

**ARKANSAS BUDGET SYSTEM
AGENCY PROGRAM COMMENTARY
1997 - 1999**

The Arkansas State Medical Board wishes to inform you of the changes necessitating this budget increase.

The duties and responsibility base of the Arkansas State Medical Board has increased three fold over the past five years. Partly from the normal increase of any Board or Commission but in majority due to the critical conditions in the health care field and the continued rise in cost of regulating that health care. With the onset of managed care, licensure, credentialing and regulating health care workers requires a much more comprehensive investigation and examination process both before and after initial licensure. This change effects not only the Medical Board but all organizations who credential health care workers.

It was for this reason, that in 1995 the Arkansas State Medical Board agreed to assist the physicians, hospitals, and managed care organizations by assuming the responsibility of providing to them credentialing information via telephone modem. This service was charged by Act 1066 of 1995 and is now known as the Centralized Credentials Verification Service (CCVS). Arkansas is forging new territory, we are the first Medical Board in the nation to assume this endeavor and are being observed with envy.

The attached budget and priorities reflect the growth of the Medical Board and the establishment of the CCVS requiring additional office space, additional equipment and new employees. The establishment of this program has broadened and will continue to develop for several years to come.

In establishing a credentials and verification service, there are standards by which our users, (hospitals and HMOs) must adhere, to maintain accreditation by their regulatory agencies. Hospitals are regulated by Joint Commission and managed care organizations, National Committee of Quality Assurance, (NCQA) both of which audit their facilities on a regular basis. To meet standards of both Joint Commission and NCQA, the Board must retain documentation of direct verification of the following: State licensure, Clinical privilege associated with each hospital, valid DEA certificate, Graduation of Medical School and completion of post graduate training, Board certification, current adequate malpractice insurance, reports from the National Practitioners Data Bank, the Federation of State Medical Board and a review of Medicare and Medicaid sanctions. The majority is separate and apart from the initial licensure data retained by the Board upon licensure.

To meet NCQA standards, the service will be required to reverify much of the data every 120 days for it to be used by any facility at any time. The solicitation, review, retention and reverification of the added data results in the need of additional personnel, equipment and space.

It is anticipated that the CCVS will ultimately maintain and update the credentials of a majority of the physicians practicing within the state. The services has had request from hospitals and large corporately owned clinics to obtain credentials on their physician staff sized from 135 to 200 practitioners. Of the two hundred hospitals in Arkansas, it is anticipated that the majority will participate in the Service.

The purpose of this Service is to reduce the cost of health care services throughout the state as well as reduce the tremendous burden

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that has been placed on physicians, hospitals and their staff. The goal of the program is to retain physicians credentials in one location allowing credentialing organizations to retrieve this information by modem rather than from the physician. The result is the relief of the cumbersome workload from physicians, hospitals and managed care organizations, in effect making the credentialing process more efficient and cost effective.

The State of Arkansas is the first to address these needs in this manner.

PO1 Regular Salary - Matching

The Medical Board and the Centralized Verification Service (CCVS) are requesting nine positions to be approved for 1997-99 biennium. Three of these positions were approved and are currently filled as emergency supplemental positions in 95-96 budget year. Three supervisory positions are being created resulting from the broadened base of the Board responsibility, implementation of the CCVS and changes in the amount of licensure data and renewal cycle. The Board has changed all licensees to birth month renewals, stabilizing the work load throughout the year. Levels of responsibility are necessary to ensure all services of the Board are run efficiently. Three data entry positions are requested to maintain a current status on all data necessary for the CCVS. The Board contracted for these services with an outside agency during the 95-96 year with little success. Errors spotted on the database led to this request. The Board feels close supervision is necessary to ensure accuracy and success of this program.

The Medical Board is currently working with the Legislative Council to audit the staff positions we currently have as well as those we are requesting with this Budget. The Board is attempting to meet the needs of the public in the most efficient way.

PO2 Operating Expenses

The majority of the requested increase is associated with the Centralized Credentials Verification Service (CCVS). This service requires six additional staff members, office space, operating equipment and supplies incurred performing those tasks. Standards set forth by credentialing organizations who use our service will require the Service to reverify data every 120 days and assume all cost associated with those verifications.

Additional increased expenses are being budgeted to supplement the expanded role of the Board and its services. With the increased number of disciplinary hearings being scheduled, the Board must bare the expense of obtaining detailed medical reviews and testimony from expert witnesses outside of the Board members.

PO3 Conferences and Conventions

The majority of this budget increase relates to the Centralized Credentials Verification Service. Due to the rapid growth of managed care organizations, and the changes which are continuously taking place within the standards of which they must adhere, a need exist to keep

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staff working and developing the service abreast of all changes that effect the consumer. Current information and standards are a requirement for the accuracy and success of this service.

The Medical Board has become more active on a national level with the Federation of State Medical Boards and Administrators In Medicine. Both groups have a direct effect on the work of this Board and communicable relationship with other state medical boards who are working to protect the public whom we represent.

National Conferences associated with National Committee of Quality Assurance (NCQA) and Joint Commission are held in the larger metropolitan cities with generous registration fees and convention site hotels. These conferences accommodate a multitude of participants and provide a tremendous amount of information.

Representatives of the Occupational Therapy and Respiratory Care Therapy Boards attend national seminars keeping their committees current on standards and regulations within their professions.

Seminars providing continuing education for our investigators is requested on an annual basis.

PO4 Professional Fees and Services

This increase relates to monies needed to pursue the lawsuit of the Arkansas State Medical Board vs. Scott Bolding, DDS. An outside attorney was retained, because this suit involves another state agency and our attorney had a conflict of interest with the other agency.

PO5 Capital Outlay

This increases stems from the addition of six employees, a security system for the Centralized Credentials Verification Service and monies for the system update. This update is necessary according to the Department of Computer Services who stated the system needs to keep up with current computer technology.

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ARKANSAS STATE MEDICAL BOARD
SUMMARY OF AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 1995

Assets					Liabilities			Total Equity	
Cash and Investments	Fixed	Other	Total	Current	Long-Term	Total			
\$ 1,744,690	\$ 28,166	\$ 25,071	\$ 1,797,927	\$ 61,485	\$ 7,866	\$ 69,351	\$ 1,728,576		

Revenues					Expenditures					Other Sources (Uses)
Inter-governmental	Federal	Licenses and Fees	Other	Total	Salaries and Matching	Grants and Aid	Capital	Other Operating	Total	
\$ 0	\$ 0	\$ 624,210	\$ 88,799	\$ 713,009	\$ 183,384	\$ 0	\$ 0	\$ 315,821	\$ 499,205	\$ 0

Findings	Recommendations
None	None

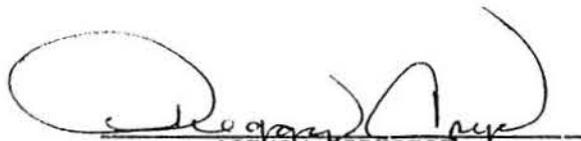
Audited by Ferguson, Cobb & Associates
Certified Public Accountants
SA0827495

() Noted in previous year's audit report.
___ Audit finding has been corrected.

ARKANSAS BUDGET SYSTEM
 EMPLOYMENT SUMMARY
 AS REQUIRED BY ACT 358 OF 1993
 (A.C.A 19-4-307)

AGENCY TITLE 274 - STATE MEDICAL BOARD

	MALE	FEMALE	TOTAL	PERCENTAGE OF TOTAL
WHITE EMPLOYEES	<u>0</u>	<u>10</u>	<u>10</u>	<u>77%</u>
BLACK EMPLOYEES	<u>0</u>	<u>3</u>	<u>3</u>	<u>23%</u>
EMPLOYEES OF OTHER RACIAL MINORITIES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0%</u>
TOTAL EMPLOYED AS OF 08/10/96			<u>3</u>	<u>23%</u>
DATE			TOTAL MINORITIES	
			<u>13</u>	<u>100%</u>
			TOTAL EMPLOYEES	



 AGENCY DIRECTOR

SUMMARY
STATUS OF NEW PROGRAMS/EXPANSIONS AUTHORIZED BY THE 80TH GENERAL ASSEMBLY
 AGENCY: STATE MEDICAL BOARD (274)

PROGRAM AUTHORIZED	# POS. AUTH.	ADDITIONAL AUTHORIZED APPROPRIATION		STATUS
		FY 95-96	FY 96-97	
<u>APPROPRIATION: A23 - State Medical Board</u>				
One Bookkeeping Position	1	\$28,446	\$29,075	One bookkeeping position was authorized to handle an increase in workload due to the increased number of physicians making application for licensure in the state. This position was filled throughout the past year and was budgeted in the current year.
Centralized Credentials Verification Service (CCVC)	4	\$189,700	\$170,017	Four positions were authorized to staff the Centralized Credentials Verification Services as enacted by Act 1066 of 1995. The four positions and operating expenses were expended during FY96 and the maximum authorized for FY97 was budgeted.
Operating Expenses	0	\$0	\$6,368	An increase in operating expense was authorized due to an increase in costs associated with increased number of complaints being processed and investigated by the Board and costs associated with an increase in the number of applicants applying for licensure. The maximum authorized for FY97 was budgeted.

SUMMARY

STATUS OF NEW PROGRAMS/EXPANSIONS AUTHORIZED BY THE 80TH GENERAL ASSEMBLY

AGENCY: STATE MEDICAL BOARD (274)

PROGRAM AUTHORIZED	# POS. AUTH.	ADDITIONAL AUTHORIZED APPROPRIATION		STATUS
		FY 95-96	FY 96-97	
Professional Fees and Services	0	\$10,000	\$17,200	An increase in professional fees and services was authorized to provide for an increase in attorney fees, expenses on hearing level cases, and the cost of computer programming requirements. The additional professional expenses were expended during FY96 and the maximum authorized for FY97 was budgeted.
Capital Outlay	0	\$5,000	\$5,000	Capital Outlay appropriation was authorized for the replacement of outdated equipment and the purchase of additional equipment. The Board expended \$3,488 in FY96 and budgeted \$5,000 in FY97.
Extra-Help	0	\$4,306	\$4,306	An increase in Extra-help was authorized to assist in data entry. The additional extra-help appropriation was expended during FY96 and the maximum authorized for FY97 was budgeted.
Refunds	0	\$2,500	\$2,500	The Board expended \$2,085 in FY96 and budgeted \$2,500 in FY97.

SUMMARY
STATUS OF NEW PROGRAMS/EXPANSIONS AUTHORIZED BY THE 80TH GENERAL ASSEMBLY
 AGENCY: STATE MEDICAL BOARD (274)

PROGRAM AUTHORIZED	# POS. AUTH.	ADDITIONAL AUTHORIZED APPROPRIATION		STATUS
		FY 95-96	FY 96-97	
Educational program for Impaired Physicians with alcohol or drug abuse problems	0	\$150,000	\$150,000	Appropriation was authorized for educational programs, either public or private, for impaired physicians with alcohol or drug abuse problems as enacted by Act 1058 of 1995. The Board expended the authorized amount during FY96 and the maximum authorized for FY97 was budgeted.

**ARKANSAS BUDGET SYSTEM
ANALYSIS OF BUDGET REQUEST
1997 - 1999**

The State Medical Board is funded with fees charged by the Agency. Base Level of \$863,499 for FY98 and \$873,049 for FY99 includes Salaries and Personal Services matching for nine positions and supporting Operating Expenses. Priorities totaling \$561,423 in FY98 and \$568,838 in FY99 have been requested due to the continued rise in the cost of regulating health care and the additional responsibility of providing the Centralized Credentials Verification Service (CCVS) as enacted by Act 1066 of 1995.

The Board is requesting nine positions associated with implementation of the CCVS. The Board requests that three positions, currently authorized as supplemental emergency positions, be recommended in the new biennium along with three data entry positions and three supervisor positions.

Priorities of \$175,700 for each year have been requested in the Operating Expense line item to pay more costs associated with the expanded role of the Board's new CCVS in addition to the increased number of complaints being processed and investigated by the Board and costs associated with an increase in the number of applicants applying for licensure. An increase of \$6,000 each year is requested for the Conference Fees and Travel line item to attend conferences and conventions primarily relating to the CCVS.

An additional \$22,000 is requested each year for the Professional Fees and Services line item for an outside attorney to pursue a lawsuit. The need to retain an outside attorney is due to a conflict of interest with the Board's attorney and with another state agency. Capital Outlay of \$66,000 each year is requested to: update the current data processing equipment; purchase a security system for the CCVS; and purchase office furniture and equipment for an increase of six employees.

The Executive Recommendation provides for the following: 1) seven positions relating to the CCVS; 2) an increase in Operating Expenses of \$100,000 each year; 3) Conference Fees and Travel of \$2,000 each year; 4) an increase in Professional Fees and Services of \$22,000 each year; and 5) Capital Outlay of \$25,000 each year. The Executive Recommendation provides for Base Level, which includes appropriation for a 2.8% Cost of Living Allowance for positions on July 1 of each year of the biennium along with accompanying employee matching requirements.

AGENCY	APPROPRIATION	TREASURY FUND	ANALYSIS OF BUDGET REQUEST	PAGE
Name: State Medical Board Code: 274	Name: Cash Operations Code: A23	Name: Medical Board Cash (274) Code: 318	BR20	203

ARKANSAS BUDGET SYSTEM

CHARACTER TITLE	-----EXPENDITURES-----			-----97-98 FISCAL YEAR-----			-----98-99 FISCAL YEAR-----			-----R E C O M M E N D A T I O N S-----					
	95-96	96-97	96-97	97-98		98-99		98-99		EXECUTIVE		LEGISLATIVE			
	ACTUAL	BUDGETED	AUTHORIZED APPRO	BASE	PRIORITY PROGRAMS	BASE	PRIORITY PROGRAMS	TOTAL REQUEST	BASE	PRIORITY PROGRAMS	TOTAL REQUEST	97-98	98-99	97-98	98-99
REGULAR SALARIES	226,490	268,844	260,474	281,874	220,489	502,363	289,758	226,671	516,429	433,945	446,089				
NUMBER OF POSITIONS	10	10	10	10	9	19	10	9	19	17	17				
EXTRA HELP	6,236	7,000	7,000	7,000	0	7,000	7,000	0	7,000	7,000	7,000				
NUMBER OF POSITIONS	1	1	1	1	0	1	1	0	1	1	1				
PERSONAL SERV MATCHING	62,661	92,851	77,938	86,975	71,234	158,209	88,641	72,467	161,108	138,497	141,007				
SUPPLEMENTAL EMERG SALARIES	20,345	67,211	0	0	0	0	0	0	0	0	0				
OPERATING EXPENSES	449,854	397,946	397,650	397,650	175,700	573,350	397,650	175,700	573,350	497,650	497,650				
CONF FEES & TRAVEL	4,423	3,000	3,000	3,000	6,000	9,000	3,000	6,000	9,000	5,000	5,000				
PROF FEES & SERVICES	148,782	78,500	78,500	78,500	22,000	100,500	78,500	22,000	100,500	100,500	100,500				
CAPITAL OUTLAY	23,488	22,600	12,000	0	66,000	66,000	0	66,000	66,000	25,000	25,000				
REFUNDS/REIMBURSEMENTS	8,085	9,700	8,500	8,500	0	8,500	8,500	0	8,500	8,500	8,500				
TOTAL	950,364	947,652	845,062	863,499	561,423	1,424,922	873,049	568,838	1,441,887	1,216,092	1,230,746				
PROPOSED FUNDING SOURCES			*****												
FUND BALANCES	1,468,924	1,854,004	*****	1,317,929	561,423	1,879,352	858,592	568,838	1,427,430	1,879,352	1,636,260				
GENERAL REVENUES			*****												
SPECIAL REVENUES			*****												
FEDERAL FUNDS			*****												
STATE CENTRAL SERVICES FUND			*****												
NON-REVENUE RECEIPTS			*****												
CASH FUNDS	1,335,444	973,000	*****	973,000		973,000	973,000		973,000	973,000	973,000				
OTHER			*****												
TOTAL FUNDING	2,804,368	2,827,004	*****	2,290,929	561,423	2,852,352	1,831,592	568,838	2,400,430	2,852,352	2,609,260				
EXCESS APPRO/ (FUNDING)	(1,854,004)	(1,879,352)	*****	(1,427,430)		(1,427,430)	(958,543)		(958,543)	(1,636,260)	(1,378,514)				
TOTAL	950,364	947,652	*****	863,499	561,423	1,424,922	873,049	568,838	1,441,887	1,216,092	1,230,746				

DEPT 008 BOARDS AND COMMISSIONS - MEDICALLY RELATED
 AGENCY 274 STATE MEDICAL BOARD
 APPRO A23 CASH OPERATIONS
 FUND 318 MEDICAL BOARD CASH(274)

Actual and/or Budgeted line items may be greater than the authorized appropriation amounts due to the transfer authority from the DFA Cash Holding Account. The FY97 Budgeted amounts in Regular Salaries and/or Personal Services Matching may exceed the Authorized amounts due to the implementation of the pay plan during the 1995-97 biennium.

APPROPRIATION SUMMARY

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ARKANSAS BUDGET SYSTEM
PROGRAM/SERVICE INFORMATION LIST
RANK BY APPROPRIATION

01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19
RANK	PROGRAM DESCRIPTION	FUND	ACCOUNTING INFORMATION	D E S	EXPENDITURES		1997 - 99 BIENNIUM REQUESTS				RECOMMENDATIONS							
					ACTUAL	BUDGETED	FY 1997 - 98		FY 1998 - 99		EXECUTIVE		LEGISLATIVE					
					95-96	96-97	REQUEST	REQUEST	1997-98	1998-99	1997-98	1998-99						
000		318	274 A23	B	950,364 10	947,652 10	863,499 10		873,049 10			863,496 10	873,049 10					
001		318	274 A23	P01		0	291,723 9		299,138 9			203,596 7	208,697 7					
<p>The Medical Board and the Centralized Verification Service (CCVS) are requesting nine positions to be approved for 1997-99 biennium. Three of these positions were approved and are currently filled as emergency supplemental positions in 95-96 budget year. Three supervisory positions are being created resulting from the broadened base of the Board responsibility, implementation of the CCVS and changes in the amount of licensure data and renewal cycle. The Board has changed all licensees to birth month renewals, stabilizing the work load throughout the year. Levels of responsibility are necessary to ensure all services of the Board are run efficiently. Three data entry positions are requested to maintain a current status on all data necessary for the CCVS. The Board contracted for these services with an outside agency during the 95-96 year with little success. Errors spotted on the database led to this request. The Board feels close supervision is necessary to ensure accuracy and success of this program.</p> <p>The Medical Board is currently working with the Legislative Council to audit the staff positions we currently occupy as well as those we are requesting with this Budget. The Board is attempting to meet the needs of the public in the most efficient way. The Arkansas State Medical Board is a cash agency, operating solely from fees collected. The Board has sufficient monies to fund these positions.</p>																		
002		318	274 A23	P02		0	175,700 0		175,700 0			100,000	100,000					
<p>The majority of the requested increase is associated with the Centralized Credentials Verification Service (CCVS). This service requires six additional staff members, office space, operating equipment and supplies incurred performing those tasks. Standards set forth by credentialing organizations who use our service will require the Service to reverify data every 120 days and assume all cost associated with those verifications.</p> <p>Additional increased expenses are being budgeted for the expanded role of the Board and its services. With the increased number of disciplinary hearings being scheduled, the Board must bare the expense of obtaining detailed medical reviews and testimony from expert witnesses outside of the Board members.</p>																		

DEPT 008 BOARDS AND COMMISSIONS - MEDICALLY RELATED
AGY 274 STATE MEDICAL BOARD
APPRO A23 CASH OPERATIONS
FUND 318 MEDICAL BOARD CASH(274)

RANK BY APPROPRIATION

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ARKANSAS BUDGET SYSTEM
PROGRAM/SERVICE INFORMATION LIST
RANK BY APPROPRIATION

11	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19
LNK	PROGRAM DESCRIPTION	FUND	ACCOUNTING INFORMATION	D E S	EXPENDITURES		1997 - 99 BIENNIAL REQUESTS						RECOMMENDATIONS					
					ACTUAL	BUDGETED	FY 1997 - 98		FY 1998 - 99				EXECUTIVE		LEGISLATIVE			
					95-96	96-97	REQUEST	REQUEST	REQUEST	REQUEST	REQUEST	REQUEST	1997-98	1998-99	1997-98	1998-99		
03		318	274 A23	P05		0	66,000					66,000			25,000	25,000		
<p>This increase stems from the addition of six employees, a security system for the Centralized Credentials Verification Service and monies for the system update. This update is necessary according to the Department of Computer Services who stated the system needs to keep up with current computer technology.</p>																		
04		318	274 A23	P04		0	22,000					22,000			22,000	22,000		
<p>This increase relates to monies needed to pursue the lawsuit of the Arkansas State Medical Board vs. Scott Bolding, DDS. An outside attorney was retained, because this suit involves another state agency who uses the same attorney as the Medical Board.</p>																		
05		318	274 A23	P03		0	6,000					6,000			2,000	2,000		
<p>The majority of this budget increase relates to the Centralized Credentials Verification Service. Due to the rapid growth of managed care organizations, and the changes which are continuously taking place within the standards of which they must adhere, a need exist to keep our staff working and developing this service to remain abreast of all changes that effect our consumers. Current information and standards are a requirement for the accuracy and success of this service. National Conferences associated with National Committee of Quality Assurance (NCQA) and Joint Commission are held in the larger metropolitan cities with generous registration fees and convention site hotels. These conferences accommodate a multitude of participants and provide a tremendous amount of information.</p> <p>The Medical Board has become more active on a national level with the Federation of State Medical Boards and Administrators In Medicine. Both groups have a direct effect on the work of this Board and communicable relationship with other state medical boards who are working to protect the public whom we all represent. Representatives of the Occupational Therapy and Respiratory Care Therapy Boards attend national seminars keeping their committees current on standards and regulations within their professions. Seminars providing continuing education for our investigators is requested on an annual basis.</p>																		

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