



Performance Audit

Aligning Healthcare Professional Fees with Licensing Costs

To ensure the public is protected and served by competent and qualified healthcare professionals, the Health Services Quality Assurance Division at the Department of Health (DOH) licenses and disciplines more than 400,000 healthcare professionals. These healthcare professionals pay fees to DOH to cover the costs of their licensing programs. State law requires that each healthcare profession fully cover the cost of all its licensing and disciplinary activities through these licensing fees. The agency sets fees for more than 80 separate licenses within 44 professions.

DOH places all fees collected for professions' licenses, registrations, certifications, renewals and examinations into the Health Professions Account. Revenue for the account for the 2015-2017 biennium was \$107 million. During the same period, total expenditures were \$123 million.

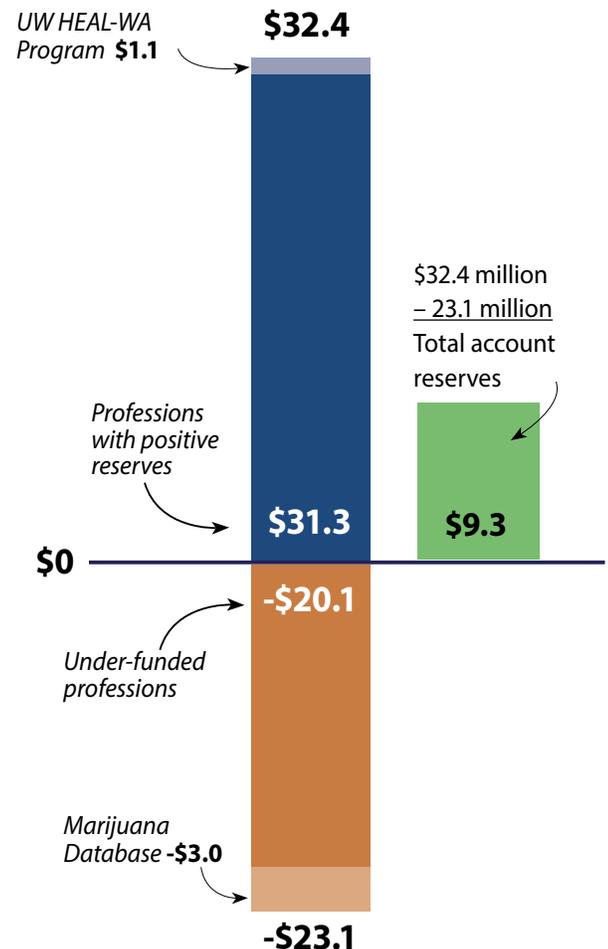
Some licensed healthcare professionals have expressed concerns about licensing fees being too high for their professions. To address these concerns, the Legislature mandated that the State Auditor's Office conduct a performance audit to review DOH's fee-setting process for each of the healthcare professions.

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

According to state law and guidance published by the Government Accountability Office (GAO), fees should be set at a level that covers the costs of licensing the professions and provides reasonable reserves. However, 77 percent of the healthcare professions pay licensing fees that are significantly higher or lower than necessary to meet these requirements. Professions with fees that are too low have outweighed those that have fees that are too high, causing total reserves for the Health Professions Account to decline from \$25.3 million to \$9.3 million over just the last biennium.

Concerns from stakeholders has caused DOH to make policy decisions to forgo necessary fee adjustments. DOH has recently implemented a cost-recovery policy that outlines options it can use if fees are not projected to cover costs. However, this policy does not require the agency to take timely action to ensure fees are set at the appropriate level.

Health Professions Account reserve status
Fiscal year ending June 30, 2017; Dollars in millions



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

State law requires and government guidance suggests the expenses charged to each profession should only be for services that benefit the profession. All direct costs charged to the healthcare professions that were reviewed appear to have been allocated appropriately. However, healthcare professions' revenues paid for some smaller charges, including the state's medical marijuana database that they did not receive a benefit from. Finally, DOH does not have policies or procedures requiring stakeholder involvement in the allocation methodology process to ensure charges to the professions are proportionate to the actual benefits the professions receive.

State Auditor's Conclusions

This audit demonstrates that, contrary to state law, revenues for some healthcare professions have been covering the costs of licensing other professions. The Department of Health can make changes to address this issue, but the Legislature should consider a broader policy question as well.

The agency currently finds itself in a no-win situation. While some professions do pay more than the cost to license and discipline people in that profession, other professions likely will never have fees that fully cover their costs.

Consider low-wage or high-demand professions like home care aides and chemical dependency professionals. There is significant need for these types of professionals. However, the wages these professionals earn create the risk that fees that fully cover their licensing costs – as required by law – may drive people away from those professions. State law gives DOH the ability to waive fees in these situations, which is an important tool in mitigating the problem.

Because the law does not identify an alternative source of funding to make up the difference, the agency is in the position of having to make up the lost revenue through its own budget. The Legislature should reexamine this area by developing clear parameters for the types of professions that should receive fee waivers and establishing an alternative source of funding to replace the revenues that are lost when fees are waived.

At the same time, DOH must create clear policies and processes to set licensing fees at an adequate level. This can help blunt the effect of pressure from some stakeholders when the agency proposes fee increases.

Recommendations to the Legislature

- ✓ Consider appropriating at the profession level instead of the account level to prevent one profession from spending another's reserves
- ✓ Consider alternative funding for professions that do not fully cover costs but would see a critical loss of needed professionals if fees were increased
- ✓ Consider finding alternative funding for ongoing costs of the medical marijuana authorization database

Recommendations to the Department of Health

- ✓ Review and adjust fees often enough to ensure they fully cover costs, provide sufficient reserves, and do so for each profession alone
 - ✓ Publish the financial status of every profession
 - ✓ Establish consistent fee-setting processes
 - ✓ Require by policy that licensing programs are not charged for costs that do not benefit them
 - ✓ Use only allowable revenue sources to pay for costs that do not benefit professions' licensing functions
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