



## Mental Health Counselor Fee Cost Drivers

The Department of Health works to protect and improve the health of all people in Washington state. We accomplish this work, in part, through regulation of health care providers and facilities, including mental health counselors and associates ([chapter 18.130 RCW](#)).

State law, [RCW 43.70.250](#) (license fees for professions, occupations, and businesses), requires fees to fully fund the work of licensing and regulating health care professions. Considering the program's financial forecast, the department recommends a fee increase to bring revenue into alignment with the cost of licensing and regulating the mental health counselor program.

The program ended fiscal year (FY) 2021 with a fund balance of \$212,000. The program is currently operating with an annual shortfall where expenditures are greater than incoming revenue. This shortfall is expected to draw down the current fund balance, leading to a negative fund balance by FY 2023. This document summarizes data on revenue, expenditures, fund reserve, cost drivers, financial forecast, and the proposed fees.

# Revenue

As of July 2022, the department licensed 11,805 active mental health counselors and associates in Washington state ([chapter 18.225 RCW](#)). The licensee base has grown since 2016, increasing an average of 6.3 percent annually. During the pandemic the program was able to maintain its licensure base, growing 2.5 percent in 2020 and then gaining an additional nine percent of licenses in 2021 and 2022. This profession averages a 95 percent renewal rate each year for the mental health counselor license.

Annual fees charged at initial application and renewal generate revenue for this program ([WAC 246-809-990](#)). The last fee change occurred in January 2016, changing the program’s fees according to the chart below:

Fees: Rate Change History			
License Type	Title of Fee	Effective 10/15/10	Effective 01/01/16
Mental Health Counselor	Application and initial license	\$50	\$175
	License renewal	\$40	\$90
	Late renewal penalty	\$40	\$50
Mental Health Counselor Associates	Application and initial license	\$50	\$35
	License renewal	\$40	\$25
	Late renewal penalty	\$40	\$25

In the year following the 2016 fee change, fee revenue decreased 12.4 percent from \$893,000 to \$782,000. Starting in FY 2017 revenue gradually increased each year at an average rate of eight percent which tracks closely with the growth in number of licensees. Revenue totaled \$1,047,801 in FY 2021.

# Expenditures

Costs for the program are classified into four primary categories: operations (four percent), licensing (23 percent), discipline (53 percent), and indirect costs (20 percent). The percentages reflect the distribution of these costs in FY 2021.

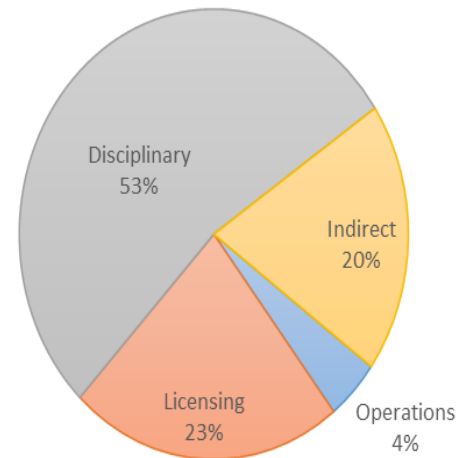
Operational costs account for four percent of total program spending and includes personnel to manage the program. This includes administrative oversight and program management, development and implementation of legislation and rules, communication and outreach, and relations with interested parties.

Licensing activities account for 23 percent of total program spending and includes the following services: credentialing, renewals, call center; online licensing (OLIC); background checks and revenue processing.

Discipline costs are the largest category of spending (53 percent) and include the following activities: legal services; legal compliance; complaint intake; investigations; discipline case management; adjudicative services; and attorney general costs. These costs are variable from year-to-year and are charged to the program based on number of credentials and usage rates for the various services.

Indirect costs (20 percent) are agency-wide, general management costs necessary for any program to exist and consist of administrative activities for the general operation of the agency. Examples of indirect costs include financial services, human resources, and information resource management. The indirect rate is a standardized method of charging individual programs for their share of indirect costs and is reviewed and approved annually by the U.S. Department of Health and Human Services.

The HELMS (Healthcare Enforcement and Licensing Management System) assessment is a temporary cost that is assessed against the fund balance of each healthcare profession and facility that will benefit from the new modernized electronic licensing system that is replacing the department's current system (ILRS). The assessment is charged annually for the duration of the project (FY 2021 through FY 2023).



# Expenditures

The table below shows expenditures for each of these cost categories over the past six years.

Program Spending by Category						
Fiscal Year	2016	2017	2018	2019	2020	2021
Operations	72,777	73,878	71,758	60,482	48,993	48,791
Licensing	210,742	225,445	232,325	218,929	268,762	295,231
Discipline	530,600	417,841	388,519	445,194	552,465	550,749
Indirect	197,867	185,587	179,160	180,823	221,807	207,523
<b>Subtotal</b>	<b>1,011,986</b>	<b>902,752</b>	<b>871,762</b>	<b>905,428</b>	<b>1,092,027</b>	<b>1,102,294</b>
HELMS assessment	-	-	-	-	20,981	165,648
<b>Total</b>	<b>1,011,986</b>	<b>902,752</b>	<b>871,762</b>	<b>905,428</b>	<b>1,113,008</b>	<b>1,267,942</b>

## Cost Drivers

The cost to license and regulate mental health counselors, excluding HELMS, increased an average of eight percent from FY 2018 to FY 2021. The primary reason the department needs to raise fees is due to the program's licensing costs and the addition of the HELMS Assessment project.

### Licensee Growth

Prior to 2020, the program averaged 720 mental health counselor applications annually and 763 associate applications. In 2022, both license types experienced an application surge, growing to 1,316 counselor and 1,059 associate applications. As the program has grown in licenses, its costs have grown proportionally.

The program's licensing costs have grown eight percent annually since 2016, primarily due to growth in credentialing and call center costs as they serve the incoming licensee base.

# Cost Drivers

## **HELMS Assessment**

HELMS is a modernized electronic licensing system that the department is pursuing to replace the outdated ILRS. Funding for the HELMS project is provided by assessing each program's fund balance annually for the duration of the project (FY 2021 through FY 2023). The HELMS project will cost the mental health program around \$414,000 over the next two years. The estimated total cost to the mental health counselor program for the HELMS project is \$600,000 over the four years.

## **Fund Reserve**

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 as a result of significant disciplinary activity or unforeseen changes in license trends.

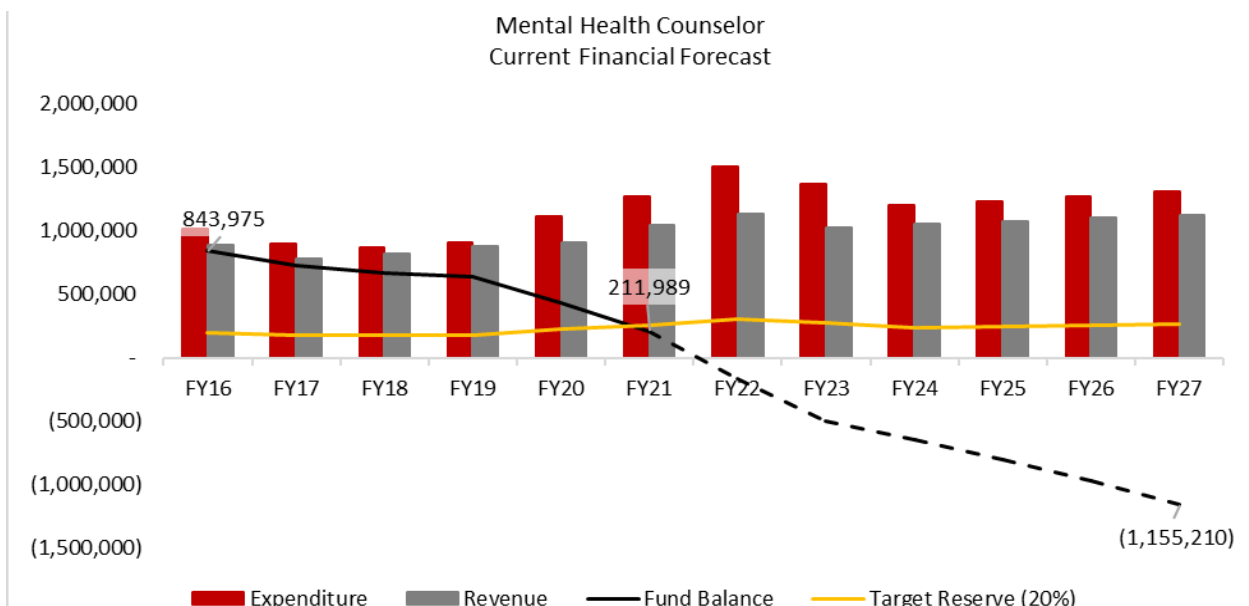
Due to the size of this program, expenditures are less prone to significant impacts resulting from enforcement costs and the occurrence of other unforeseen events. Based on these factors, the department recommends the program build a reserve of 20 percent, currently around \$254,000 or approximately two to three months of annual expenditures.

# Financial Forecast

The program is currently operating with an annual revenue gap. The 2016 fee change reduced the annual operating deficit in FY 2018 and 2019 but failed to produce a positive cash flow despite declining costs. Expenses increased in FY 2020 and 2021, widening the operating deficit and declining the program’s fund balance by \$428,000 over the two years. As costs are projected to remain at a heightened level, the program will continue operating at an annual deficit. The mental health counselor and associate program ended FY 2021 with a fund balance of \$212,000, slightly below the recommended reserve level.

The department anticipates new application rates to maintain growing at the current pace, resulting in a two percent growth in revenue. Routine costs for the mental health counselor program are expected to increase by approximately 12 percent in biennium (BI) 2021-23, growing less than one percent each biennium following. This expected increase in BI 2021-23 is due to statewide compensation adjustments, as well as an anticipated increase in disciplinary costs from a growing number of cases surrounding continuing education audits and standard of care complaints. The program is expected to be short \$1.4 million in revenue to cover costs and reserves by FY 2027.

Current and projected revenue is insufficient to cover the cost of licensing and regulating the mental health counselor program and maintain adequate reserves. The fund balance will continue to decline as the gap between revenues and expenditures continues. Therefore, the department concludes that current fees are not enough to sustain the cost of operating the program and meet the [statutory requirements](#).

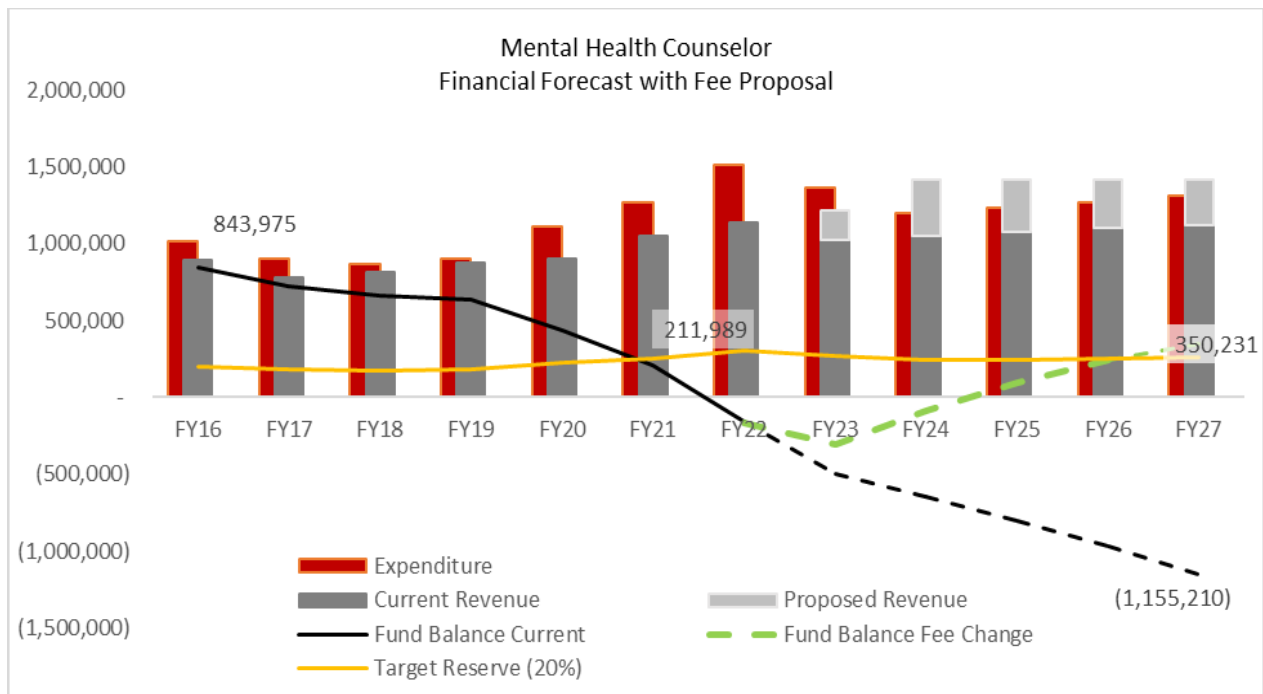


# Fee Proposal

To bring the mental health counselor program fund balance into alignment with program requirements, the department proposes raising renewal fees by \$35 per year, effective June 1, 2023. This fee increase is recommended for the mental health counselor license only and will not affect associates. Under this proposal, initial application fees will stay the same, and renewal fees will increase from \$90 to \$125. Late renewal penalties will increase in accordance with standard departmental policy. The fee proposal is detailed in the table below:

Current and Proposed Mental Health Counselor Fees			
Profession	Title of Fee	Current Fee	Proposed Fee
Mental Health Counselor	Application and License	\$175	No Change
	License Renewal	\$90	\$125
	Late Renewal Penalty	\$50	\$65

The chart below shows projected revenue and expenditures for current and proposed fees from FY 2016 through FY 2027. The department will continue to monitor the financial health of the mental health counselor program over a six-year outlook and propose fee adjustments as needed to comply with statutory requirements.



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