



Department of Health Services—Item 4260

Licensing and Certification Proposals

LAO Recommendations

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Issue	Governor's Budget Proposal for 2006-07 (May Revision)	Assembly	Senate	LAO Recommendation
Page 127, Issue 103. Health facilities pay the cost of fingerprinting for Certified Nurse Assistants (CNA).	Increase expenditures in the Licensing and Certification (L&C) fund by \$2 million in the budget year to shift the fingerprinting costs associated with placing CNAs, home health aides, and certified hemodialysis technicians on the nurse aide registry from individuals to health facilities.	Rejected proposal.	Approved as budgeted.	Senate. This change is needed to comply with federal law that prohibits the current practice by which certain medical personnel had paid these fees.
Page 128, Issue 103. Funding for licensing activities for state-owned facilities and certified-only facilities that cannot be charged fees.	Proposal includes \$3,721,000 General Fund (GF) to cover the cost of licensing 60 state-operated facilities, including correctional treatment centers, State Hospitals, and Developmental Centers, and \$849,000 GF to cover the cost of certifying 306 facilities exempt from state licensing. Budget trailer bill (TBL).	Rejected proposal.	Approved as budgeted.	Senate. Senate version is consistent with current practice of having the state GF support the cost of licensing activities for state-owned facilities. Also, the state is obligated to support oversight activities related to federal facilities.

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Issue	Governor's Budget Proposal for 2006-07 (May Revision)	Assembly	Senate	LAO Recommendation
<p>Page 128, Issue 103. Right-size licensing fees for health facilities.</p>	<p>Right-sizing would change how fees are calculated and eliminate fixed fees now contained in statute. Fees charged to a particular provider group would be commensurate with the costs incurred by the state for L&C activities for that type of facility. Fees paid by most facilities would increase, while the fees paid by nursing homes and adult day health centers would decrease, to better reflect the actual cost related to licensing and certifying these facilities.</p> <p>Some facilities would shift from a per-facility fee to a per-bed fee, and public facilities (except state-operated facilities) would now be required to pay a fee.</p>	<p>Rejected proposal.</p>	<p>Shifted \$11.2 million in costs for licensing and certification activities from a fee-supported special fund to the state GF.</p> <p>District hospitals were exempted from paying fees and most other types of health facilities (such as clinics) would see smaller fee increases than those proposed by the administration. Fees for skilled nursing facilities (SNFs) would be slightly lower than those proposed by the administration.</p>	<p>Allow an additional year to refine the right-sizing proposal and establish a process requiring the administration to address some key issues as it does so. Specific actions to implement this recommendation:</p> <p>(1) Generally adopt on an interim basis the fee levels proposed in the Senate version, except for SNFs, which would have a per-bed fee of \$226—modestly higher than proposed by the Senate.</p> <p>(2) Reduce the Senate GF augmentation of \$11.2 million by \$2 million to reflect the proposed increase in the SNF bed fee.</p> <p>(3) Adopt TBL (see handout for a description of the language) that directs the Department of Health Services (DHS) to develop a new right-sizing proposal and establishes a process for revision of the fee schedule.</p> <p>Our approach would provide time for DHS to develop a more refined proposal in collaboration with interested parties. Some fee increases proposed in the administration plan were so significant that they might have a negative affect on some categories of providers.</p>

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We recommend that the legislature adopt budget trailer bill language (TBL) to establish a process for the Department of Health Services (DHS) Licensing and Certification (L&C) Division to revise its 2006-07 May Revision proposal to “right-size” licensing fees for health facilities:

1. The Department of Health Services (DHS) would be directed to revise and further develop its proposal to “right-size” licensing fees, and to present that revised proposal as part of the Governor’s 2007-08 budget plan.
2. As part of this process, DHS would establish a workgroup that includes representatives from all of the health facilities that are licensed by the DHS L&C Division and legislative staff.
3. The revised plan for right-sizing fees would include, but not be limited to, consideration of the following factors:
 - (a) Workload data captured in the new staff timekeeping system that is to be implemented by DHS by July 1, 2006. This data should enable DHS to more accurately estimate how many hours of DHS L&C staff time are spent in licensing activity for each type of facility.
 - (b) Further right-sizing of licensing fees to reflect the different components of licensure workload associated with:
 - Initial licensure and survey of health facilities;
 - Additional resurveys required to complete licensure and certification;
 - Renewals with no survey;
 - Change of ownership; and
 - The establishment of additional sites located at a separate physical address.
 - (c) The impact of the proposed new fee levels on facilities that are licensed by multiple state departments and which must, as a result, pay two licensure fees to the state. For example, mental health rehabilitation centers pay fees to both DHS L&C and the Department of Mental Health.
4. The DHS would develop, in cooperation with the workgroup, performance measures to hold DHS L&C more accountable for the performance of the activities that would be funded through licensing fees. The DHS would publish the performance standards on its Web site along with regular reports measuring its performance in meeting those standards. For example, DHS could report the average time its staff was actually taking to complete the processing of initial applications for licensure and change of ownerships of health facilities, along with a comparison of that performance to applicable statutory time limits for these activities.
5. The DHS would be directed to study the cost-effectiveness of using accredited organizations to perform certification surveys and initial licensure as allowable under federal law.

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6. The DHS would report on the impact that the proposed fee increases would have on Medi-Cal rates for each type of facility.
7. The DHS would be directed to develop proposed statutory time limits for the processing of initial applications for licenses for all types of facilities. Some types of health facilities, such as primary care clinics and skilled nursing facilities, have such time limits. But, state law does not now set time limits for the processing of initial licenses for all types of health facilities, such as home health agencies and hospices.
8. The DHS would be authorized by statute to impose late fees (as proposed in the 2006-07 May Revision TBL proposed by the administration) to ensure the timely collection of revenue for the L&C special fund.