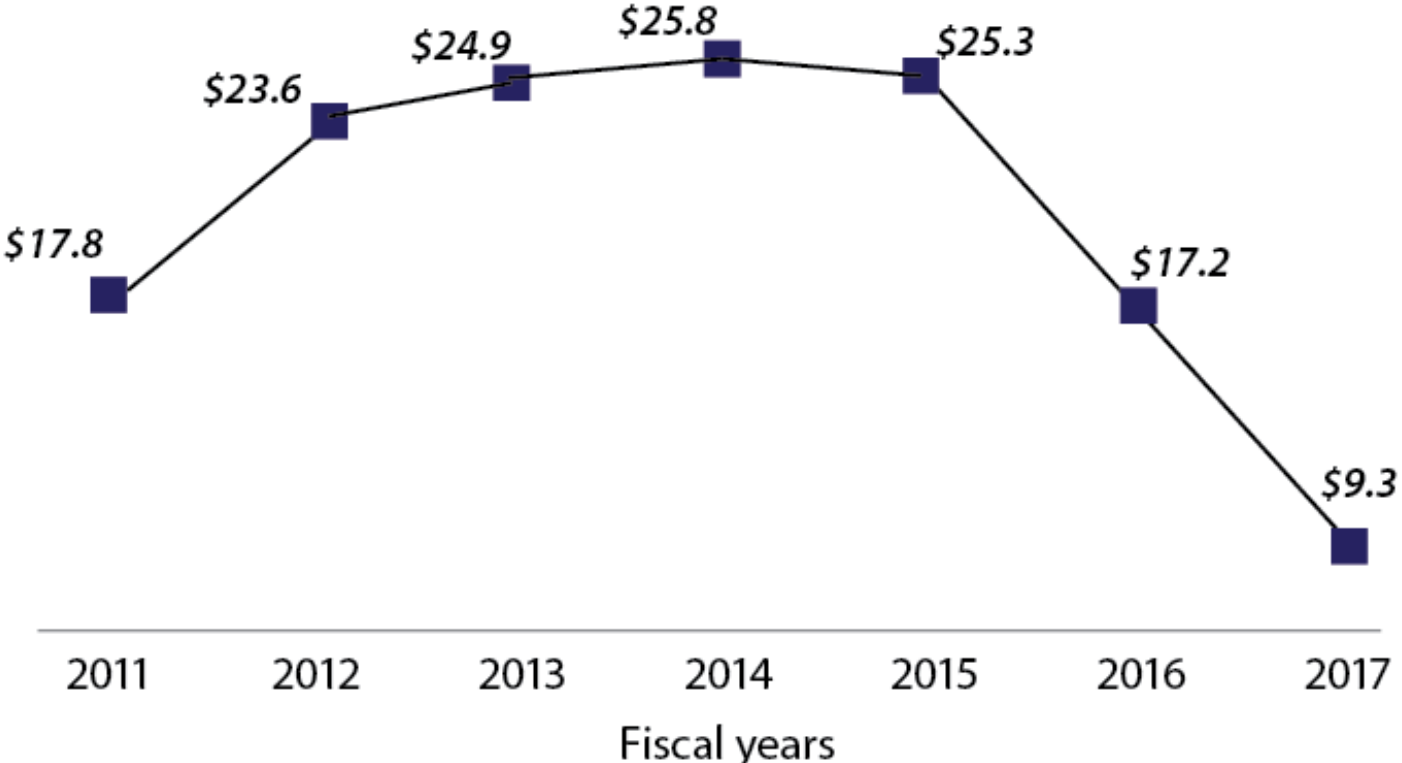


Expenses



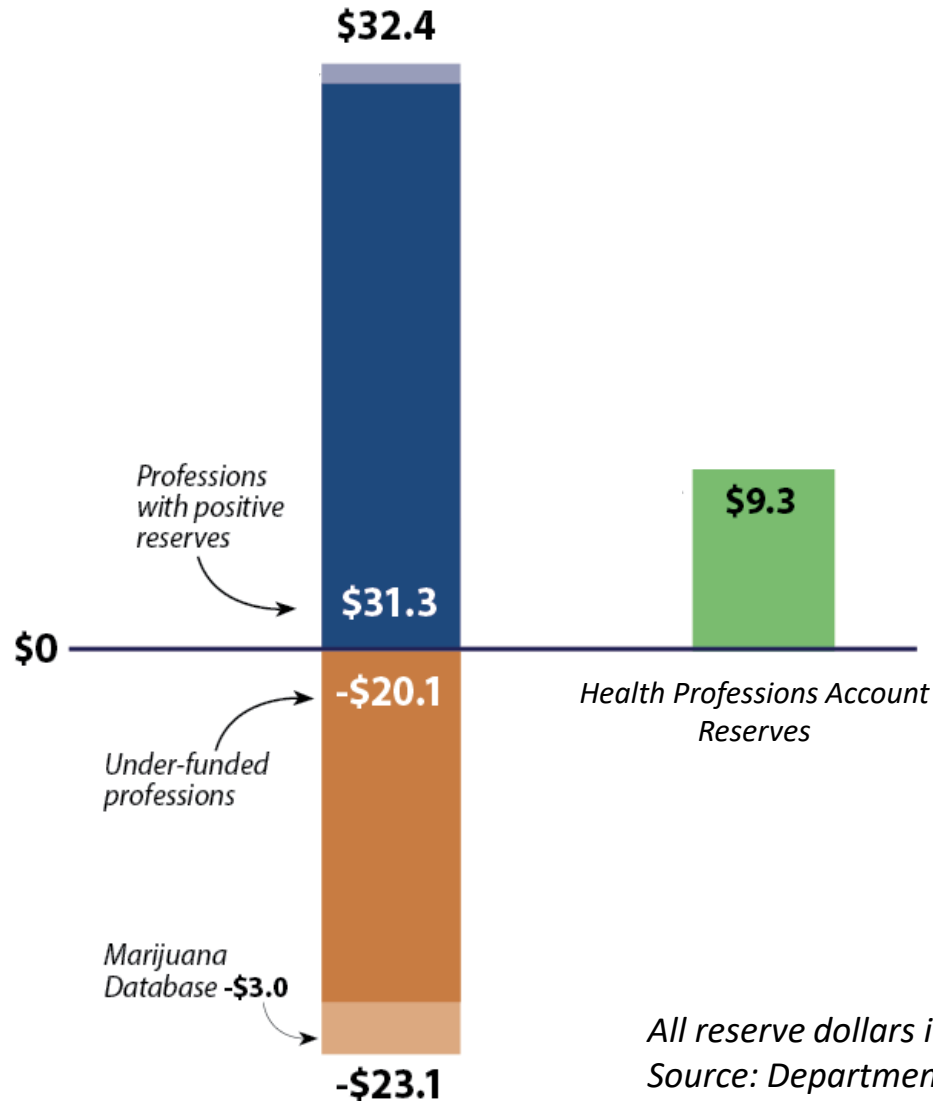
Reserves

Health Professions Account balance has declined sharply



*All reserve dollars in millions
Source: Department of Health records*

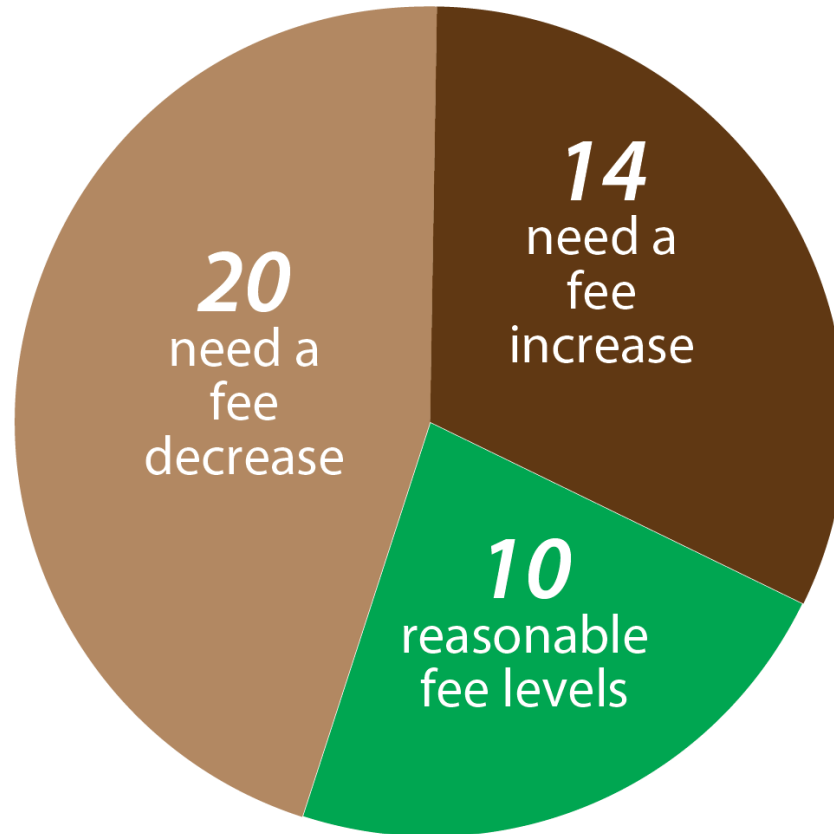
Professions with negative reserves create financial risk



All reserve dollars in millions as of June 30, 2017
Source: Department of Health records

Fee levels for many professions did not match the costs

Fee adequacy of 44 healthcare professions



Factors that influence fee decisions

- Raising fees to levels needed to fully cover costs could discourage new professionals from entering a needed healthcare field
- While state law allows DOH to waive fees, alternate funding sources are limited
- Expenditures appropriated at the account level instead of profession level



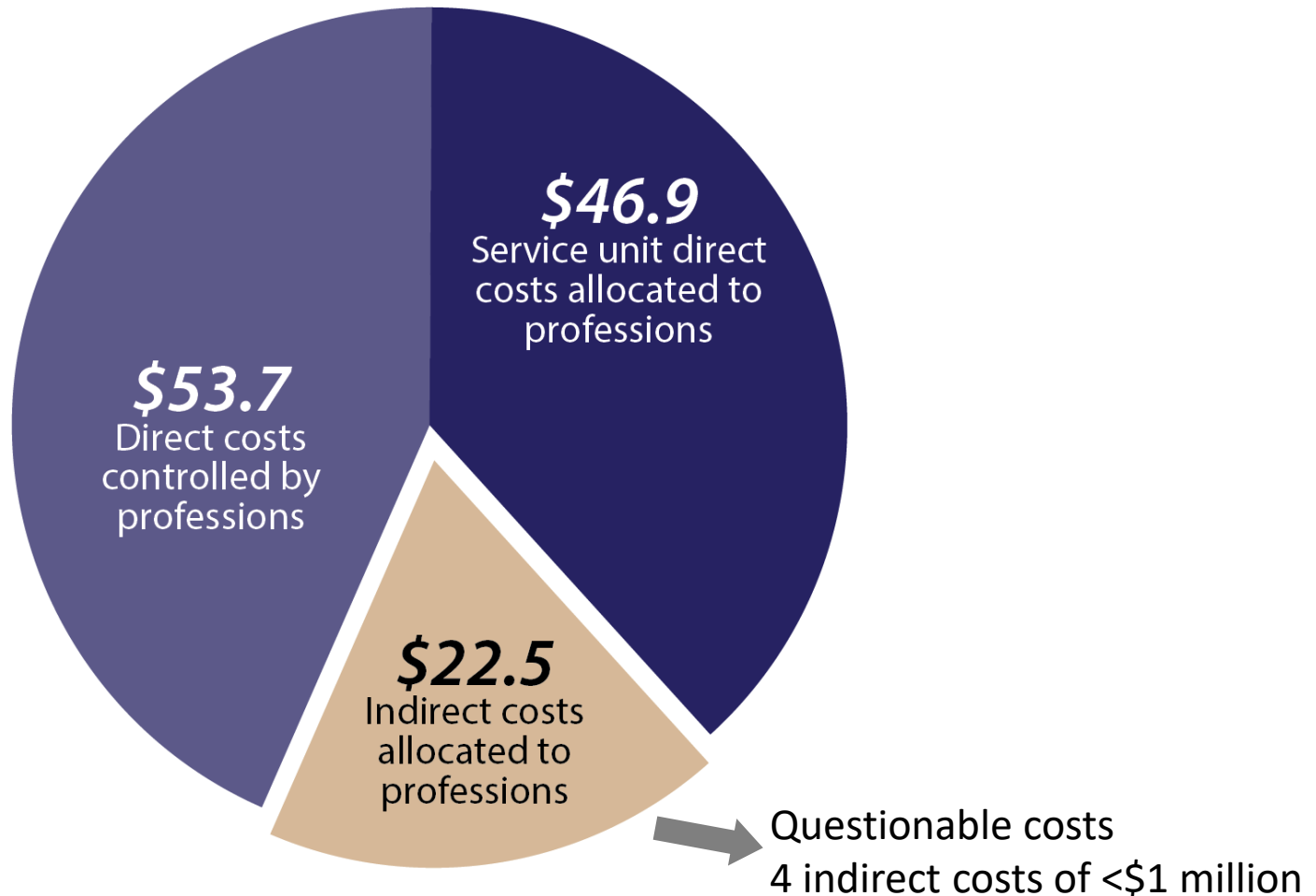
DOH has implemented a cost recovery policy

- During the audit DOH implemented a policy to:
 - ❑ Recover costs within six years and seek alternate funding for those not projected to recover costs
 - ❑ Review fees on an annual basis
 - ❑ Report financial status by profession to the Legislature on an annual basis
- This policy does not require DOH:
 - ❑ To take timely action to ensure fees are set at the appropriate level
 - ❑ Reduce fees for professions that have excessive reserves

Most costs reviewed benefit the professions

Health Professions Account – Total costs of \$123 million

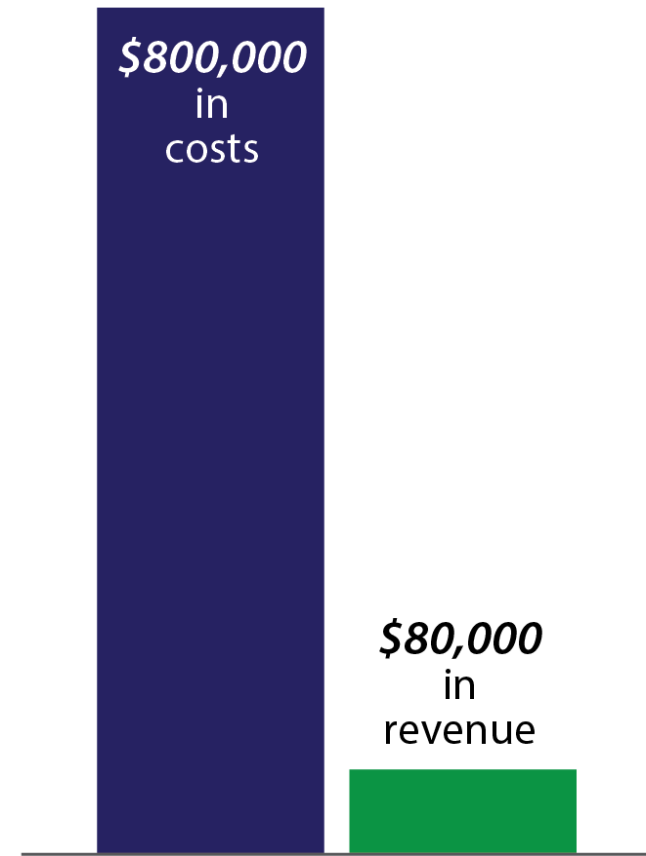
Biennium 2015-17 expenses in millions



Costs that do not benefit the professions

- Medical marijuana database administrative costs paid from Health Professions Account
- Net cost reduces reserves available for the professions by \$720,000

Marijuana Database administration
Estimated annual costs and revenue



Recommendations to the Department of Health

- Review and adjust fees regularly, consistently, and in conformance with statute and leading practices
- Increase transparency around professions' financial information
- Ensure costs charged to the professions are proportionate with the benefits they provide

Recommendations to the Legislature

- Appropriate at the profession level instead of at the account level to prevent one profession from spending another's reserves
- Find alternative funding for:
 - Some professions that do not fully cover costs
 - The ongoing maintenance costs of the medical marijuana authorization database

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