

Individual State Agency Fiscal Note

Bill Number: 1291 E 2S HB AMS THIB S3360.1	Title: Patient safety practices	Agency: 303-Department of Health
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

FUND	FY 2006	FY 2007	2005-07	2007-09	2009-11
General Fund-Private/Local 001-7	79,000	50,000	129,000	100,000	100,000
PATIENT SAFETY-State NEW-1	130,411	510,604	641,015	1,043,932	1,043,932
Total \$	209,411	560,604	770,015	1,143,932	1,143,932

Estimated Expenditures from:

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years	1.9	2.3	2.1	2.2	2.2
Fund					
General Fund-State 001-1	82,000	52,000	134,000	102,000	102,000
General Fund-Private/Local 001-7	79,000	50,000	129,000	100,000	100,000
Patient Safety-State NEW-1	20,000	620,000	640,000	1,041,000	1,040,000
Total \$	181,000	722,000	903,000	1,243,000	1,242,000

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 04/14/2005
Agency Preparation: Danny Howard	Phone: (360) 236-4625	Date: 04/15/2005
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Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

This bill requires the Department of Health (DOH) to fund patient safety strategies through grants and loans, in the state of Washington, that would help reduce medical errors and thereby potentially reducing the need for disciplinary actions against licensed health care professionals and facilities. This would be done by setting up a new Patient Safety Fund and charging an additional \$2 fee from licensed health care providers and charging an additional \$2 per bed in hospital facilities. Also 1% of all attorney fees for malpractice claims where the plaintiff prevails will be transmitted to DOH as part of the patient safety set aside.

It requires DOH to report information to the governor and the health policy and fiscal committees of the legislature by December 1, 2008 on the patient safety account, criteria on distributing the money, and a description of the medical error reduction and patient safety grants and loans distributed to date.

This bill promotes disclosure of adverse health events and incidents. Information gained from those events will be used to advance patient safety.

This bill would require medical facilities to report to the Department of Health (DOH) any adverse event within 45 days after the occurrence of the event has been confirmed. The reports will be filed in a format specified by DOH without any identifying information and DOH would be required to investigate the adverse events.

DOH must establish a system, accessible twenty-four hours a day, for receiving reports and monitor the implementation of reporting system in other states. DOH would be required to make recommendations to the governor and legislature as necessary to keep the system consistent with systems in other states. DOH would report by January 1, 2007 to the governor and legislature on the department's activities in the preceding year and the report must be available to the public and be posted on the department website.

This would take effect July 1, 2005.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

Section 12: Requires DOH to charge an additional two-dollar fee to health care professionals and each hospital bed. The additional fee would begin in FY06.

Section 13: One percent of all attorney fees for malpractice claims where the plaintiff prevails will be transmitted to DOH as part of the patient safety set aside. The Office of Insurance Commissioner estimated \$100,000,000 in total payouts by medical malpractice carriers for claims last year, therefore the estimate on attorney fees would have been 1/3 of that amount or \$30,000,000. Of that 1% or \$300,000 per year would be generated by this section beginning in FY07. It is assumed that additional funds could be available from self insured businesses, surplus lines and risk retention types of business, but since DOH has no access to this information, it is to difficult to estimate for fiscal note purposes.

Section 16: Monies generated by the increased fees collected would be deposited into a new Patient Safety Account. This account would be created in the custody of the State Treasurer and would be ongoing.

Health Professions Quality Assurance (HPQA):
Revenue is based on the licensee count as of January 2005. This number may increase or decrease, but for the purpose of this fiscal note HPQA is assuming the number of licensees to remain at the January 2005 level for the ensuing biennia. It is assumed that the fees will be increased starting in January 2006, therefore HPQA only shows half of the total revenue

for FY06 (See attached revenue worksheet).

Facility & Services Licensing (FSL):

Revenue is based on the hospital bed counts as of December 2004. For the purpose of this fiscal note FSL is assuming the number of hospital beds will remain at the December 2004 level for the ensuing biennia. It is assumed that the fees will be increased starting in December 2005 (See attached revenue worksheet).

Section 7: This legislation directs DOH to collect data and investigate adverse events and incidents happening in Ambulatory Surgical Facilities (ASF's). Currently DOH does not regulate this type of facility. The bill does not outline a funding source and DOH does not have the authority to establish fees for a non-licensed activity. General Fund – State funding would be required to support the ASF's portion of this legislation.

Acute Care Hospitals, Private Psychiatric Hospitals, Childbirth Centers and Correctional Medical Facilities are fee based programs. DOH would need to raise fees to support the implementation of this legislation.

For the purposes of this fiscal note, the following assumptions were used to determine the prorated amount based on the number of facility types. Looking at the total number of facilities regulated;

Acute Care Hospitals = 95,

Private Psychiatric Hospitals = 4,

Child Birth Centers = 13,

Correctional Medical Facilities = 47 (14-Correction Centers, 21-Work Release, 12-Juvenile Rehab)

From there the percentages were determined;

Acute Care Hospitals = 60%,

Private Psychiatric Hospitals = 2%

Child Birth Centers = 8%

Correctional Medical Facilities = 30%

The costs of the added workload will be considered when the annual fee analysis is done for each of these programs. An exemptions to I-601 will be required and fees will be adjusted accordingly with expenditures in subsequent years.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Sections 13-14: Requires DOH to distribute funds using grants, loans or other arrangements to support proven strategies that reduce medical errors and enhance patient safety. DOH must also seek input from health care providers engaged in direct patient care activities, health care facilities and other interested parties. The criteria for the awards must be based primarily on evidence-based practices that have been identified and recommended by governmental and private organizations. The awards must also meet at least two goals and recommendations of the federal institute of medicine's report, "Keeping Patients Safe: Transforming the Work Environment of Nurses".

Section 17: DOH will need to report information to the governor and the health policy and fiscal committees of the legislature by December 1, 2008.

COSTS:

It is assumed that the development of this program will not start until FY07 due to availability of revenue to support the administration of the program. Ongoing costs starting in FY07 would require staff and associated costs. Staff would include a .50 FTE for a Health Services Consultant 4 (HSC4) and a .20 FTE Secretary Administrative to develop and oversee this program.

In FY07, awards would be made at an estimated \$545,500. Beginning in FY08, awards would be made at an estimated

\$456,400 per year. This would continue at the same level in outgoing years.

HPQA:

Section 12: There would be one-time costs in FY06 for rules and computer system changes. HPQA would do exception rules so there would be minimal costs there, other than mailings to interested parties. There would be no mass mailing to all licensee affected since this is a minimal amount of money that would be added to their current fees. Notification and explanation of the new fee would be included on the renewal notice the licensee currently receives. HPQA is estimating computer staff time would be needed to modify the rates, redo the renewal notices, and produce labels. Costs would require staff and associated costs, printing and postage. Staff would include a .05 FTE Information Technology Systems Specialist 4 (ITSS 4) and a .04 FTE Office Assistant Senior (OAS).

One-time costs in FY06 and FY07 would be for handling renewals that send in the wrong amount (estimated at 3%), which would involve a letter and processing of the re-submittal of the correct fee. Since most licensees renew on their birthdays, this function would be for a year period, from January 2006 through December 2006. There would also be additional work required to process renewals at different rates for a short period of time during FY06. Costs would require staff and associated costs, additional printing and postage. Staff would include a .05 FTE ITSS 4 and .10 FTE OAS in FY06, and a .10 FTE OAS in FY07.

FSL:

Section 4: One-time costs in FY06 would be to implement this legislation. FSL would follow the exception rule process and costs would only include printing and postage for mailings to notify 99 hospitals and a few stakeholders about the fee increase.

Section 7: Reporting -

Requires 24/7 reporting capabilities for adverse events by facilities. There would be one-time costs in FY06 to develop a web-based application for collecting the data required. This would require staff and associated costs, and a personal services contract estimated at \$5,000 to assist in the development. Staff would include a .50 FTE Information Technology Application Specialist 4.

Ongoing costs starting in FY07 would be for the maintenance of the reporting system and would require a .10 FTE Information Technology Applications Specialist 4. DOH estimates the web-based reporting system would be up and running by April 1, 2006. This would allow for nine (9) months of data in the first annual report.

Currently the department does not have statutory authority to regulate ASF's or the authority to establish fees for voluntary reporting activities. Facilities & Services Licensing is estimating there are approximately 200 ASF's in Washington. This assumption is partially based on applications received through the Certificate of Need program. DOH estimates one-time costs in FY06 for staff and associated costs to develop a communication and educational plan for ASF's to voluntarily report adverse events and willingly participate in an investigation process. Staff would include .25 FTE Health Services Consultant 3.

Investigations –

This legislation requires the Department of Health to investigate adverse events. For the purposes of this fiscal note the following assumptions were made:

- 1) It is estimated that there will be 135 adverse events and incidents reported to DOH annually from Acute Care Hospitals, Psychiatric Hospitals, Child Birth Centers and Correctional Medical Facilities. This is based on history.
- 2) DOH cannot estimate at this time how many adverse events and incidents would be voluntarily reported to the department annually by ASF's and DOH does not regulate the estimated 200 ASF's. Starting FY07 after DOH has implemented the communication and education plan for ASF's; DOH could begin to make annual estimates for the number of adverse events and incidents to be reported.

DOH currently investigates adverse events; DOH is not estimating an increase in the work load associated for investigations for Acute Care Hospitals, Psychiatric Hospitals, Child Birth Centers and Correctional Medical Facilities.

Any investigations for the adverse events in the ASF's would be an increase in effort to coordinate and obtain approval in advance and a new workload if any reports are received.

Collection, analysis, evaluation of data and develop and issue recommendations -

Staff time will be required to collect, analyze, and evaluate data regarding the reports of adverse events and incidents.

DOH must also develop and issue recommendations directly to individual medical facilities, or on a statewide basis.

Starting in FY06 one-time costs include .50 FTE Health Services Consultant 3 will be needed to support this new workload. Starting in FY07 ongoing costs will include .75 Health Services Consultant 3.

Annual Report -

Beginning January 1, 2007 and annually thereafter a report to the governor and legislature on the department's activities from the preceding year must be submitted. The annual report will be made available for public inspection and posted on the department's website. Starting FY06 .25 FTE Health Services Consultant 3 will be needed to start developing the report and reporting requirements, these costs will be ongoing.

Stakeholder Meetings -

It is estimated that there will be a need of up to four meetings, consisting of representatives from DOH, hospitals, psychiatric hospitals, childbirth centers, health professions, ambulatory surgical facilities, correctional medical facilities and any interested professional associations. Two meetings will be held at DOH facilities in either Tumwater or Kent and two meetings in the SeaTac area to discuss the reporting format and details along with any potential rule changes.

Administration:

Increased administrative workload with this legislation will require additional staff. Ongoing increased staff beginning in FY06 would include a .20 FTE Financial Analyst 3. Beginning in FY07, an ongoing .20 FTE Grants Management Analyst 2 would be required.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years	1.9	2.3	2.1	2.2	2.2
A-Salaries & Wages	102,000	114,000	216,000	222,000	222,000
B-Employee Benefits	22,000	24,000	46,000	46,000	46,000
C-Personal Serv Contr	6,000		6,000		
E-Goods and Services	42,000	34,000	76,000	55,000	54,000
G-Travel	1,000	1,000	2,000	2,000	2,000
J-Capital Outlays	6,000		6,000		
M-Inter Agency Fund Transfers					
N-Grants, Benefits Services		546,000	546,000	912,000	912,000
P-Debt Service					
S-Interagency Reimbursement					
T-Intra-Agency Reimbursement	2,000	3,000	5,000	6,000	6,000
Total:	\$181,000	\$722,000	\$903,000	\$1,243,000	\$1,242,000

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2006	FY 2007	2005-07	2007-09	2009-11
Financial Analyst 3	46,992	0.2	0.2	0.2	0.2	0.2
Grants Management Analyst 2	46,992		0.2	0.1	0.2	0.2
Hlth Services Consultant 3	53,136	1.0	1.0	1.0	1.0	1.0
Hlth Services Consultant 4	53,856		0.5	0.3	0.5	0.5
Info Tech Sys Specialist 4	57,252	0.6	0.1	0.4	0.1	0.1
Office Assistant Senior	29,616	0.1	0.1	0.1		
Secretary Administrative	35,808		0.2	0.1	0.2	0.2
Total FTE's		1.9	2.3	2.1	2.2	2.2

III. C - Expenditures By Program (optional)

Program	FY 2006	FY 2007	2005-07	2007-09	2009-11
Hlth Systems Quality Assurance (060)	161,000	696,000	857,000	1,195,000	1,194,000
Administration (090)	20,000	26,000	46,000	48,000	48,000
Total \$	181,000	722,000	903,000	1,243,000	1,242,000

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

HPQA:

Section 12: Rules would need to be completed during FY06 in order to increase licensing fees by the additional \$2 fee.

FSL:

Section 12: Rules would need to be amended by the expedited process to include the additional \$2 fee on the acute care and psychiatric hospital fee schedules.

Section 7: Rules may need to be developed to define what format and details will be reported.

DOH PATIENT SAFETY FEE INCREASE CALCULATIONS

E2SHB 1291 (FN05-217)

	RENEWAL	ANNUAL # OF		FY06	FY07	FY08	FY09	FY10
HPQA PROFESSIONS	CYCLE	LICENSEES	FEE	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL
Chiropractors	1 year	2,164	\$2	\$2,164	\$4,328	\$4,328	\$4,328	\$4,328
Dentists	1 year	5,753	\$2	\$5,753	\$11,506	\$11,506	\$11,506	\$11,506
Midwives	1 year	93	\$2	\$93	\$186	\$186	\$186	\$186
Naturopaths	1 year	713	\$2	\$713	\$1,426	\$1,426	\$1,426	\$1,426
Optometrists	1 year	1,492	\$2	\$1,492	\$2,984	\$2,984	\$2,984	\$2,984
Osteopathic Physicians	1 year	771	\$2	\$771	\$1,542	\$1,542	\$1,542	\$1,542
Osteopathic Physicians Assistants	1 year	40	\$2	\$40	\$80	\$80	\$80	\$80
Pharmacies	1 year	2,718	\$2	\$2,718	\$5,436	\$5,436	\$5,436	\$5,436
Pharmacists	1 year	7,275	\$2	\$7,275	\$14,550	\$14,550	\$14,550	\$14,550
Physicians	2 year	10,468	\$2	\$10,468	\$0	\$20,936	\$0	\$20,936
Physicians Assistants	2 year	894	\$2	\$894	\$0	\$1,788	\$0	\$1,788
Podiatrists	1 year	267	\$2	\$267	\$534	\$534	\$534	\$534
Psychologists	1 year	1,750	\$2	\$1,750	\$3,500	\$3,500	\$3,500	\$3,500
Registered Nurses	1 year	67,607	\$2	\$67,607	\$135,214	\$135,214	\$135,214	\$135,214
SUB TOTAL		102,005		\$102,005	\$181,286	\$204,010	\$181,286	\$204,010
FSL HOSPITALS	CYCLE	# of Beds	FEE	FY06	FY07	FY08	FY09	FY10
Acute Care Hospital	1 year	13,890	\$2	\$27,780	\$27,780	\$27,780	\$27,780	\$27,780
Psychiatric Hospital	1 year	313	\$2	\$626	\$626	\$626	\$626	\$626
SUB TOTAL		14,203		\$28,406	\$28,406	\$28,406	\$28,406	\$28,406
TOTAL REVENUE				\$130,411	\$209,692	\$232,416	\$209,692	\$232,416

FY11
TOTAL
\$4,328
\$11,506
\$186
\$1,426
\$2,984
\$1,542
\$80
\$5,436
\$14,550
\$0
\$0
\$534
\$3,500
\$135,214
\$181,286
FY10
\$27,780
\$626
\$28,406
\$209,692

REVENUE ATTACHMENT FOR E2SHB 1291 (FN05-217)

Acute Care Hospitals

2005-2007 Biennium	FY 06	FY 07
Total:		
Fee Volume – Bed Capacity	13,890	13,890
Estimated Increase	\$3.47	\$2.20
Revenue	\$48,190	\$30,500
Source: GF-Local 05-97		
Subsequent Biennia	2007-2009	2009-2011
Volume	27,780	27,780
Estimated Increase	\$2.20	\$2.20
Revenue	\$61,000	\$61,000
Source GF-Local 05-97		

FSL anticipates a need to raise licensing fees in the Hospital program to effectively administer and implement this legislation.

Psychiatric Hospitals

2005-2007 Biennium	FY 06	FY 07
Total:		
Fee Volume – Bed Capacity	313	313
Estimated Increase	\$2.52	\$1.60
Revenue	\$790	\$500
Source: GF-Local 05-97		
Subsequent Biennia	2007-2009	2009-2011
Fee Volume – Bed Capacity	626	626
Estimated Increase	\$1.60	\$1.60
Revenue	\$1,000	\$1,000
Source: GF-Local 05-97		

FSL anticipates a need to raise licensing fees in the Private Psychiatric Hospital program to effectively administer and implement this legislation.

Child Birth Centers

2005-2007 Biennium	FY 06	FY 07
Total:		
Fee Volume - Facilities	13	13
Estimated Increase	\$486.15	\$307.69
Revenue	\$6,320	\$4,000
Source: GF-Local 05-97		
Subsequent Biennia	2007-2009	2009-2011
Fee Volume – Facilities	26	26
Estimated Increase	\$307.69	\$307.69
Revenue	\$8,000	8,000
Source: GF-Local 05-97		

FSL anticipates a need to raise licensing fees in the Child Birth Center program to effectively administer and implement this legislation.

Correctional Medical Facilities

2005-2007 Biennium	FY 06	FY 07
Total:		
Fee Volume–2003 Avg Day Population	17,423	17,423
Estimated Increase	\$1.36	\$.86
Revenue	\$23,700	\$15,000
Source: GF-Local 05-97		
Subsequent Biennia	2007-2009	2009-2011
Fee Volume – 2003 Avg Day Population	34,846	34,846
Estimated Increase	\$.86	\$.86
Revenue	\$30,000	\$30,000
Source: GF-Local 05-97		

FSL anticipates a need to raise licensing fees in the State Institutional program to effectively administer and implement this legislation.