

Agency: 303 Department of Health
Decision Package Code/Title: N7 Ambulatory Surgical Facilities – Fee Increase
Budget Period: 2015-17
Budget Level: PL-Performance Level

Recommendation Summary Text:

The department is requesting authority to raise licensing fees for Ambulatory Surgical Facilities (ASFs). Program expenditures, driven largely by the time needed to complete on-site inspections, have outpaced fee revenue. It is anticipated that the fund balance will be depleted as early as December 2014, resulting in a lack of funding for required health and safety inspections of these facilities.

Fiscal Detail

Operating Expenditures		<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
14J-6	Ambulatory Surg Facility Acct	16,000	29,000	45,000
Total Cost		16,000	29,000	45,000
Revenue				
Fund	Source	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
14J-6	0299-Other Licenses Permits and Fees	16,000	29,000	45,000
Total Revenue		16,000	29,000	45,000

Package Description:

Program expenditures, driven largely by inspection costs, have outpaced licensing fee revenue. It is anticipated that current licensing fee revenue will be depleted as early as December 2014. Renewal revenue will next be received in June 2015. The program will again have a positive fund balance but the revenue received will not be sufficient to sustain the program until the next renewals are due in three years, June 2018. Revenue from new applications is not sufficient to fund the program. It is estimated that the program will again deplete its revenue in June 2017, twelve months before the next renewals are due in June 2018.

In 2011, the legislature granted the department authority to raise licensing fees for Ambulatory Surgical Facilities. The department analyzed the completed inspection work and program expenditures and determined that a significant fee increase would be necessary to fully fund the program. Stakeholders disagreed that a significant fee increase was needed, and maintained that the department’s estimates of inspection time were excessive. In 2012, the department agreed to a fee increase far below its original projections, and agreed to continue to monitor the actual time inspectors needed to complete ASF inspections.

The department has now completed a thorough review of ASF inspections activities and has confirmed the total time needed to complete meaningful inspections of this facility type. This time includes on-site inspections, travel, post-inspection communications, and completion of written documentation.

The data support the department’s belief that higher fees are needed to support inspection costs.

The department is requesting authority to raise ASF licensing fees to fully cover the costs of this program.

Agency Contact: Health Systems Quality Assurance Division, Steve Hodgson, (360) 236-4990
Program Contact: Office of Health Professions & Facilities, John Hilger, (360) 236-2929

Narrative Justification and Impact Statement:

What specific performance outcomes does the agency expect?

Adequate funding will allow the department to perform inspections of these facilities within statutorily mandated timelines.

Performance Measure Detail

Activity: A015 Patient and Consumer Safety

Is this Decision Package essential to implement a strategy identified in the agency's strategic plan?

The ability to raise licensing fees to sufficient levels supports the following department goals:

Goal 3: "Improve access to quality, affordable, and integrated care for everyone in Washington.
Objective 2: Ensure safe, quality healthcare

Does this decision package provide essential support to one or more of the Governor's Results Washington priorities?

While not essential support, this package does link to:
Goal 4: Healthy and safe communities.

What are the other important connections or impacts related to this proposal?

A fee increase will impact all existing ASFs and any newly licensed ASFs. It is anticipated that licensees and the Washington Ambulatory Surgical Center Association (WASCA) will not be supportive of a licensing fee increase. The department has been meeting regularly with WASCA to review program expenditures, specifically the ASF inspection process, in the hope of gaining the support of the association.

What alternatives were explored by the agency and why was this alternative chosen?

Raising licensing fees an average of 48 percent is the best alternative for fully covering the costs of the program. If licensing fees are not increased, the program will not have sufficient funds to perform all of the on-site health and safety inspections required by law.

The department could decrease the frequency of inspections but this would result in serious concerns about patient safety and would be at odds with statutory timelines.

The department could reduce the time it spends conducting each inspection. Anything less than a thorough review of a facility would put patient safety at risk. The most frequently cited infractions involve issues directly related to patient safety.

The department has monitored its ASF survey activities since licensing began in 2009. ASF inspections have proven to be a complex process requiring a range of from 38 to 57 total hours for a single inspector to complete. This range in inspections hours reflects many factors: size of facility, newly licensed or renewal, complexity of services, and level of cooperation. In order to mitigate the costs of conducting ASF inspections, the program continuously reviews processes to streamline and maximize efficiencies where possible.

The only viable option available is to increase licensing fees.

What are the consequences of adopting or not adopting this package?

If licensing fees are not increased, the program will not have sufficient funds to perform all of the on-site health and safety inspections required by law. This means that most ambulatory surgical facilities will operate with little regulatory oversight. This will put patients of these facilities at risk.

What is the relationship, if any, to the state capital budget?

None.

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

Fee levels are currently established in rule, WAC 246-330-990, and will need to be updated.

The department is also pursuing agency request legislation related to the ASF program:

- Amend RCW 70.230.180 to remove the requirement for a dedicated ASF account (14J) and require ASF fee revenue to be deposited into a combined fund (Appropriation 500 – Private / Local). A combined fund will give the department the flexibility to balance any periodic shortfalls in the ASF program with the temporary fund surpluses from other programs.
- Amend RCW 70.230050(2) to change the licensing period from three years to one. Consistent annual revenue will improve program planning based on a better knowledge of the numbers of actively operating facilities. Revising the licensing period from three years to one will not result in new costs to licensees.

Expenditure and revenue calculations and assumptions

Revenue:

The fee increase will support current services. The department expects the fees to be effective by January 1, 2016. The first renewals that will be received after the fee increase will happen in June 2018. Increased revenue during the 2015-17 biennium will be from new applications.

Expenditures:

The agency has sufficient appropriation authority to align with this fee increase. No additional expenditure authority is necessary.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

Fee increase is ongoing.

For federal grants: Does this request require a maintenance of effort or state match?

Not applicable.

For all other funding: Does this request fulfill a federal grant's maintenance of effort or match requirement?

No.

Object Detail	FY 2016	FY 2017	Total
A Salaries and Wages			0
B Employee Benefits			0
C Personal Service Contracts			0
E Goods and Services	13,000	25,000	38,000
G Travel	3,000	4,000	7,000
J Capital Outlays			0
T Intra-Agency Reimbursements			0
Total Objects	16,000	29,000	45,000