

UPDATE!

Washington Medical Commission Vol. 9, Winter 2019

Message From The Chair: Licensing Fee Increase

Alden Roberts, MD, MMM, FACS

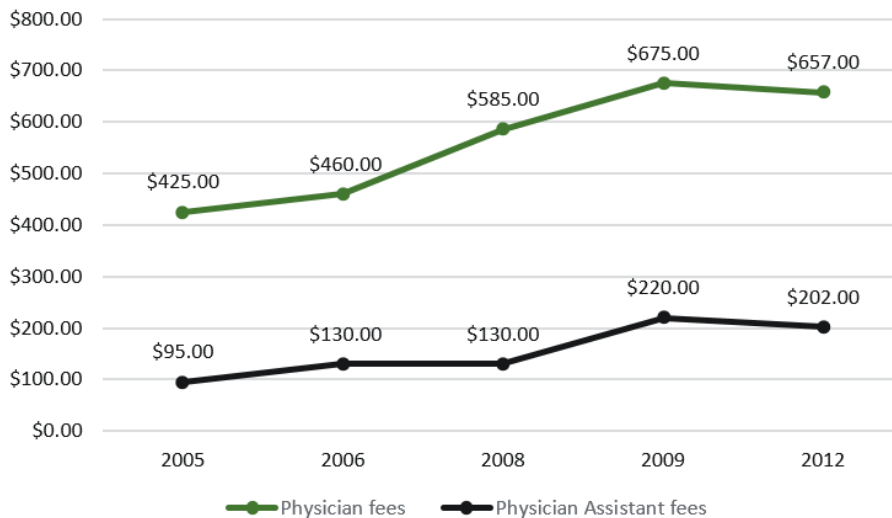


There is, understandably, considerable concern regarding the proposed license fee increase for the Washington Medical Commission (WMC). I will try to present here the process and the rationale from which the proposed increase was developed.

Background

The last license renewal fee increase was in 2009, and increased the renewal fee by \$90. The last review of license fees with the Department of Health was in 2014, and no change was indicated at that time. A Washington Physician Health Program (WPHP) assessment, as well as an assessment for Heal WA, are included in the license renewal fees but are unrelated to the fee increase by the WMC. The WMC is aware that there have been other state and federal initiatives that affect the business of practicing medicine, but these do not alter the financial requirements of the WMC.

Fee History



Proposed License Renewal Fee Increases

Physician Fee Increase

The proposed fee increase for physicians would make the two year license renewal fee \$956. The current license renewal fee is \$657 for two years, or \$328.50 per year. The proposal results in a \$299 increase for the two year renewal, or \$149.50 per year. It is a 45.5% increase in the biennial renewal fee.

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WMC Mission

Promoting patient safety and enhancing the integrity of the profession through licensing, discipline, rule making, and education.

Message From the Chair

PA Fee Increase

The proposed physician assistant two year renewal fee is \$379, or \$189.5 per year. The current physician assistant license renewal fee for two years is \$202, or \$101 per year. The proposal represents an 87.6% increase in the biennial renewal fee. Consideration was given to tying PA license fees to a percentage of physician license fees, but the WMC chose not to do so at this time.

Why This Fee Amount?

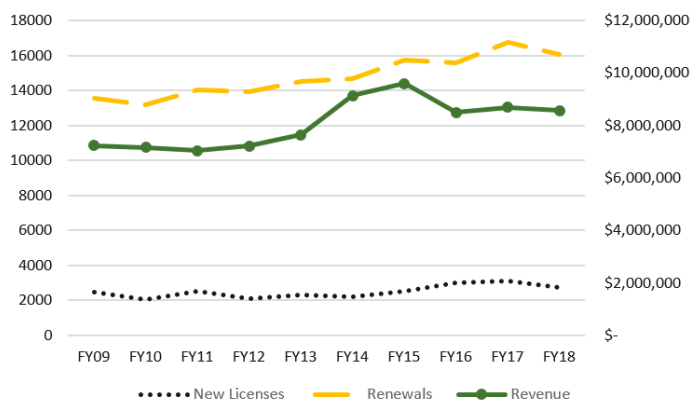
The WMC looked at all cost drivers based on recent history, projected growth rates in the number of licensees, and the requirement to grow and maintain a reserve. The WMC is required by law to maintain a reserve of 12.5% of its budget. This reserve functions as a business continuity insurance that cannot be accessed without legislative permission. The legislature can allow us to use these reserves to cover cost overruns related to workload issues. The WMC cannot use these reserves to conduct normal operations, and the WMC is required to replenish these reserves if they are tapped. WMC reserves are forecast to be negative this year.

The State Auditor's Office performed an audit of our fees and the health professions fund. The proposed fee increases were undertaken in part due to the audit recommendations. It represents the minimum increase necessary to cover costs and to achieve the required reserves within the next 6 years. This is the cost of professional self-regulation and is required by statute.

Revenue

The Washington Medical Commission derives its entire revenue from license fees, with less than .001% from disciplinary actions. It has only two ways to increase revenue. The first is by licensing more practitioners; the second is by increasing fees. Growth in the number of practitioners licensed did not meet the forecasted rate, leaving a fee increase as the only option to increase revenue. WMC receives no money from general state funds.

Revenue Sources

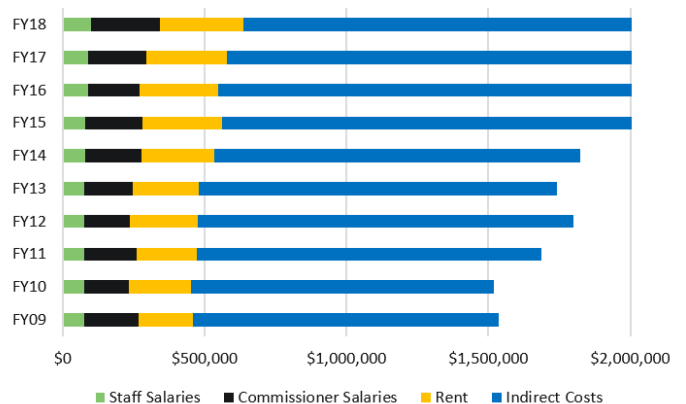


Expenditures

The culture surrounding healthcare is changing. WMC had a 52% increase in the number of complaints. The cost of judges has gone up 195%. Adjudicative Clerk's Office expenses are up 100%. Attorney General costs are up 76%. This is related to an increase in legal activity and an across the board rate increase, and was non-negotiable for WMC.

The below graph is a representation of the cost structure over time. Indirect costs are charged to us by the Department of Health. They represent services, such as FBI background checks, that are shared with other Department of Health entities. These indirect costs, which are non-negotiable, represent 25% of WMC budget and are up 98%. Rent is up 54%, salaries of commission staff are up 33% under the rules of collective bargaining, and commissioner activity is up 50%. Commissioners are paid at the statutory rate of \$31.25 per hour and that this rate remains unchanged. WMC has no control over any of these costs.

WMC Cost Structure



Cost Reduction Activities

The WMC has engaged in a number of cost reduction activities. Some of these include the following:

- WMC has become a paperless organization. This resulted in a cost savings of over \$250,000 by eliminating paper newsletters and case files.
- Switching CME providers has resulted in a \$40,000 savings.
- LEAN methodology and electronic forms have decreased staff work time per case.
- Elimination of commission meetings around the state has decreased travel expenses.
- Staff size has been held constant over the last few years. Three positions were eliminated, a few were

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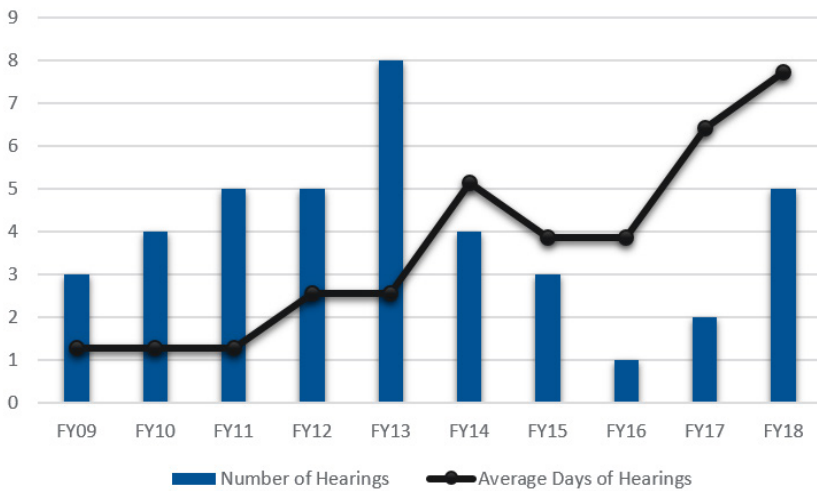
held vacant for several months, and some positions were reallocated for other purposes. No new permanent staff positions have been created since 2016. Those that were created at that time were created because of an increase in workload due to unfunded mandates.

While some of these cost saving measures are ongoing, others represent a one-time cost savings. Unfortunately the escalating costs in the areas outside of WMC control will continue beyond any possibility that the economies of cutbacks can be effective.

Closing Thoughts

WMC members spent a considerable amount of time in the last nine months discussing this proposal. A workgroup was created to evaluate options and determined that the current proposal reflected a financially responsible course to comply with regulations using the minimum fee increase possible. Their recommendation was presented to the entire WMC and was approved. Had we not proposed this increase, an increase would have been mandated for us by the Secretary of Health.

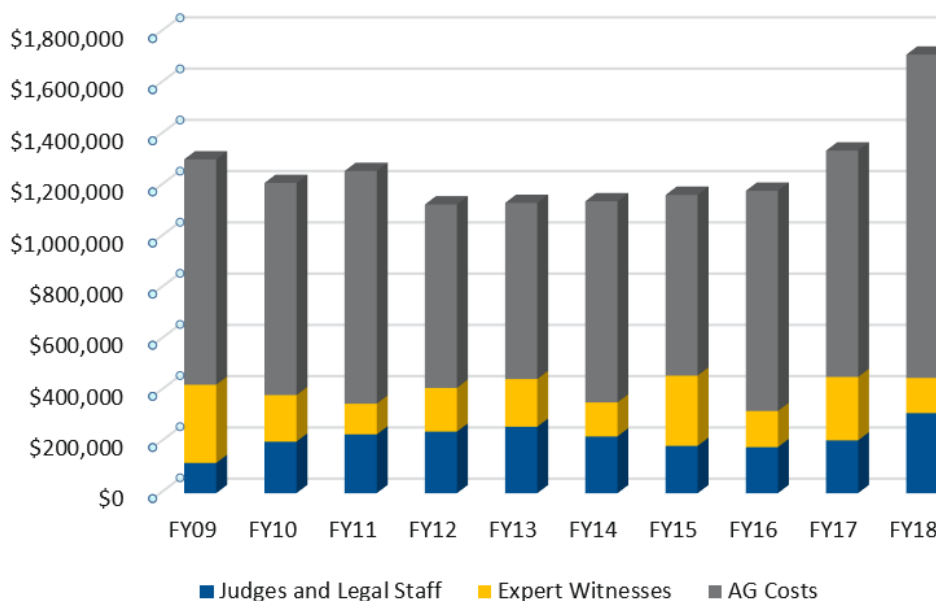
Average Length of Hearing



Many of the recent WMC cost increases caught us by surprise. Four years is too long a time period between reviews. Review of licensing fees needs to occur every two years due to unexpected and substantial circumstances. WMC staff leadership is working closely with Department of Health budget analysts to develop better forecasting tools so a more consistent, informed and on-going assessment of WMC finances is possible. Further, both internal and external organizations who provide services and bill WMC for their work will be provided quarterly budgets to work within and to notify WMC if these budgets are exceeded, so that escalating costs can be addressed quickly.

There have been several high profile cases that were extremely expensive over the last four years. Legal expenses have amplified because of increased respondent legal representation, legal maneuvering and the overall scale of legal activity, to which the WMC must respond if it is to appropriately protect the public. It seems unlikely that these issues

Discipline Related Expenditures



will diminish in the future. As such, I believe the fee increase, as presented, is well thought out and represents the minimum increase necessary to achieve financial stability for the organization.

Fee increases are never popular. Perhaps we could have identified a looming problem two years ago and increased fees at that time; perhaps not. Regardless, I believe our fees would have ended up at this level. This increase represents the level of revenue that our current and projected future expenses dictate. We appreciate your attention and your support of self-regulation of the profession.