HB

73

HFIN

FILE

# HOUSE COMMITTEE REPORT

(11)
**Date Referred to Committee: February 12, 2003** **FURTHER REFERRALS:**

**Date of Committee Action:** 2/27/03

**The FINANCE Committee considered:** **HB 73**

**HOUSE BILL NO. 73** **EXTEND STATE MEDICAL BOARD**

**"An Act extending the termination date of the State Medical Board."**

**Recommends it be replaced with [ ] HCS *or* [ ] CS for** HB 73 (FIN)
***For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR*** _____ **[ ] Same Title [ ] New Title**

[ ] attach amendments
[ ] add new referral to _____ Committee
[ ] Letter of Intent _____ Committee

*List of Abbrev for Depts.:*
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
HSS
LEG
LAW
LWF
MVA
DNR
DPS
REV
DOT
UA

| ***NEW*** **FISCAL NOTES** *Assigned by Chief Clerk's Office | | | | |
|---|---|---|---|---|
| **List by Dept(s):** | ***FN#** | **Fiscal** | **Indet.** | **Zero** |
| CED | | ✓ | | |

| ***PREVIOUS*** **FISCAL NOTES** | | | | |
|---|---|---|---|---|
| **List by Dept(s):** | **FN#** | **Fiscal** | **Indet.** | **Zero** |
| | | | | |

| **Signing with recommendations** | **Printed Last Name** | **DP** | **DNP** | **NR** | **AM** |
|---|---|---|---|---|---|
| | Meyer | ✓ | | | |
| | Hawker | ✓ | | | |
| | Stoltze | ✓ | | | |
| | Joule | ✓ | | | |
| | MOSES | ✓ | | | |
| | Whitaker | ✓ | | | |
| | | | | | |
| | FOSTER | X | | | |
| | | | | | |
| Co-Chair: | Harris | ✓ | | | |
| Co-Chair: | Williams | ✓ | | | |

# FISCAL NOTE

**STATE OF ALASKA**
**2003 LEGISLATIVE SESSION**

Fiscal Note Number:
Bill Version: CSHB 73(FIN)
() Publish Date:

Revision Date/Time (Note if correction):
Title: An Act extending the termination date of the State Medical Board.
Sponsor: Reps. Dahlstrom, Stoltze, Wilson
Requester: House Finance

Dept. Affected: DCED
BRU: Occupational Licensing (117)
Component: Occupational Licensing
Component No. 2360

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

| OPERATING EXPENDITURES | FY 2004 | FY 2005 | FY 2006 | FY 2007 | FY 2008 | FY 2009 |
|---|---|---|---|---|---|---|
| Personal Services | 389.5 | 389.5 | 389.5 | 389.5 | 389.5 | 389.5 |
| Travel | 33.8 | 33.8 | 33.8 | 33.8 | 33.8 | 33.8 |
| Contractual | 301.4 | 301.4 | 301.4 | 301.4 | 301.4 | 301.4 |
| Supplies | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Equipment | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Land & Structures | | | | | | |
| Grants & Claims | | | | | | |
| Miscellaneous | | | | | | |
| TOTAL OPERATING | 729.7 | 729.7 | 729.7 | 729.7 | 729.7 | 729.7 |
| CAPITAL EXPENDITURES | | | | | | |
| CHANGE IN REVENUES ( ) | 729.7 | 729.7 | 729.7 | 729.7 | 729.7 | 729.7 |

FUND SOURCE (Thousands of Dollars)

| | | | | | | |
|---|---|---|---|---|---|---|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program Receipts | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| Other 1156- Receipt Supported Services | 729.7 | 729.7 | 729.7 | 729.7 | 729.7 | 729.7 |
| TOTAL | 729.7 | 729.7 | 729.7 | 729.7 | 729.7 | 729.7 |

**Estimate of any current year (FY2003) cost:** 0.0
**Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:** X

**POSITIONS**

| | | | | | | |
|---|---|---|---|---|---|---|
| Full-time | 5 | 5 | 5 | 5 | 5 | 5 |
| Part-time | | | | | | |
| Temporary | | | | | | |

**ANALYSIS:** *(Attach a separate page if necessary)*

The bill extends the State Medical Board to June 30, 2011. In accordance with AS 08.03.020, funding is extended one year following the termination date allowing the board to conclude its affairs. The information above identifies direct expenditure and revenue information included in the FY 2004 Operating Budget request. New funds are not required to implement this bill.

Prepared by: Jennifer Strickler, Administrative Manager — Phone (907) 465-2144
Division: Occupational Licensing — Date/Time 2/24/03 3:44 PM
Approved by: Edgar Blatchford, Commissioner — Date 2/24/2003
Agency: Department of Community & Economic Development

(Revised 9/2002 OMB)

adopted
N/D

23-LS0475\A.1
Lauterbach
2/25/03

# AMENDMENT

OFFERED IN THE HOUSE

TO: HB 73

1 Page 1, line 4:

2 Delete "2007"

3 Insert "2011"

**Subject: Fiscal Notes**
**Date:** Mon, 24 Feb 2003 15:52:51 -0900
**From:** Jenny Strickler <Jenny_Strickler@dced.state.ak.us>
**To:** Sally A Saddler <sally_saddler@dced.state.ak.us>
**CC:** Robert E Riggs JR <robert_riggs@dced.state.ak.us>

Sally,

I received a call from Randy in Representative William's Office (House Finance) for the attached Fiscal Notes.

Currently, CSHB73(FIN) and CSHB74(FIN) do not exist, however, Representative Dahlstrom is going to submit the Committee Substitute in House Finance this coming Thursday, 2/27/03, to make these bills identical to the Senate versions that extend the boards to 2011.

I told him I would submit these Fiscal Notes to you to forward to the appropriate places. He said he'd watch for them.

Jenny
--
Jennifer Strickler
Administrative Manager
Division of Occupational Licensing
E-Mail: Jenny_Strickler@dced.state.ak.us

| | |
|---|---|
| CSHB73(FIN)-MedExt.xls | **Name:** CSHB73(FIN)-MedExt.xls<br>**Type:** Microsoft Excel Worksheet (application/vnd.ms-excel)<br>**Encoding:** base64 |

| | |
|---|---|
| CSHB74(FIN)-NsgExt.xls | **Name:** CSHB74(FIN)-NsgExt.xls<br>**Type:** Microsoft Excel Worksheet (application/vnd.ms-excel)<br>**Encoding:** base64 |

# FISCAL NOTE

**STATE OF ALASKA**
**2003 LEGISLATIVE SESSION**

Fiscal Note Number: 1
Bill Version: HB 73
(H) Publish Date: 2/12/03

Revision Date/Time (Note if correction):

Dept. Affected: DCED

Title: An Act extending the termination date of the State Medical Board

BRU: Occupational Licensing (117)

Component: Occupational Licensing

Sponsor: Representative Dahlstrom

Requester: House Labor & Commerce

Component No. 2360

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

| OPERATING EXPENDITURES | FY 2004 | FY 2005 | FY 2006 | FY 2007 | FY 2008 | FY 2009 |
|---|---|---|---|---|---|---|
| Personal Services | 389.5 | 389.5 | 389.5 | 389.5 | 389.5 | |
| Travel | 33.8 | 33.8 | 33.8 | 33.8 | 33.8 | |
| Contractual | 301.4 | 301.4 | 301.4 | 301.4 | 301.4 | |
| Supplies | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | |
| Equipment | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Land & Structures | | | | | | |
| Grants & Claims | | | | | | |
| Miscellaneous | | | | | | |
| **TOTAL OPERATING** | **729.7** | **729.7** | **729.7** | **729.7** | **729.7** | **0.0** |
| **CAPITAL EXPENDITURES** | | | | | | |
| **CHANGE IN REVENUES (1156)** | **729.7** | **729.7** | **729.7** | **729.7** | **729.7** | |

**FUND SOURCE** (Thousands of Dollars)

| | | | | | | |
|---|---|---|---|---|---|---|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program Receipts | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| Other 1156- Receipt Supported Services | 729.7 | 729.7 | 729.7 | 729.7 | 729.7 | |
| **TOTAL** | **729.7** | **729.7** | **729.7** | **729.7** | **729.7** | **0.0** |

**Estimate of any current year (FY2003) cost:** 729.7

**Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:** X

**POSITIONS**

| | | | | | | |
|---|---|---|---|---|---|---|
| Full-time | 5 | 5 | 5 | 5 | 5 | |
| Part-time | | | | | | |
| Temporary | | | | | | |

**ANALYSIS:** *(Attach a separate page if necessary)*

The bill extends the State Medical Board to June 30, 2007. In accordance with AS 08.03.020, funding is extended one year following the termination date allowing the board to conclude its affairs. The information above identifies direct expenditure and revenue information included in the FY 2004 Operating Budget request. New funds are not required to implement this bill.

Prepared by: Jennifer Strickler, Administrative Manager — Phone (907) 465-2144
Division: Occupational Licensing — Date/Time 2/10/03 12:01 PM
Approved by: Edgar Blatchford, Commissioner — Date 2/10/2003
Agency: Department of Community & Economic Development

(Revised 9/2002 OMB)



COMMITTEE COPY

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FOLLOWING
DOCUMENT(S)
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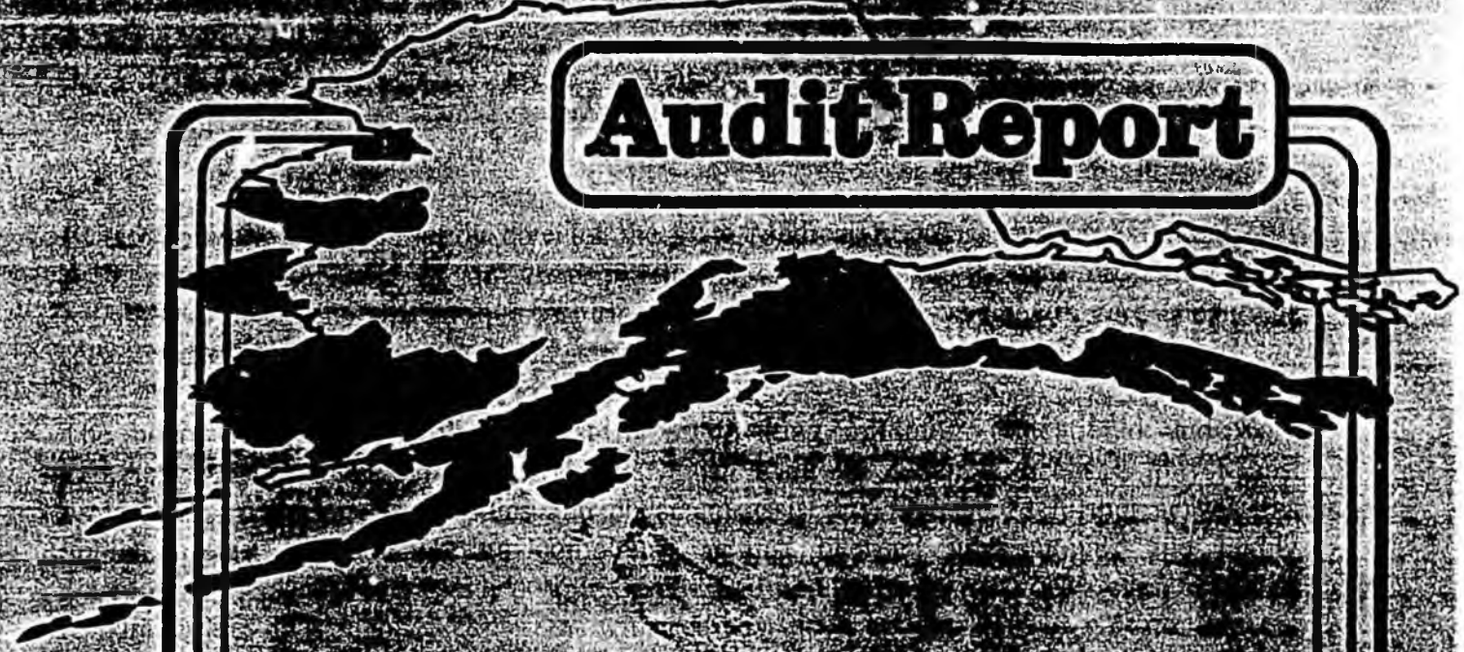
POOR
ORIGINAL
COPIES

# Audit Report



**DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT**
**STATE MEDICAL BOARD**
**SUNSET REVIEW**

**August 15, 2002**

**Audit Control Number:**
08-20017-02


**Division of Legislative Audit**
P.O. Box 113300, Juneau, Alaska 99811-3300

[illegible]

# ALASKA STATE LEGISLATURE

## LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit

P.O. Box 113300
Juneau, AK 99811-3300
(907) 465-3830
FAX (907) 465-2347
Internet e-mail address:
legaudit@legis.state.ak.us

August 17, 2002

Members of the Legislative Budget
and Audit Committee:

In accordance with the provisions of Title 24 of the Alaska Statutes, the attached report is submitted for your review.

DEPARTMENT OF COMMUNITY
AND ECONOMIC DEVELOPMENT
STATE MEDICAL BOARD
SUNSET REVIEW

August 15, 2002

Audit Control Number

08-20017-02

This audit was conducted as required by AS 44.66.050 and under the authority of AS 24.20.271(1). Alaska Statute 44.66.050(c) lists criteria to be used to assess the demonstrated public need for a given board, commission, agency, or program subject to the sunset review process. Currently under AS 08.03.010(c)(12), the State Medical Board is scheduled to terminate on June 30, 2003. The board would be allowed one year in which to conclude its administrative operations.

In our opinion, the termination date for the State Medical Board should be extended. The regulation and licensure of physicians, osteopaths, podiatrists, paramedics and physician assistants contributes to the protection of the public's welfare. We recommend the legislature extend the termination date of the State Medical Board to June 30, 2011.

This sunset review was conducted in accordance with generally accepted government auditing standards. Fieldwork procedures utilized in the course of developing this report are set out in the Objectives, Scope and Methodology section.

Pat Davidson

Pat Davidson, CPA
Legislative Auditor

# TABLE OF CONTENTS

# OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with the intent of Titles 24 and 44 of the Alaska Statutes, we have reviewed the activities of the State Medical Board. As required by AS 44.66.050(a), the legislative committee of reference shall consider this report during the legislative oversight process to determine whether the board should be reestablished. Currently, AS 44.66.010(12) states that the board will terminate on June 30, 2003, and will have one year from that date to conclude its administrative operations.

## Objectives

The three central, interrelated objectives of our report are:

1. To determine if the termination date of the board should be extended.

2. To determine if the board is operating in the public interest.

3. To determine if the board has exercised appropriate regulatory oversight of physicians, osteopaths, podiatrists, paramedics and physician assistants.

The assessment of the operations and performance of the board was based on criteria set out in AS 44.66.050(c). Criteria set out in this statute relate to the determination of a demonstrated public need for the board.

## Scope and Methodology

Under the direction and supervision of the Division of Legislative Audit, another auditor conducted the majority of this review. We followed professional standards to determine that the other auditor was independent and that their work was competent and sufficient.

The major areas of our review were licensing, examination, and board proceedings. We reviewed and evaluated the following:

1. Applicable statutes and regulations

2. Compliance with statutes and regulations related to the licensing of physicians, osteopaths, podiatrists, paramedics and physician assistants.

3. Files and documentation of individuals licensed as either physicians, osteopaths, podiatrists, paramedics or physician assistants, in addition to files for individuals applying for licensure for each of these professions

4. Files related to investigations carried out by the Division of Occupational Licensing involving allegations of violations of statutes and regulations related to physicians, osteopaths, podiatrists, paramedics and physician assistants.

5. Minutes of board meetings and division correspondence files

6. Annual reports issued by the board

Additionally, we conducted interviews with Division of Occupational Licensing staff, including the executive administrator for the State Medical Board.

## ORGANIZATION AND FUNCTION

Alaska Statute 08.64.010 establishes the State Medical Board. The board consists of five licensed physicians *"residing in as many separate geographical areas of the state as possible,"* a licensed physician assistant, and two public members who are to have *"no direct financial interest in the health care industry."*

The board regulates the following groups of professionals engaged in medical practice in Alaska: physicians, osteopaths, podiatrists, paramedics and physician assistants.

Most licensing requirements are established by statute. However, for unique circumstances, the statutes permit the board to waive some requirements and replace them with special conditions, imposed by the board, for issuing special licenses.

These special licenses include those issued by endorsement, and those permitting temporary practice for up to six months, or until the board meets to consider the application, whichever comes first.

The board also issues a temporary *locum tenens* permit which is valid for 120 consecutive days, but not more than 240 days during any two-year period.

| **State Medical Board** *(As of June 30, 2002)* |
|---|
| Irvin A. Rothrock, M.D., Chair |
| Keith M. Brownsberger, M.D. |
| Martha Tillion Cotton, M.D. |
| David M. Head, M.D. |
| Constance E. Livsey, Esq. |
| Sheila Means |
| Allan G. Schlicht, M.D. |
| Thomas H. Wilson, AP-C |

Department of Community and Economic Development, Division of Occupational Licensing

The Department of Community and Economic Development, Division of Occupational Licensing provides administrative and investigative assistance to the State Medical Board. Administrative assistance includes budgetary services and functions such as collecting fees, maintaining files, receiving and issuing application forms, and publishing notices of examinations and meetings.

Alaska Statute 08.01.065 mandates the Department of Community and Economic Development, with the concurrence of the board, adopt regulations to establish the amount and manner of payment of application fees, examination fees, license fees, registration fees, permit fees, investigation fees, and all other fees as appropriate for the occupations covered by the statute.

Alaska Statute 08.01.087 empowers the Division of Occupational Licensing with the authority to act on its own initiative, or in response to a complaint. The division may:

1. Conduct an investigation if it appears a person is engaged in, or is about to engage in, a prohibited professional practice.

2. Bring an action in superior court to enjoin the act.

3. Examine the books and records of an individual.

4. Issue subpoenas for the attendance of witnesses and records.

# REPORT CONCLUSIONS

In our opinion, the termination date for the State Medical Board should be extended. The regulation and licensing of qualified physicians and other health care professionals is essential to protecting the public's health, safety, and welfare. State health care consumers rely on the diligence of the board and staff to promote the provision of quality healthcare.

The board serves this public interest by establishing minimum educational and work experience requirements that individuals must meet to become licensed physicians, osteopaths, podiatrists, paramedics and physician assistants. The board further serves this public interest by investigating complaints against licensed professionals and taking disciplinary licensing action when appropriate. The board has satisfactorily carried out its responsibilities in a manner consistent with statutes, good administrative practice, and the public interest.

AS 08.03.010(c)(12) requires the State Medical Board be terminated on June 30, 2003. Under AS 08.03.020, the board has a one-year period to administratively conclude its affairs. Based upon our review of the State Medical Board's operations and performance over the past three fiscal years, we recommend the legislature extend the board's termination date to June 30, 2011. While such an extension exceeds the maximum period suggested in statute, it is within legislative discretion.[1]

The 1995 legislature, consistent with the recommendation set out in our previous sunset report on the board, extended the State Medical Board's termination date eight years. In our view, this was done because of the manner in which the board had operated, and reflected the confidence the legislature had that the board was acting in the public's interest.

Consistent with the last sunset review, we have not identified any significant deficiencies in the manner in which the board has been operating. Accordingly, we again recommend that the legislature consider extending the termination date for eight years, to June 30, 2011.

---

[1] AS 08.03.020 (c) states:

> *A board scheduled for termination... may be continued or reestablished by the legislature for a period not to exceed four years unless the board is continued or reestablished for a longer period... [emphasis added]*

(Intentionally left blank)

## ANALYSIS OF PUBLIC NEED

The following analyses of board activities relate to the public need factors defined in AS 44.66.050. These analyses are not intended to be comprehensive, but address those areas we were able to cover within the scope of our review.

***Determine the extent to which the board has operated in the public interest.***

The State Medical Board has served the public by examining and licensing qualified applicants and proposing changes in regulations that are necessary to enforce state statutes and enhance the quality of medical care available to Alaskans.

The board proposed and adopted regulations governing courtesy licenses. Courtesy licenses are generally issued to physicians to temporarily practice medicine in Alaska at specialty clinics, or during times of emergency or disaster relief. Physicians operating under a courtesy license are generally barred from charging for their services.

The board also proposed and adopted regulations further defining unprofessional conduct as described at AS 08.64.240(b) and AS 08.64.326. New regulations define and enumerate specific examples of conduct that may be considered unprofessional.

The board has adopted regulations defining the requirements for reporting the outcome of malpractice claims or actions. Physicians are now required to report any malpractice settlements to the board within 30 days of settlement. The report must explain the outcome of each malpractice claim or action in which damages have been or are to be paid, whether the payment amounts were established through judgment or out-of-court settlement. Receipt of such reports may result in further investigation by the board for malpractice.

Standards of practice for record keeping were adopted into regulation by the board. The new standard more specifically sets out what information must be kept in each patient's records.

The board also adopted regulations pertaining to the following:

- Application for license by credentials
  The board amended to include verification by international licensing authorities.

- Review of applications and checklists
  The board adopted new regulations defining the application process.

- Lapsed licenses
  The board added regulations defining the process that physicians, osteopaths, podiatrists, paramedics or physician assistants must follow to reinstate licenses that have been allowed to lapse.

- Qualifications for initial licensure of paramedics
  The board further defined the qualifications for licensure of paramedics, specifically in regard to verification of education and licensure from other jurisdictions.

- Inactive licenses
  The board adopted regulations that define the process allowing licensees who are not practicing within the state of Alaska, to allow their licenses to become inactive, subject to renewal at a later date.

- Verifications for licensure
  Regulations were added to define the date requirements for various documents contained within application files. Certain documentation is now considered to be stale dated after six months and must be resubmitted.

***Determine the extent to which the operation of the board has been impeded or enhanced by existing statutes, procedures, and practices, which it has adopted, and any other matter, including budgetary, resource, and personnel matters.***

AS 08.64.255 formerly required that "*all applicants for licensure shall be interviewed in person by at least one member of the board before a license will be issued.*" The geographic vastness of the state of Alaska required many license applicants to travel in order to meet with a board member. Current statutes state that applicants "may" be interviewed by the board. Regulations define when an interview will be required, as well as what may or may not be discussed during the interview. In addition to relaxing the interview requirements, the board has increased the geographic diversity of its membership, and now holds its meetings at various locations throughout the state, including rural Alaska.

Under state law all professional licensing boards must be self-sufficient. Alaska Statute 08.01.065 requires that *"the total amount of fees collected for an occupation approximately equals the actual regulatory costs for the occupation."* Although the statute calls for fees to be set at the occupational level, the division has only tracked expenditures and revenues at the board level, leaving it to the board to set licensing fees for the various professions it may regulate in order to meet the general, if not specific intent of the statute.

We reviewed the internal records maintained by the Division of Occupational Licensing related to revenues and related expenditures associated with the State Medical Board. We did not audit this information, and present it here for general information purposes. As the schedule on the following page reflects, the State Medical Board has been running a deficit for the 1997-98 and 1999-2000 license renewal periods. To address these ongoing deficits, license renewal fees were increased for the various professions regulated by the board for the most recent license renewal period, although it appears likely that the board will be in a deficit position at the end of FY 02.

State of Alaska
State Medical Board
Schedule of License Revenues and Board Expenditures
FY 98 - FY 01
(Unaudited)

| | FY01 | FY00 | FY99 | FY98 |
|---|---|---|---|---|
| ***Total Revenues:*** | **$1,474,652** | **$209,675** | **$839,941** | **$182,043** |
| ***Board/Occupation Direct Expenditures:*** | | | | |
| Personal Services | $ 351,437 | $ 407,055 | $ 319,628 | $ 237,062 |
| Travel | 28,606 | 27,423 | 21,138 | 24,481 |
| Contractual | 252,506 | 242,748 | 133,512 | 163,096 |
| Supplies | 4,471 | 3,262 | 3,666 | 5,079 |
| Equipment | 1,738 | -0- | 56 | -0- |
| ***Total Board/Occupation Direct Expenditures*** | 638,758 | 680,488 | 478,000 | 429,718 |
| ***Total Administrative Indirect Expenditures*** | 120,766 | 101,432 | 103,976 | 99,870 |
| ***Total Direct and Indirect Expenditures*** | $ 759,524 | $ 781,920 | $ 581,976 | $ 529,588 |
| ***Revenues Compared to Expenditures*** | $ 715,128 | $ (572,245) | $ 257,965 | $ (347,545) |
| ***Cumulative Surplus or (Deficit) for Board Operations*** | $ 281,803 | $ (433,325) | $ 138,920 | $(119,045) |

***Determine the extent to which the board has recommended statutory changes that are generally of benefit to the public interest.***

In 1999, in large part at the request of the State Medical Board, the legislature adopted legislation that made several important revisions to the board's statutes. The chair of the board testified repeatedly before the various committees of reference in support of SB 71 which became Chapter 66, SLA 1999. More specifically, this legislation accomplished the following important revisions to the State Medical Board statutes:

1. Allowed board to sanction licensees for all felony convictions Prior to adoption of the 1999 legislation, the board could only consider sanctioning licensees for felony convictions if the individual involved committed the offense in the course of practicing medicine. Under AS 08.64.326, after due process, the board may now impose a sanction of individuals who have been convicted (including pleas of guilty and *nolo contendre*) of Class A, B, C, or unclassified felonies in either Alaska, or another jurisdiction.

2. Allowed board to delegate to staff extensions of board-issued temporary permits In order to replace local physicians who may take a vacation or be away due to extended medical or other emergencies, the board is sometimes asked to issue temporary permits to practice to visiting physicians or osteopaths. Such permits are valid for a period of 60 consecutive days. Prior to the 1999 legislation, statutes required such permits be both issued, and if necessary extended, by the board. Now the board can, and has, delegated extensions of such permits to its executive administrator.

3. Allowed licensure of physicians who were not citizens Prior to the 1999 amendments, state law required physicians to *"be a citizen of the United States or be lawfully admitted for permanent residence."* This prohibited even temporary licensure of physicians who may be legally in the United States under visas allowing them to practice medicine. Under revised statutes, such physicians can be licensed by the board.

4. Allowed the board to consider all sanctions and restrictions that may have been placed on an individual by another jurisdiction Prior to adoption of the 1999 legislation, the board could consider sanctioning individuals only if they had had a medical license that had been suspended or revoked by another jurisdiction. The 1999 legislation allowed the board to consider other actions another licensing jurisdiction may have taken such as: (1) denial of a license application, (2) surrender of a license pending investigation for an alleged violation, (3) restrictions or conditions placed on an individual's license to practice, or (4) placement of the individual on probation.

5. Requires applicants for licensure as physicians to have two years experience as a resident or intern Prior to the 1999 amendments, an individual applying to be licensed as a physician had to provide evidence that they had satisfactorily completed at least one year as a resident physician or an intern. Most states and provinces have adopted a three-year requirement. Most teaching facilities and programs no longer offer one-year rotating internship programs. Under the previous statutory requirements, an individual who only had one year of residency or internship training could qualify for licensure in Alaska, but in actuality, had not completed a full study rotation. In an effort to be fair to individuals seeking licensure who may have graduated from medical schools at a time when the requirements were less restrictive, the 1999 legislation did phase in the increased requirements, making it effective for all individuals graduating from medical school after 1994.

These changes to the State Medical Board statutes provided improved public protection by promoting greater competency and giving the board more extensive authority to discipline license holders, while at the same time allowing for greater access to the profession for aspiring applicants.

***Determine the extent to which the board has encouraged interested persons to report to it concerning the effect of its regulations and decisions on the effectiveness of services, economy of service, and availability of services that it has provided.***

The location, date, and time of board meetings are published in the appropriate prominent publications within the State. The Department of Law defines adequate public notice as advertising at least three days, excluding weekends and holidays, and ten days when possible, prior to a meeting. We reviewed advertising confirmations for the period under review, and the department's policy on public notice requirements, and found the board to be in full compliance with these public notice requirements.

In addition to the required public notices, the board also maintains a web site on the Internet that contains notices of regular board meetings, actions taken by the board, and proposed regulations. Also posted on their web site are the two most recent issues of the *BoardNews*, the newsletter of the Alaska State Medical Board.

***Determine the extent to which the board has encouraged public participation in the making of its regulations and decisions.***

The board has consistently allotted time at all regular board meetings for public testimony. Many diverse interests have been presented during this public comment period, including testimony solicited by the board regarding various public policy issues. The records do not indicate that any public testimony was inappropriately restricted by the board.

***Determine the efficiency with which public inquiries or complaints regarding the activities of the board filed with it, with the department to which a board is administratively assigned, or with the Office of the Ombudsman have been processed and resolved.***

For the 45 month period from June 1, 1998, through March 31, 2002, the Division of Occupational Licensing opened 413 investigative cases related to individuals licensed by, or seeking licensure, from the State Medical Board. Over half of the cases (210) involved complaints made by patients or individuals from the general public. Most typically these complainants were relatives of patients. Coincidentally, 210 of the complaints involved alleged incompetence or malpractice on the part of physicians and physician assistants.

Of the 292 cases that had been closed as of the date of our review, 86 involved licensure action such as revocation or suspension. It should be noted that 55 of these complaints involved one physician whose licensed was summarily suspended by the State Medical

Board. The physician eventually surrendered his license voluntarily in the course of subsequent due process proceedings.

Another 31 cases were settled through fines or legally binding agreements between the board and the licensed individual. These agreements set out a course of remedial action or conditions on the individual's practice. Of the remaining cases, 112 were closed with a finding of no violation, 4 were closed with warning letters issued by the board, while another 59 cases were closed through referrals to other investigative agencies (such as the federal Drug Enforcement Agency) or for miscellaneous other reasons.

Of the 121 cases not closed as of the date of our review, most (89) had been opened within the previous 120 days. The remaining 32 were still being actively investigated by the Division of Occupational Licensing, and more than 20 of the complaints involved a single licensed physician.

We have reviewed the nature and extent of complaints filed involving physicians, osteopaths, podiatrists, physician assistants, and paramedics. In our view, the Division of Occupational Licensing, in conjunction with the board, proceeded in a manner consistent with the potential threat the complaints posed to the public welfare.

There were no complaints filed with the Office of the Ombudsman for the period under review.

***Determine the extent to which the board regulates entry into an occupation or profession and whether it has presented qualified applicants to serve the public.***

The board and their staff have developed a checklist system to record each licensing or renewal requirement. The checklist is updated each time a required document is submitted to the board or licensing examiner. The board and their staff are very meticulous and thorough in their use of this checklist. The application is considered complete and is forwarded to the board for approval only when all requirements have been properly fulfilled. Evidence indicates the board reviews all documentation on a thorough and consistent basis before approving licensure or renewal.

The records indicate the board base licensing decisions solely on information contained within the applicant files in a fair and consistent manner, in accordance with statute and regulation. The board feels free to contact the applicant for further information or clarification as necessary. All licensing decisions are reported to the applicant in writing.

For fiscal year 2002, the most recent year for which statistics are available, the board issued a total of 272 licenses for physicians, osteopaths, podiatrists, paramedics and physician assistants. The table below summarizes licensure activity by profession for the past three fiscal years

| New Licenses Issued | FY 00 | FY 01 | FY 02 | Total | Current Licenses as of June 30. 2002 |
|---|---|---|---|---|---|
| Physicians | 184 | 151 | 197 | 532 | 1.947 |
| Osteopaths | 13 | 10 | 13 | 36 | 133 |
| Podiatrists | 1 | -0- | 1 | 2 | 17 |
| Paramedics | 33 | 36 | 20 | 89 | 255 |
| Physician Assistants | 20 | 22 | 41 | 83 | 275 |

***Determine the extent to which state personnel practices, including affirmative action requirements, have been complied with by the board to its own activities and the area of activity or interest.***

We found no evidence that the board was not complying with state personnel practices, including affirmative action, in qualifying applicants. Each time the board has denied an applicant a license, the reason has been based on requirements set out in statute and regulation, and not on personal attributes of the applicant. The reasons for denials are stated in writing and the applicant is always informed of their rights, and the process to contest or appeal any denial of licensure.

***Determine the extent to which statutory, regulatory, budgeting or other changes are necessary to enable the board to better serve the interest of the public and to comply with the factors enumerated in AS 44.66.050.***

The board continues to be very active in recommending statutory and regulatory changes in order to better serve the interest of both the public and the profession.

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Tony Knowles, Governor

Alaska Department of Community and Economic Development

Division of Occupational Licensing
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LEGISLATIVE AUDIT

September 24, 2002

Ms. Pat Davidson
Legislative Auditor
Division of Legislative Audit
Juneau, AK 99811

Dear Ms. Davidson,

Thank you for the opportunity to respond to the preliminary audit of the State Medical Board.

The Division of Occupational Licensing agrees with the audit recommendation to extend the board until 2011. The licensing and regulation of physicians and associated professionals is essential for the protection of public health. The board and staff do an excellent job.

In regard to the comments about license fees on page 8 of the preliminary audit, I would like to make two clarifications.

The Department of Community and Economic Development sets license fees, rather than the board. It is true that the division sets fees so that the revenue from all occupations under the State Medical Board equals the combined cost of regulating those occupations. However, the division does track the expenditures and revenue at the occupation level.

The program has a deficit, but it made significant progress toward paying back that deficit in the FY01-02 license period despite unusually high enforcement costs. The division expects most, if not all, of the deficit to be repaid by FY04, which is the end of the upcoming license period. I have attached a chart showing the expenses and revenue of the State Medical Board from FY97 through FY02.

I appreciate your consideration of these comments.

Sincerely,

Catherine Reardon, Director

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DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT
OCCUPATIONAL LICENSING

**BUDGET REPORT FOR THE MEDICAL BOARD**

**As of February 8, 2001**

| **MEDICAL** *(In Thousands)* | | FISCAL YEAR 1997 | FISCAL YEAR 1998 | FISCAL YEAR 1999 | FISCAL YEAR 2000 |
|---|---|---|---|---|---|
| **PERSONAL SERVICES EXPENSES (71000)** | Direct | 232.3 | 237.1 | 319.6 | 407.1 |
| | Indirect | 64.0 | 66.6 | 61.4 | 57.8 |
| **Total:** | | **$296.3** | **$303.7** | **$381.0** | **$464.9** |
| Personal service expenses are employee salaries and benefits. In Fiscal Year 1994 the Division began using detailed time sheets to record actual time spent on the various licensing areas. | | | | | |
| **TRAVEL EXPENSES (72000)** | Direct | 19.9 | 24.5 | 21.1 | 27.4 |
| | Indirect | 1.5 | 0.6 | 0.9 | 0.5 |
| **Total:** | | **$21.4** | **$25.1** | **$22.0** | **$27.9** |
| Travel expenses include transportation, food and lodging for board meetings, complaint investigations, disciplinary hearings and national meetings. | | | | | |
| **CONTRACTUAL SERVICES EXPENSES (7300** | Direct | 121.7 | 163.1 | 133.5 | 242.7 |
| | Indirect | 26.3 | 24.9 | 34.3 | 38.4 |
| **Total:** | | **$148.0** | **$188.0** | **$167.8** | **$281.1** |
| Contractual services are services purchased from sources outside the Division and include telephone calls, postage, expert witnesses and Department of Law legal work, and other costs. | | | | | |
| **SUPPLIES EXPENSES (74000)** | Direct | 4.0 | 5.1 | 3.7 | 3.3 |
| | Indirect | 3.5 | 4.7 | 4.3 | 3.3 |
| **Total:** | | **$7.5** | **$9.8** | **$8.0** | **$6.6** |
| Supply expenses include paper, envelopes, cassette tapes, and other office supplies. | | | | | |
| **EQUIPMENT EXPENSES(75000)** | Direct | 0.1 | 0.0 | 0.1 | 0.0 |
| | Indirect | 12.8 | 3.1 | 3.1 | 1.4 |
| **Total:** | | **$12.9** | **$3.1** | **$3.2** | **$1.4** |
| Equipment expenses include purchase and repair of computers, software, copy machines, telephones and other office equipment. | | | | | |
| **Total Direct:** | | **$378.0** | **$429.8** | **$478.0** | **$680.5** |
| **Total Indirect:** | | **$108.1** | **$99.9** | **$104.0** | **$101.4** |
| **TOTAL EXPENSES:** | | **$486.1** | **$529.7** | **$582.0** | **$781.9** |
| **TOTAL REVENUE:** | | **714.6** | **182.0** | **840.0** | **209.7** |
| **BALANCE (Revenue - Expenses) :** | | **$228.5** | **($347.7)** | **$258.0** | **($572.2)** |

This chart shows the figures in the state accounting system on the day the chart was prepared.
Some bills are not received and entered in the system for several months after the expense occurs.
Direct costs are expenditures which can be specifically attributed to distinct occupations. Indirect costs are collective expenses which are shared equally by all division license holders on a per capita basis.
Fiscal Years for Alaska's state government begin July 1 and end June 30.
Figures are in thousands of dollars and are rounded to the nearest hundred. For example, $1.3 means $1,300.00.

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DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT
OCCUPATIONAL LICENSING

**EXPENDITURE AND REVENUE REPORT FOR THE MEDICAL BOARD**

**As of September 23, 2002**

| MEDICAL<br>*(In Thousands)* | | FISCAL YEAR 2001 | FISCAL YEAR 2002 |
|---|---|---|---|
| **PERSONAL SERVICES EXPENSES (71000)** | Direct | 351.4 | 389.5 |
| | Indirect | 72.0 | 76.8 |
| **Total:** | | **$423.4** | **$466.3** |
| Personal service expenses are employee salaries and benefits. In Fiscal Year 1994 the Division began using detailed time sheets to record actual time spent on the various licensing areas. | | | |
| **TRAVEL EXPENSES (72000)** | Direct | 28.6 | 33.4 |
| | Indirect | 1.0 | 1.1 |
| **Total:** | | **$29.6** | **$34.5** |
| Travel expenses include transportation, food and lodging for board meetings, complaint investigations, disciplinary hearings and national meetings. | | | |
| **CONTRACTUAL SERVICES EXPENSES (7300** | Direct | 252.5 | 301.4 |
| | Indirect | 36.3 | 47.2 |
| **Total:** | | **$288.8** | **$348.6** |
| Contractual services are services purchased from sources outside the Division and include telephone calls, postage, expert witnesses and Department of Law legal work, and other costs. | | | |
| **SUPPLIES EXPENSES (74000)** | Direct | 4.5 | 5.0 |
| | Indirect | 4.0 | 4.2 |
| **Total:** | | **$8.5** | **$9.2** |
| Supply expenses include paper, envelopes, cassette tapes, and other office supplies. | | | |
| **EQUIPMENT EXPENSES(75000)** | Direct | 1.7 | 0.0 |
| | Indirect | 7.6 | 2.1 |
| **Total:** | | **$9.3** | **$2.1** |
| Equipment expenses include purchase and repair of computers, software, copy machines, telephones and other office equipment. | | | |
| **Total Direct:** | | **$638.7** | **$729.3** |
| **Total Indirect:** | | **$120.9** | **$131.4** |
| **TOTAL EXPENSES:** | | **$759.6** | **$860.7** |
| **TOTAL REVENUE:** | | **1,474.7** | **372.6** |
| **BALANCE (Revenue - Expenses) :** | | **$715.1** | **($488.1)** |

This chart shows the figures in the state accounting system on the day the chart was prepared.
Some bills are not received and entered in the system for several months after the expense occu
Direct costs are expenditures which can be specifically attributed to distinct occupations. Indirect costs are collective expenses which are shared equally by all division license holders on a per capita basis.
Fiscal Years for Alaska's state government begin July 1 and end June 30.
Figures are in thousands of dollars and are rounded to the nearest hundred. For example, $1.3 means $1,300.00.

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# ALASKA STATE LEGISLATURE

## LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit

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September 27, 2002

Members of the Legislative Budget
and Audit Committee:

We have reviewed the director of Occupational Licensing's response to our sunset audit review of the State Medical Board. The following comments address an issue the director raised in her response.

Responsibility for Setting Licensing Fees

In her response the director notes, "*the Department of Community and Economic Development sets license fees, rather than the board.*" This is a clarification of our comments (page 8) regarding the State Medical Board's ongoing financial deficit situation.

We acknowledge that the division is the final authority for setting fees for various license renewals, applications, and other activities related to the operations a given licensing board. However, it is our experience that the fee-setting approach is very much an interactive process between the board and the division, with the preferences of the board given extensive consideration in the adoption of various fees.

Pat Davidson

Pat Davidson, CPA
Legislative Auditor

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# ALASKA STATE LEGISLATURE

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Joint Armed Services Committee

*Member:*
Military and Veterans Affairs Committee
Labor and Commerce Committee
State Affairs Committee
Economic Development, Trade, & Tourism Committee


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## REPRESENTATIVE NANCY DAHLSTROM

**ELMENDORF AFB • FORT RICHARDSON • BIRCHWOOD • FIRE LAKE • GOVERNMENT HILL • MULDOON**
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Sponsor Statement for HB 73
An Act extending the termination date of the State Medical Board

AS 08.64.010 established the State Medical Board and provided for the appointment of members by the governor. The board consists of five licensed physicians, one licensed physician assistant, and two persons with no direct financial interests in the healthcare industry. HB 73, if enacted would extend the board operation for another 4 years to June 30, 2007.

The board serves the public interest by establishing the minimum education and work experience requirements that individuals must meet to become licensed physicians, osteopaths, podiatrists, paramedics, and physician assistants. The board further serves the public interest by investigating complaints against licensed professionals and taking disciplinary licensing action when appropriate.

The board has consistently proven to be efficient, therefore I recommend that the State Medical Board be extended to June 30, 2007, and urge you to vote for its passage.