

Proposed Fee Narrative

Proposed Fee Increases for WAC 246-320-199 Hospitals, WAC 246-322-990 Psychiatric Hospitals, and WAC 246-324-990 Private Alcohol and Chemical Dependency Hospitals May 16, 2017

Overview

The Department of Health (department), Health Systems Quality Assurance Division's top priority is to protect and improve the health of people in Washington State. Health Systems Quality Assurance (HSQA) does this by helping to develop health systems and improve patient safety. This helps ensure that everyone has access to good healthcare and emergency medical services. HSQA regulates and supports more than 430,000 health professionals in 86 health professions. In addition, HSQA licenses approximately 7,000 facilities, which includes 95 acute care hospitals, 2 alcohol and chemical dependency hospitals, and 6 psychiatric hospitals.

Under chapters 70.41 and 71.12 RCW, HSQA inspects hospitals to confirm compliance with minimum regulatory standards and to identify deficiencies that pose patient safety risks. The department coordinates with the State Fire Marshal's Office (Fire Marshal) to conduct fire code inspections required in RCW 70.41.080 and RCW 71.12.485 to protect the public from fire hazards. The Fire Marshal conducts inspections of electrical wiring and equipment, corridor doors, fire sprinkler maintenance, fire extinguishers, and other fire safety elements. RCW 43.70.110 and 43.70.250 authorize the secretary to set licensing fees at a level sufficient to defray the costs of administering the licensing program, including inspections.

The number of fire code inspections performed is based on the number of inspections the department conducts each year and the number of re-inspections the Fire Marshal deems necessary.¹ These inspections have increased from seven in 2007 to 94 in 2015. Inspections are required for acute care hospitals upon initial licensure and then on average every 36 months.² Psychiatric and alcohol treatment hospitals are inspected annually. Based on these requirements, we estimate an average of 32 acute care hospital inspections per year (1/3 of the existing hospitals per year over a three-year cycle), and all of the 6 psychiatric and 2 alcohol and chemical dependency hospitals to be inspected per year. In addition, there may be a small number of new license applications or inspections based on complaints the department may receive.

Funding to perform these inspections has been provided from the Fire Protection Contractor License Account (account) since 2008 (the Fire Marshal or designee is the only one who can authorize expenditures from this account). This account also funds services to businesses and the public unrelated to hospitals, including assistance with fire sprinkler systems, developing educational materials for residential sprinklers, training of local fire authorities and the fire sprinkler industry, and public education. The increase in fire code inspections in hospitals is depleting the account, which means it will no longer be sustainable by Fiscal Year 2019.

The department has worked with the Fire Marshal and Washington State Hospital Association on alternative sources to pay for fire code inspections, and several legislative bills were introduced in 2016 and 2017 to address the issue. In coordination with these stakeholders, the department determined that

¹ Reinspections are required if extensive or serious corrections are identified.

² Inspections are required every 18 months or every 36 months if Medicare-certified. All 95 hospitals are Medicare-certified.

the proposed fee increase on initial and renewed hospital licenses would provide enough revenue to sustain fire code inspections to meet current and future hospital inspection needs.

Proposed Fees

The department is basing these fee increases on the estimated actual costs for the Fire Marshal to conduct the fire code inspections.

To cover the estimated cost per year for fire code inspections, the department is proposing to increase the initial license and annual fees \$15 per bed. This will increase the fees for acute care hospitals from \$123 per bed to \$138 per bed, and for private psychiatric and alcohol and chemical dependency hospitals from \$70 per bed to \$85 per bed.

Estimated Costs of Annual Fire Code Inspections

Number of Inspections Per Year	Cost Per Inspection	Total Cost Per Year
88 *	\$2,466**	\$217,000

**Based on department estimate of 44 inspections and 44 re-inspections per year.*

***Based on Fire Marshal's Office estimate of \$107.86 per hour and 22.86 hours per inspection.*

Estimated Revenue from Fee Increase

Total Number of Beds As of May of 2017	Additional Fee per Bed*	Total Revenue Per Year
14,799	\$15	\$221,985

**\$14.66 rounded to the nearest dollar.*