Agency Recommendation Summary

The Department of Health (DOH) requests a transfer of General Fund-State into the Health Professions Account offset negative sub account balances for Agency Affiliated Counselors (AACs) and Home Care Aides (HCAs) programs. This will avoid raising fees to an unsustainable level.

Fiscal Summary

Fiscal Summary *Dollars in Thousands*	Fiscal Years 2024	2025	Biennial 2023-25	Fiscal Years 2026	2027	Biennial 2025-27
Operating Expenditures						
Fund 001 - 1	$0	$0	**$0**	$0	$0	**$0**
Total Expenditures	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Revenue						
001 - 9999	$4,100	$4,100	**$8,200**	$2,600	$1,300	**$3,900**
02G - 0299	($4,100)	($4,100)	**($8,200)**	($2,600)	($1,300)	**($3,900)**
Total Revenue	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

Decision Package Description

The department has a statutory obligation to ensure health profession regulatory programs are self-supporting (RCW 43.70.250) through fees paid by members of the profession. Department policy requires health profession regulatory programs to achieve fund balance within 25% of their target reserve level within a six-year period. The department routinely monitors the fund balances for each of the regulated health professions and, in partnership with boards and commissions, adjusts fees as necessary for cost recovery and to maintain a healthy fund reserve. Two professions, comprised of essential workers in behavioral health and long-term care, are carrying significant historical fund deficits: agency affiliated counselors and home care aides.

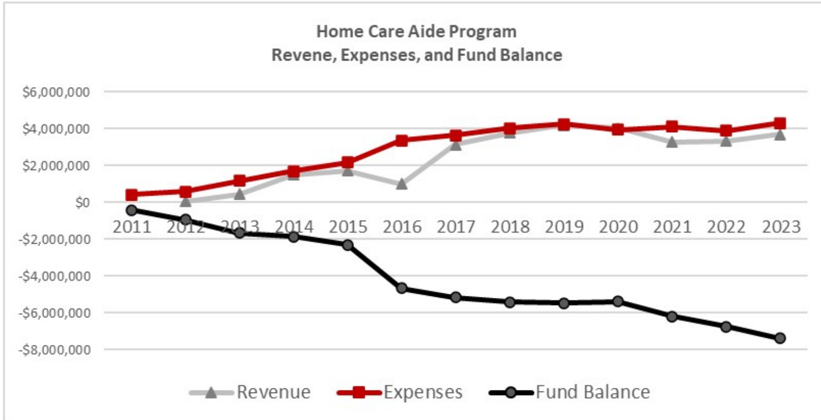
Home care aides

As Washington's population ages, there is a rapidly rising need for home-based long-term care. Home care aides provide essential daily care services (e.g., medication management, vital signs monitoring, and assistance with activities of daily living) to older adults and people with disabilities, allowing them to stay in their homes. Provision of home care services also allows patients to be discharged from hospital to home, freeing up needed bed capacity for acute care patients. In-home service agencies are facing significant challenges recruiting and retaining home care aides and anecdotally report losing workers to better paying jobs in the fast-food industry.

The home care aide program ended FY 2023 with a fund balance of -$7.4 million. This program has carried a negative fund balance since its inception in 2011. Program costs exceeded initial expectations due to the unique needs of the program including specialized credentialing teams, application translation and interpretation services, and an above average complaint rate that drives higher costs for investigations and legal services.

The department raised fees in 2016. This fee increase was not sufficient to eliminate the annual deficit because of significant stakeholder opposition and concern that higher fees would make it difficult for those in this low-wage profession to continue working and threaten access to care for vulnerable adults. As a result, the home care aide regulatory program fell into further deficit each year.

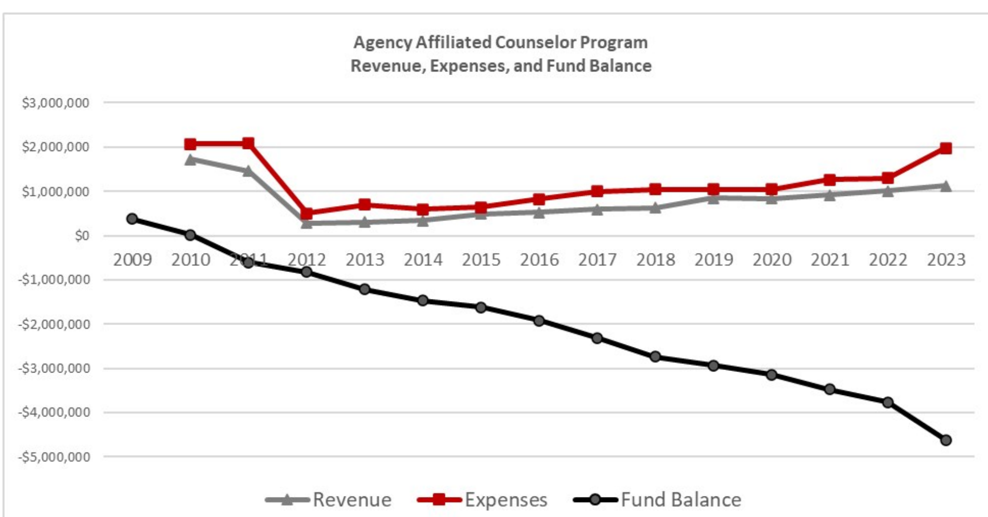
The department conducted a fee study for the home care aide program in spring 2022 and found the deficit is projected to continue and worsen over time.[1] In 2023, the department raised fees to the level required to cover annual operating costs but failed to address the program's historic debt. The chart below details the program's yearly revenue, expenses, and fund balance from 2011 through 2023.



The projected FY 2029 fund balance for home care aides is -$6.9 million, which is $7.5 million below the target reserve level. To address the deficit, achieve cost recovery, and build the desired fund reserve level by FY 2029, the department would need to raise home care aide fees by 45% ($100 to $145 per year). The home care aide profession is chronically low wage; the Department of Employment Security (DES) reported in May 2021 that the average hourly wage for a home care aide in Washington was $17.36.[2] Immigrants and people of color comprise a large portion of the home care aide profession, with approximately 15% of applicants testing in a non-English language. Long-term care is competing with retail and food service workers, industries that can guarantee more hours, do not require continuing education or an annual license fee, and pay higher wages without the emotional or physical stress of caregiving. If a large fee increase caused some home care aides to leave the profession, it could compound existing workforce shortages and reduce access to long-term care.

Agency affiliated counselors

Agency affiliated counselors are a cornerstone profession for the community mental health system. They are only allowed to work in licensed behavioral health agencies, which are reporting severe workforce shortages and difficulty filling vacancies. This comes at a time when there is a rapidly rising need for behavioral health services for both youth and adults. New models of behavioral health care rely on people with lived experience with substance use and mental health disorders, referred to as “peer counselors,” as a core part of the care team. Peer counselors are credentialed as agency affiliated counselors in Washington, which enables behavioral health agencies to obtain Medicaid reimbursement for their services.



The agency affiliated counselor program ended fiscal year (FY) 2023 with a fund balance of -$4.6 million. The program has carried a negative fund balance since the dissolution of the registered counselor profession. When the registered counselor profession was terminated in fiscal year 2010, all counseling professions inherited a portion of the deficit from that program. The deficit was distributed based on the prorated share of registered counselors transferring to each of the new professions. Forty percent of the deficit was transferred to agency affiliated counselors, costing the program $404,000 in FY 2011. The ending fund balance in FY 2011 was -$606,000, from which it has declined each year as expenditures exceeded revenues. The chart below shows the program's yearly revenue, expenses, and fund balance from 2009 through 2023.

The department conducted a fee study for the agency affiliated counselor program in spring 2022 and found the deficit was projected to continue and worsen over time. In 2023, the department addressed the annual deficit by raising fees 147% to the level required to cover annual operating costs. This fee increase failed to address the program's historic debt. The projected FY 2029 fund balance for agency affiliated counselors is -$4.4 million, which is $4.8 million below the target reserve level. To address the deficit, achieve cost recovery, and build the desired fund reserve level by FY 2029, the department would need to raise agency affiliated counselor fees an additional 51% ($185 to $280). The Department of Employment Security does not have wage data specific to agency affiliated counselors, but they report the average annual wage for the general category of "counselors" is $28.22[3]. Based on anecdotal information from behavioral health agencies, we believe most agency affiliated counselors are paid the state minimum wage, especially in rural communities. There is a moderate to high turnover of individuals leaving the profession for higher paying wages in other professions or to enroll in academic programs towards higher level counseling professions. The department is concerned that an additional 51% fee increase could cause some agency affiliated counselors to leave the profession, which would compound existing workforce shortages and reduce access to behavioral health services.

Proposal

The department proposes a GF-S transfer to the Health Professions Account to offset the historical negative fund balance for each profession:

- For the home care aide regulatory program, the department requests $3 million
- For the agency affiliated counselor regulatory program, the department requests $1.1 million

In FY 2023, the department increased fees to the level required to *recover the current operating expenses* of both regulatory programs. The new fee for a home care aide initial application and renewal is $100, effective in FY 2023. For agency affiliated counselors, the new fee for an initial application is $175 and the annual renewal fee is $185.

This approach (fee increase to close the current gap between operating costs and revenue *plus* GF-S to transfer offset the negative fund balances) will enable these professions to achieve healthy fund balances over the next two biennia while minimizing the impact of fee increases on these essential workers. The table below shows the anticipated fees for home care aides and agency affiliated counselors to achieve healthy funds balances by FY 2029 with and without GF-S to offset the historical deficits:

Profession	Current Fees	Estimated Fee Required for a Healthy Fund Balance **with** GF-S	Estimated Fee Required for a Healthy Fund Balance **without** GF-S
Home Care Aide	$100 initial/renewal	No Change	$145 initial/renewal
Agency Affiliated Counselor	$175 initial $185 renewal	No Change	$270 initial $280 renewal

Alternatives

The following alternatives were considered however, the department chose to submit a decision package because it would have the least impact on health care providers while ensuring we follow legal mandates and audit findings.

1. **Do nothing:** In 2019, the State Auditor's Office (SAO) issued audit findings regarding the department's management of the Health Profession Account, the dedicated account for health profession licensing fees. SAO found the department was not adjusting fees in a timely manner to assure each profession was cost recovering, and that expenditures for professions that were not cost-recovering were being paid by professions with high fund balances. SAO argued this ran counter to state law (RCW 43.70.250) requiring each profession to cost

recover. When the audit was released, the department committed adjusting fees so that every profession would cost recover over a 6-year timeframe.

1. **Rely on fee increases alone to address the negative fund balance:** These professions work in areas of the health care system with rising demand for service and existing workforce shortages. Precipitous fee increases may cause some licensees to elect not to renew, worsening these shortages. We do not have data to inform exactly what the tipping point would be on fees. However, a fee-only approach risks compounding the workforce challenge and could reduce access to needed services in behavioral health and long-term care.

Stretch the fee increases out over a longer time span: The considerations for this alternative are the same as the first option described above. Stakeholders for professions that appear to be “subsidizing” home care aides and agency affiliated counselors may raise concerns with legislators, OFM, or SAO.

[1] The Office of Financial Management (OFM) requires agencies to maintain a reasonable working capital reserve in state accounts to cover fluctuations in cash flow. The cash reserve should be enough to protect against financial volatility because of significant disciplinary activity or unforeseen changes in license trends. The department has set both program’s reserve levels at the standard level of 20 percent, which is approximately 2-3 months of annual expenditures.

[2] Department of Employment Security Occupational and Wage Estimates for May 2021 https://esd.wa.gov/labormarketinfo and 2021-OEWS-Online-Databook-final.xlsx (live.com)

[3] Department of Employment Security Occupational and Wage Estimates for May 2021 https://esd.wa.gov/labormarketinfo and

Assumptions and Calculations

Expansion, Reduction, Elimination or Alteration of a current program or service:

N/A

Detailed Assumptions and Calculations:

- Assumptions are reflective of current workload and expenditures and do not include any expansion, reduction, or modification of the programs. Based on historical and projected expenditures the department estimates the home care aide program will spend roughly $3.1M per year and the agency affiliated counselor program will spend roughly $1.3M per year. The department estimates a deficit of $7.1M for home care aides and a deficit of $4.3M for agency affiliated counselors at implementation of their respective fee increase in Spring 2025. The requested fund transfer is based on each program's deficit at implementation.
- While GF-S will offset the deficit in each program, the department must ensure revenue is sufficient to cover expenses year over year. Currently, program revenue is sufficient to cover current and future annual operating expenditures. Raising fees will ensure both programs are in compliance with RCW 43.70.250.

Workforce Assumptions:

N/A

Strategic and Performance Outcomes

Strategic Framework:

Results Washington

This request relates to the Governor's Results Washington goals of prosperous economy and healthy and safe communities by assuring that licensure fees do not become a barrier to entering or staying in the behavioral health and long-term care workforce. It also reduces barriers to entry level health care jobs that do not require substantial education costs.

In addition to helping to preserve access to essential health care services, seeking GF-S to off-set the historical funding deficit for these two professions aligns with the department's cornerstone value of equity. Both home care aides and agency-affiliated counselors earn mean wages that are below the livable wage in Washington which is estimated to be $82,416 for a family unit of one adult and two children.[1] With a mean wage of just $32,860 in Washington, home care aides earn less than 40% Washington's livable wage. Seeking GF-S to reduce the amount of the fee increase is a strong step that can be taken toward reducing poverty and preserving access to essential health care services.

Department of Health Transformational Plan

This proposal supports the department's Transformational Plan priorities I. Health and Wellness and II. Health Systems and Workforce Transformation by giving all Washingtonians the opportunity to attain their full potential of physical, mental, and social health and well-being and through an ecosystem that is robust and responsive, while promoting transparency, equity, and trust.

[1] Based on the Living Wage Calculator - Living Wage Calculation for Washington (mit.edu)

Performance Outcomes:

The outcome we expect from this proposal is to reduce the potential fee increase for HCAs and AACs. In combination with the GF-S to recover the historical deficits, this will ensure the program fund balances stabilize by 2029 barring any drastic changes to the landscape for these professions.

Ultimately, the goal of this proposal is to prevent the potential loss of home care aides and agency affiliated counselors in the workforce by minimizing the size of the fee increase. We considered the number of licensees in both professions as a potential performance outcome but recognize that it is influenced by a multitude of complex factors beyond fees including labor market conditions (e.g., unemployment), wages in these professions relative to entry-level positions in other sectors, and reimbursement rates for employers of these professionals. Because of this complexity, we do not believe the number of licensees to be a viable measure of performance for this proposal.

Equity Impacts

Community outreach and engagement:

Community outreach and engagement

The department partners with those in the profession and the public during fee rulemaking. We will also be working with other state agencies, labor unions, and providers to gather feedback on the decision package. We anticipate that all groups, including historically marginalized communities, will be supportive of this proposal.

Disproportional Impact Considerations:

None anticipated.

Target Populations or Communities:

Target populations and communities

Minimizing the impact of fee increases while building healthy fund balances in these professions will help prevent the loss of workforce in behavioral health and long-term care. Keeping people in these professions helps populations that are most impacted by inequities and lack of access to care, including BIPOC, LGBTQIA+, people with disabilities and behavioral health disorders, and vulnerable adults, by allowing them to find the care they need in their communities or within their home.

These underserved and marginalized populations often need and utilize home care and behavioral health services. For example, neighborhoods with a greater share of Black, Hispanic, and low-income residents have poor access to high-quality hospitals, primary care physicians, and nursing homes, making home care community-based providers essential components of health care in these communities.[1] Also, LGBTQIA+ individuals are twice as likely to have a mental health disorder in their lifetime and 2.5 times more likely to experience depression, anxiety and substance use compared to heterosexual individuals.[2]

In addition, requiring those newer to the profession to bear the burden of a historical deficit creates a disproportionate barrier for these essential, entry-level, low-wage professions. Keeping the fee increase to a more affordable level will keep existing providers in the profession and reduce barriers to entry. It also promotes access to employment in health care fields that do not require substantial investment in education.

[1] Out Of Reach: Inequities In The Use Of High-Quality Home Health Agencies | Health Affairs

[2]

Statistics About Disparities in Mental Health Care - Depression and Bipolar Support Alliance (dbsalliance.org)

Other Collateral Connections

Puget Sound Recovery:

N/A

State Workforce Impacts:

N/A

Intergovernmental:

The State Medicaid Plan, managed by the Health Care Authority (HCA), requires that any person working in a behavioral health agency providing Medicaid reimbursable services, must have an agency affiliated counselor credential (unless they are a mental health professional holding a license issued from the department, such as a licensed mental health counselor or psychologist). HCA is likely supportive of this proposal since it reduces the impact on the agency affiliated counselor workforce and the behavioral health agencies that employ them. Behavioral health agencies are already struggling to maintain services considering significant workforce shortages.

The Department of Social and Health Services (DSHS) is responsible for providing the training required to become a home care aide. DSHS also regulates long-term care settings that employ home care aides and works closely with SEIU 775 and the department on home care aide continuum of training, testing, and credentialing. DSHS likely will want to ensure that home care aide fees do not become a barrier to entering or staying in the profession since long-term care providers are already facing severe workforce shortages.

Stakeholder Response:

To move this proposal forward, the department will need to work with SEIU 775, the Home Care Association of Washington, the Washington Council for Behavioral Health, and other stakeholders that represent and employ home care aides and agency affiliated counselors to ensure we have their support, as anticipated.

Additionally, the department will engage with organizations representing other licensed health care professions to describe the need for this proposal. We expect when they learn of this proposal, other professions may seek the department's support on requests for GF-S to achieve cost recovery in lieu of fee increases. We will explain the unusual factors that led the department to seek GF-S to off-set negative funds balances for these two professions, including the size of the deficits, equity considerations (e.g., low wages), and the potential negative impact on workforce and access to care in two critical, understaffed areas of the health care system where demand for services currently exceeds supply.

State Facilities Impacts:

N/A

Changes from Current Law:

N/A

Legal or Administrative Mandates:

The proposal indirectly responds to the 2019 SAO audit findings regarding the department's management of the Health Profession Account. By addressing long-standing negative fund balances, the department will ensure that other professions are not supporting the cost of regulating home care aides and agency affiliated counselors.

HEAL Act Agencies Supplemental Questions

1. Please describe specific likely or probable environmental harms and/or benefits and their associated health impacts to overburdened communities and vulnerable populations.
This proposal does not have environmental impacts to communities.

2. Please describe any potential significant impacts to Indian tribes' rights and interest in their tribal lands.
This proposal does not impact tribal rights or land.

3. Describe how your agency engaged with Tribes in developing this proposal, including offers for tribal consultation, and any direction provided by Tribes through this engagement.
N/A

4. Has an Environmental Justice Assessment been completed? If so, please submit the assessment as an attachment in ABS.
N/A

5. Describe how your agency used the Environmental Justice Assessment process to eliminate, reduce, or mitigate environmental harms and equitably distribute environmental benefits? If your agency determined that you were unable to eliminate, reduce, or mitigate environmental harms and equitably distribute environmental benefits, please provide a justification for not doing so.
N/A

Reference Documents

Fee to Licensing Totals for AAC and HMCC DP.xlsx

IT Addendum

Does this Decision Package include funding for any IT-related costs, including hardware, software, (including cloud-based services), contracts or IT staff?

No

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