

LSC Redbook

Analysis of the Executive Budget Proposal

State Medical Board

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READER'S GUIDE

The Legislative Service Commission prepares an analysis of the executive budget proposal for each agency. These analyses are commonly called "Redbooks." This brief introduction is intended to help readers navigate the Redbook for the State Medical Board, which includes the following four sections.

1. **Overview:** Provides a brief description of the Board, an overview of the executive budget recommendations for the Board, and a discussion of the Board's license fee revenue.
2. **Analysis of Executive Proposal:** Provides a detailed analysis of the executive budget recommendations for the Board, including funding and the activities supported by the funding.
3. **Requests Not Funded:** Compares the Board's budget request with the executive budget recommendations.
4. **Attachments:** Includes the catalog of budget line items (COBLI) for the Board, which briefly describes the Board's line item, and the LSC budget spreadsheet for the Board.

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State Medical Board

- Non-GRF agency; funded by fee revenues
- Funding increased by 1.5% in FY 2012 and decreased by 1.4% in FY 2013
- Over 62,800 active licenses

OVERVIEW

Agency Overview

The State Medical Board was established in 1896. Originally responsible for licensing doctors of medicine, the Board's responsibilities were expanded to include doctors of podiatric medicine (1915), cosmetic and massage therapists (1916), doctors of osteopathic medicine (1944), physician assistants (1976), acupuncturists and anesthesiology assistants (2000), and radiologist assistants (2009). The Board also regulates mechanotherapists and naprapaths licensed before March 1992. In addition, the Board establishes standards for education, preprofessional training, and examination. The Board also sets standards of practice for its licensees, investigates complaints, holds administrative hearings, determines appropriate disciplinary actions, and monitors continuing education compliance among licensees. Over 62,800 licenses issued by the Board are currently active.

The Board's governing authority consists of 12 members appointed by the Governor. The Board members include nine physicians (seven who hold a doctor of medicine degree, one who holds a doctor of podiatric medicine degree, and one who holds a doctor of osteopathy degree) and three public members (one who is at least 60 years old). Members are appointed for five-year terms and may be reappointed without limit.

R.C. 4730.05 creates the seven-member Physician Assistant Policy Committee (PAPC), appointed by the President of the State Medical Board, including three physicians (one who is a member of the State Medical Board), three physician assistants, one consumer representative, and, when the Committee is developing or revising policy and procedures for physician assistant prescriptive authority, two pharmacists (one who is a member of the State Pharmacy Board). The Committee is designed to review education and licensing requirements for physician assistants. Committee members are appointed to two-year terms and may serve no more than three consecutive terms.

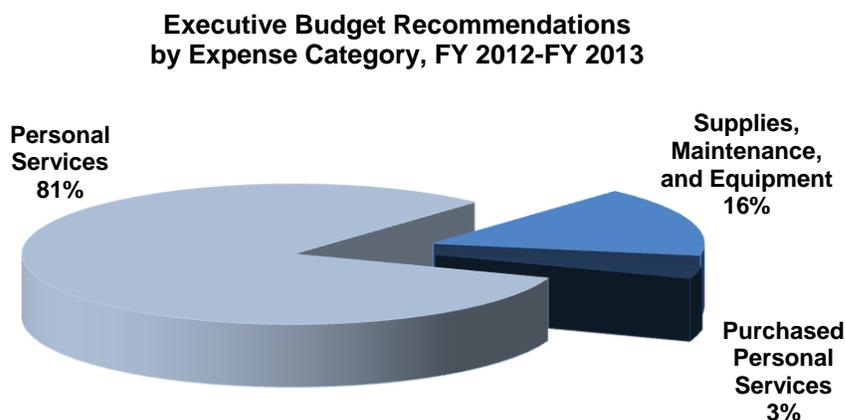
The Board meets monthly and PAPC meets about five times per year. In addition to travel reimbursement, board and PAPC members receive hourly compensation for the performance of official duties. The Board spends about \$109,000 a year for board and PAPC member payroll expenses and travel reimbursement.

The Board's daily operations are the responsibility of an executive director who is appointed by the 12-member governing authority. Including the Executive Director, the Board has 81 full-time employees with an annual budget of \$8.8 million in FY 2011. The Board receives no GRF moneys; it is entirely supported by fees.

Appropriation Overview

The executive recommends funding of \$8.9 million in FY 2012, a 1.5% increase over FY 2011 estimated expenditures, and \$8.8 million in FY 2013, a 1.4% decrease from FY 2012. According to the Executive Director, given the executive recommendation, it will be challenging for the Board to maintain current operations and staffing levels during the FY 2012-FY 2013 biennium and four or five layoffs will be necessary.

As a regulatory agency, personal services is the largest expense category of the Board. As seen from the chart, 81% of the executive budget recommendation for the biennium are for personal services, 16% for supplies, maintenance, and equipment, and 3% for purchased personal services.



Most of the smaller professional licensing boards utilize services available through the Central Service Agency of the Department of Administrative Services (DAS) such as assistance with budget development, Controlling Board request preparation, fiscal processing, and human resources. The State Medical Board carries out those functions internally.

Fee Revenues and Fund 5C60

The Board issues 20 different types of licenses and certificates. Table 1 shows the current fee and renewal amount for each type of license. Licenses issued by the Board must be renewed biennially. License fees have not increased since 1999.

| Type | Initial | Renewal |
|--|---------|---------|
| Doctor of Medicine, Osteopathy, or Podiatric Medicine* | \$300 | \$305 |
| Limited Practitioner** | \$250 | \$50 |
| Telemedicine Certificate | \$300 | \$305 |
| Visiting Medical Faculty Certificate | \$375 | -- |
| Special Activity License | \$125 | -- |
| Doctor Training Certificate*** | \$75 | \$35 |
| Physician Assistant | \$200 | \$100 |
| Physician Assistant Certificate to Prescribe | \$100 | \$50 |
| Anesthesiologist Assistant | \$100 | \$100 |
| Acupuncturist | \$100 | \$100 |
| Radiologist Assistant | \$200 | \$200 |
| Mechanotherapist**** | -- | \$50 |
| Naprapath**** | -- | \$40 |

* \$20 of the \$305 renewal fee is sent to the Department of Health for the Physicians Loan Repayment Program.

** Includes cosmetic, restricted cosmetic, and massage therapists.

*** Includes Doctors of Medicine, Osteopathy, or Podiatric Medicine.

**** The Board only renews licenses of mechanotherapists and naprapaths who were licensed before March 1992.

Fee revenue collected by the Board is deposited into the State Medical Board Operating Fund (Fund 5C60), which was established by H.B. 215 of the 122nd General Assembly. Prior to that time, the Board was part of the Occupational Licensing and Regulatory Board Fund (Fund 4K90). Fund 5C60 is the Board's operating account into which receipts are deposited and from which expenses are paid. R.C. 4731.24 states that all funds deposited into Fund 5C60 be used solely for the operations of the Board.

Effective October 16, 2009, Am. Sub. H.B. 1 of the 128th General Assembly (FY 2010-FY 2011 biennial budget bill) requires the Board to verify licensure in Ohio for individuals applying to practice in another state. The fee for license verification is \$50. For the months of FY 2010 that the bill was effective, the \$50 license verification fee resulted in new revenues of about \$147,000. In addition, the bill specifies that the \$35 duplicate certificate fee also applies to duplicate certificates of registration, and not just duplicate certificates to practice. The Board received about \$9,000 in new revenues in FY 2010 as a result of this change. Table 2 below shows a simplified cash balance statement for the Board from FY 2008 through FY 2013.

| Table 2. Revenues, Expenditures, and Cash Balances | | | | | | |
|---|----------------|----------------|----------------|-------------------------------|-------------------------------|-------------------------------|
| | FY 2008 | FY 2009 | FY 2010 | FY 2011 (estimate) | FY 2012 (estimate) | FY 2013 (estimate) |
| Beginning Cash Balance | \$5,440,135 | \$5,507,653 | \$4,245,156 | \$4,623,314 | \$3,925,314 | \$3,274,921 |
| Revenue | \$8,068,446 | \$7,349,532 | \$8,610,198 | \$7,908,000 | \$8,242,000 | \$8,242,000 |
| Expenditures | \$8,000,928 | \$8,612,029 | \$8,232,040* | \$8,606,000 | \$8,892,393 | \$8,772,062 |
| Net of Rev. & Exp. | \$67,518 | (\$1,262,497) | \$378,158 | (\$698,000) | (\$650,393) | (\$530,062) |
| Ending Cash Balance | \$5,507,653 | \$4,245,156 | \$4,623,314 | \$3,925,314 | \$3,274,921 | \$2,744,859 |

* FY 2010 expenditures reflect a transfer out of \$293,749.

As shown in Table 2 above, the Board's year-end cash balance has been decreasing. According to the Board, the decrease is attributable to the Board's decision to maintain lower licensure fees in comparison to many other states. The initial licensure fee in Ohio is \$300 for Doctors of Medicine, Osteopathy, or Podiatric Medicine, compared to the national average of \$424. The renewal fee in Ohio is \$305, compared to the national biennial renewal fee average of \$461. The Board plans to maintain current fees during the upcoming biennium.

Cost Containment

During the FY 2010-FY 2011 biennium, the Board took a number of steps to contain costs. To stay within its appropriation, the largest cost containment factor the Board utilized during the biennium was to leave positions that have become vacant unfilled. The Board has about 10% less staff than it did during the FY 2008-FY 2009 biennium. In addition, the Board moved to an electronic newsletter that saved about \$35,000 annually in printing and mailing costs. The Board also increased the use of leased vehicles from DAS instead of issuing mileage reimbursement for vehicles used by field investigators.

ANALYSIS OF EXECUTIVE PROPOSAL

The Board's operations are funded by a single line item appropriation from the General Services Fund Group. Table 3 shows the Governor's recommended funding for the line item.

| Table 3. Governor's Recommended Funding for the Board | | | | |
|---|--------------|-------------------------------|-------------|-------------|
| Fund | ALI and Name | | FY 2012 | FY 2013 |
| General Services Fund Group | | | | |
| 5C60 | 883609 | State Medical Board Operating | \$8,892,393 | \$8,772,062 |

Through this one line item, the Board pays all of its expenses. The executive recommends funding of \$8.9 million in FY 2012, a 1.5% increase over FY 2011 estimated expenditures, and \$8.8 million in FY 2013, a 1.4% decrease from FY 2012. According to the Executive Director, given the executive recommendation, it will be challenging for the Board to maintain current operations during the FY 2012-FY 2013 biennium and four or five layoffs will be necessary. These layoffs will likely affect the Board's ability to fulfill its statutory requirements in the areas of investigation and enforcement of alleged complaints or licensing. Fewer investigative or enforcement staff would likely result in an increase in the amount of time it takes to investigate and resolve complaints. In addition, as a result of staff reductions in FY 2010, the licensure section experienced a 30% increase in the amount of time from initial application to licensure. Additional reductions in licensure staff would further increase the time from initial application to licensure.

During the FY 2012-FY 2013 biennium, in addition to ongoing operating expenses, the Board will be required to pay the cost of its biennial audit conducted by the Auditor of State. S.B. 155 of the 128th General Assembly, effective March 31, 2010, requires all state agencies to pay for their own audits.¹ In the past, the cost of state agency audits was paid for by DAS, but funding for that purpose was eliminated by Am. Sub. H.B. 1 of the 128th General Assembly (FY 2010-FY 2011 biennial budget bill). As a result, the Board has budgeted \$15,000 for this audit in the upcoming biennium.

For the FY 2012-FY 2013 biennium, one of the Board's main priorities will be the continued development of new Maintenance of Licensure (MOL) standards. MOL involves physicians completing a more robust program of professional development related to their area of practice. MOL standards are being developed by the Federation of State Medical Boards, a national organization whose purpose is to promote excellence in medical practice, licensure, and regulation. The State Medical Board is a

¹ R.C. 117.13.

member of the Federation of State Medical Boards and has been actively working with the Federation on development of the MOL model.

Licenses

To carry out its regulatory responsibility, the Board establishes standards and licenses and certifies qualified medical practitioners. Table 4 below shows the Board's active licenses in FY 2010 compared with FY 2009. The largest increase from FY 2009 to FY 2010 was for the Physician's Assistant Certificate to Prescribe; the Board first began issuing these certificates in FY 2008. The total number of active licenses increased by 2.4% from FY 2009 to FY 2010.

| Table 4. Active Licenses as of June 30th | | | |
|--|----------------|----------------|-----------------|
| License Type | FY 2009 | FY 2010 | % Change |
| Cosmetic Therapists | 183 | 166 | -9.3% |
| Massage Therapists | 11,027 | 11,380 | 3.2% |
| Doctor of Osteopathy | 4,871 | 4,908 | 0.8% |
| Medical Doctor | 36,362 | 36,802 | 1.2% |
| Doctor of Podiatric Medicine | 953 | 960 | 0.7% |
| Mechanotherapist | 28 | 31 | 10.7% |
| Naprapath | 1 | 1 | 0.0% |
| Physician Assistant | 1,938 | 1,994 | 2.9% |
| Doctor of Medicine Training Certificate | 3,974 | 4,108 | 3.4% |
| Doctor of Osteopathic Medicine Training Certificate | 802 | 942 | 17.5% |
| Doctor of Podiatric Medicine Training Certificate | 74 | 79 | 6.8% |
| Acupuncturist | 154 | 156 | 1.3% |
| Anesthesiologist Assistant | 141 | 153 | 8.5% |
| Physician's Assistant Provisional Certificate to Prescribe | 290 | 260 | -10.3% |
| Physician's Assistant Certificate to Prescribe | 413 | 702 | 70.0% |
| Special Activity License | 72 | 65 | -9.7% |
| Visiting Medical Faculty Certificate | 11 | 14 | 27.3% |
| Visiting Podiatric Faculty Certificate | 0 | 0 | n/a |
| Telemedicine Certificate | 91 | 112 | 23.1% |
| Radiologist Assistants | 0 | 6 | n/a |
| Total | 61,385 | 62,839 | 2.4% |

Licenses and certificates issued by the Board are required to be renewed every two years, on varying cycles. For example, doctors renew based on the licensee's last name; limited practitioners renew in odd-numbered years; and acupuncturists, anesthesiologist assistants, and physician assistants renew their licenses in even-numbered years. Table 5 below shows the number of licenses and certificates issued by the Board during FY 2010. Including both initial licenses and renewals, the Board issued 31,450 licenses in that year. For those types that show a "--" in the renewal

column, the license is not renewable in FY 2010, or in the case of training certificates, the license is not renewable.

| Type | Initial | Renewal | Total |
|-------------------------------------|----------------|----------------|---------------|
| Doctor of Medicine (MD) | 1,806 | 19,731 | 21,537 |
| Doctor of Osteopathic Medicine (DO) | 261 | 2,638 | 2,899 |
| Doctor of Podiatric Medicine (DPM) | 30 | 494 | 524 |
| Physician Assistant | 169 | -- | 169 |
| Anesthesiologist Assistant | 16 | 152 | 168 |
| Radiologist Assistant | 6 | -- | 6 |
| Massage Therapist | 986 | 2,844 | 3,830 |
| Cosmetic Therapist | 3 | 76 | 79 |
| Acupuncturist | 14 | 143 | 157 |
| Training Certificates (MD-DO-DPM) | 2,081 | -- | 2,081 |
| Total | 5,372 | 26,078 | 31,450 |

Online Licensure and Renewal

The Board implemented the eLicensing system in 2004 and currently utilizes the online renewal component of the eLicensing system. This component allows licensees to apply for renewal online and to pay the renewal fee with a credit card. In FY 2010, 98% of renewal licenses were processed online through the eLicensing system. The eLicensing system is administered through the Central Service Agency. Each board that participates in the eLicensing system receives a basic component of the system that includes a database of all licensees and their license status. Boards have the option of purchasing additional components of the system including initial licensure, renewal, image storing and indexing, and complaint tracking.

Those applying for initial licensure as a doctor of medicine or doctor of osteopathic medicine may do so via a link on the Board's web site that takes the applicant to the web site for the Federation of State Medical Boards, where the applicant may use the common license application form (CLAF). CLAF was developed by a workgroup of state medical board representatives, with support from the Federation of State Medical Boards. CLAF benefits physicians by reducing the amount of paperwork necessary when applying for a license in multiple states. When a physician enters information into the system, it is stored and incorporated into CLAF used by each state leaving only the state-specific information to be completed. The State Medical Board of Ohio was the first regulatory board in the country to implement the use of CLAF for medical and osteopathic physicians.

Investigation and Enforcement

The Board's regulatory obligations also include investigating complaints about violations of the Board's rules and laws. Complaints to the Board must be submitted in writing. The Board has the legal authority to investigate complaints that allege a violation of the Medical Practices Act and the rules adopted pursuant to it. Every complaint is reviewed by the Board, but not all complaints result in formal investigations or disciplinary action. If sufficient evidence of a violation exists, the members of the Board's governing authority review the complaint and vote on whether to take formal action. The investigative and disciplinary process involves five units of the Board: Enforcement, Standards Review, Compliance, Investigations, and Hearing. In FY 2010, the Board received 4,732 new complaints. The most frequent allegations were office practice management violations (1,762), minimal standards of care violations (1,524), and issues involving licensure or renewal (1,242); some complaints contain multiple allegations. In FY 2010, the Board took 193 disciplinary actions. The most common disciplinary actions were suspension (52), probation (45), and license revocation (42).

Quality Intervention Program

The Quality Intervention Program (QIP) was implemented in 1996; it is a confidential alternative to formal disciplinary proceedings. The mission of QIP is to effectively address licensees with quality of care and communication issues that may have developed due to poor practice patterns or failure to keep up with current standards of practice. QIP is under the umbrella of the Board's investigatory process and for this reason participation in the program is confidential and not subject to discovery in any civil proceeding. If the intervention is successful, the licensee should benefit by improving their practice patterns and the standard of care available to their patients. During 2010, the program staff reviewed 110 licensees. Table 6 below shows QIP review outcomes that year.

| Table 6. QIP Review Outcomes for 2010 | |
|---|------------|
| Recommended Closure (no quality of care concerns/no further action necessary) | 46 |
| Referred to Board Secretary and Supervising Member for Further Action (deficiencies not remedial through QIP) | 10 |
| Referred for Remedial Education | 24 |
| Caution Letter Sent (no other action needed) | 30 |
| Total | 110 |

Continuing Education

The Board requires continuing medical education (CME) hours for license renewals. The content requirement and number of credits needed vary by license type.

Failure to obtain the required number of CME hours can result in board sanctions, including a fine of up to \$5,000 for physicians and physician assistants. Additional CME hours may be required by the Board as part of the sanction. Sanctions issued by the Board remain as a permanent part of the licensee's record. In FY 2010, three physicians were sanctioned for noncompliance with CME requirements; fines for these sanctions typically total about \$10,000 each year.

REQUESTS NOT FUNDED

Table 7 shows the amount of appropriation requested by the Board and the executive recommendation.

| Table 7. Requested Funding Compared to Executive Recommendation | | | | | | |
|---|---------------------|-------------------|------------|---------------------|-------------------|------------|
| Fund Line Item | FY 2012 Recommended | FY 2012 Requested | Difference | FY 2013 Recommended | FY 2013 Requested | Difference |
| 5C60 833609 | \$8,892,393 | \$9,300,271 | \$407,878 | \$8,772,062 | \$9,176,796 | \$404,734 |

According to the Executive Director, four to five layoffs will be necessary as a result of the executive's proposal. These layoffs will likely affect the Board's ability to fulfill its statutory requirements in the areas of licensing or investigation and enforcement of alleged complaints. A reduction to investigative or enforcement staff would likely result in an increase in the amount of time it takes to investigate complaints and bring complaints to a hearing. Additional decreases to licensure staff would further increase the time from initial application to licensure. (As a result of staff reductions in FY 2010, the licensure section experienced a 30% increase in the amount of time from initial application to licensure.)

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State Medical Board

General Services Fund Group

5C60 883609 Operating Expenses

| FY 2008 | FY 2009 | FY 2010 | Estimate FY 2011 | Introduced FY 2012 | Introduced FY 2013 |
|-------------|-------------|-------------|---------------------|-----------------------|-----------------------|
| \$8,000,928 | \$8,612,029 | \$7,938,292 | \$8,758,625 | \$8,892,393 | \$8,772,062 |
| | 7.6% | -7.8% | 10.3% | 1.5% | -1.4% |

Source: General Services Fund Group: License fees and other assessments collected by the State Medical Board

Legal Basis: ORC 4731.24; Section 331.10 of Am. Sub. H.B. 1 of the 128th G.A. (originally established by Am. Sub. H.B. 215 of the 122nd G.A.)

Purpose: This line item is used to pay the State Medical Board's operating expenses, including personal services, supplies, maintenance, and equipment. Originally established in 1896 and responsible for licensing doctors of medicine, the Board's responsibilities were expanded to include doctors of podiatric medicine (1915), cosmetic and massage therapists (1916), doctors of osteopathic medicine (1944), physician assistants (1976), acupuncturists and anesthesiology assistants (2000), and radiologist assistants (2009). The Board also regulates mechanotherapists and naprapaths licensed before March 1992. The Board establishes standards for education, preprofessional training, and examination. The Board also sets standards of practice for its licensees, investigates complaints, holds administrative hearings, determines appropriate disciplinary actions, and monitors continuing education compliance among licensees.

FY 2012 - FY 2013 Introduced Appropriation Amounts

All Fund Groups

| Line Item Detail by Agency | | | FY 2010 | Estimate FY 2011 | Introduced FY 2012 | FY 2011 to FY 2012 % Change | Introduced FY 2013 | FY 2012 to FY 2013 % Change |
|--|--------|--------------------|-------------------------------|---------------------|-----------------------|--------------------------------|-----------------------|--------------------------------|
| Report For Main Operating Appropriations Bill | | | Version: As Introduced | | | | | |
| MED State Medical Board | | | | | | | | |
| 5C60 | 883609 | Operating Expenses | \$ 7,938,292 | \$ 8,758,625 | \$ 8,892,393 | 1.53% | \$ 8,772,062 | -1.35% |
| General Services Fund Group Total | | | \$ 7,938,292 | \$ 8,758,625 | \$ 8,892,393 | 1.53% | \$ 8,772,062 | -1.35% |
| State Medical Board Total | | | \$ 7,938,292 | \$ 8,758,625 | \$ 8,892,393 | 1.53% | \$ 8,772,062 | -1.35% |