



North Carolina State Board of Examiners For Nursing Home Administrators

3733 National Drive, Suite 110
Raleigh NC 27612
919-571-4164 Fax: 919-571-4166
www.ncbenha.org email: ncbenha@mindspring.com

January 2, 2015

VIA EMAIL AND HAND-DELIVERY

Mr. John Turcotte, Director
Program Evaluation Division
300 North Salisbury Street, Suite 100
Raleigh, NC 27603

Re: Response by the North Carolina Board of Examiners for Nursing Home Administrators to PED Report on Occupational Licensing Agencies

Dear Mr. Turcotte:

Thank you for the opportunity to review and respond to the recent report by the Program Evaluation Division ("PED") on Occupational Licensing Agencies ("OLA"). On behalf of the North Carolina Board of Examiners for Nursing Home Administrators ("NCBENHA"), we appreciate your staff's dedicated work to review a complex and important regulatory body that protects the health, safety and welfare of North Carolinians across the state.

In this letter, we respond solely to PED's recommendation that the proposed Occupational Licensing Commission ("OLC") develop a plan to consolidate NCBENHA with another regulatory entity. For the reasons set forth below, we respectfully request PED to reconsider this recommendation.

I. Background

As an initial matter, a nursing home administrator is an individual who is charged with the general administration of a nursing home. 42 U.S.C. § 1396g(e)(2). In the late 1960's, an amendment to the federal Social Security Act required North Carolina to establish a state

program for the licensing of nursing home administrators, to be carried out by a State board or agency. 42 U.S.C. §§ 1396a(a)(29) and 1396g. As such, the North Carolina General Assembly enacted the “Nursing Home Administrators Act” in 1969, thereby charging NCBENHA with a myriad of duties to regulate the profession. N.C. Gen. Stat. § 90-285.

Like other OLAs, NCBENHA handles complaints and disciplinary matters involving licensees; however, such tasks make up only a small part of the work done to protect the public. NCBENHA works hard to preempt violations of the Nursing Home Administrators Act through its development of a robust continuing education program for administrators and its oversight of an Administrators-in-Training (“AITs”) program, which ensures that administrators have the proper training and experience prior to licensure. As administrators must have specialized knowledge on a wide variety of topics—such as personnel and business management, nursing, Medicare/Medicaid billing, housekeeping, and medical records—a well-maintained AIT program is crucial to giving administrators the tools needed to be successful in protecting vulnerable lives.

Moreover, NCBENHA makes a great effort to increase the public’s access to the profession by helping non-licensees find Board-certified preceptors with whom to train in the AIT program and by working with educators and students to increase awareness of nursing home administration as a profession. For instance, the Executive Director is a member of the Advisory Boards of both Appalachian State University Health Care Management Program and East Carolina University School of Public Health. In that role, she presents annually to their students about careers in long term care and offers assistance in finding a certified preceptor. Being an autonomous board and serving a smaller number of licensees, NCBENHA has the opportunity to know each licensee personally and to offer excellent customer service on issuing ranging from licensure renewal to helping find employment opportunities. Indeed, because of these relationships, staff are able to advise their licensees regarding availability of open positions in our state to further enhance the quality of long term care for North Carolinians.

II. NCBENHA’s Annual Revenue and Financial Solvency

We understand that PED recommended consolidation of NCBENHA, based on its assessment of NCBENHA’s annual revenue and financial solvency. With regard to this assessment, we wish to bring the following to your attention.

First, NCBENHA has received consistently positive assessments from its independent auditor regarding its financial solvency over the years. We encourage PED to contact Bernard Robinson & Company, LLP for any information necessary to alleviate concerns regarding NCBENHA’s financial well-being.

Second, in 2010, the State Auditor’s Office conducted a performance audit of NCBENHA, during which state auditors extensively reviewed NCBENHA operations over a period of weeks. Ultimately, the audit was terminated in part because state auditors did not identify any significant risks or compliance issues. A copy of that audit termination letter is enclosed as Exhibit A. If NCBENHA’s financial solvency were a concern, we are confident that such risks would have been identified during this performance audit.

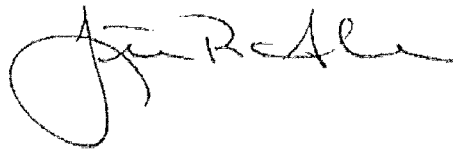
Third, PED relied upon NCBENHA's financial information from FY 2013-2014 in forming its recommendations. However, on July 1, 2014, NCBENHA increased its licensure fees for the first time since 2004 and, as result, projects an increase in annual revenue of over \$52,000.00. Enclosed as Exhibit B is a copy of the letter sent to the Joint Legislative Commission on Governmental Operations that projects the significant impact of the fee increase on NCBENHA's annual revenue.

We trust PED will find this information helpful to demonstrate NCBENHA's adequate financial solvency to protect the health, safety and welfare of the public. NCBENHA prides itself on its ability to maintain a lean and efficient operational budget, without having to sacrifice the quality of its good work to protect the public.

III. Conclusion

At a time when the aging population is increasing exponentially, we do not—and should not—take our responsibilities lightly, given the need for high quality nursing home administrators. NCBENHA takes this role very seriously and strives to help licensed administrators achieve their maximum potential while simultaneously protecting the health, safety and welfare of North Carolina citizens. As such, we respectfully ask that PED reconsider its recommendation that NCBENHA be consolidated with another regulatory entity.

Sincerely,

A handwritten signature in black ink, appearing to read "Jonathan R. Thomas". The signature is fluid and cursive, with a large initial "J" and "R".

Jonathan R. Thomas
Chairman

EXHIBIT A

Jane Baker

From: Bill Styres [Bill_Styres@ncauditor.net]
Sent: Wednesday, January 26, 2011 8:31 AM
To: ncbenha@mindspring.com
Cc: Kenneth C. Barnette; Carla Jacobs
Subject: Audit Terminated

Ms. Baker,

As we discussed in October, our audit of the NC Board of Examiners of Nursing Home Administrators was terminated.

There are two primary reasons why this audit was terminated. Mr. John Price, the auditor assigned to this effort, is no longer employed by the Office of the State Auditor. Furthermore, audit steps performed by Mr. Price did not identify any significant risks or compliance issues. For these two reasons, we determined that additional audit effort was not cost effective.

If you or any of the board members have any questions regarding the termination of this audit, please feel free to call me at 807-7580.

William S. Styres, CPM
Audit Supervisor

Office of the State Auditor
2 South Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Phone: (919) 807-7580

North Carolina Office of the State Auditor <http://www.ncauditor.net> | Report Fraud! 800-730-TIPS (8477)

WARNING: E-mail correspondence to and from The Office of The State Auditor may be subject to the North Carolina Public Records Law and may be disclosed to third parties.

EXHIBIT B

North Carolina State Board of Examiners For Nursing Home Administrators

**3733 National Drive, Suite 110
Raleigh NC 27612
919-571-4164 Fax: 919-571-4166
www.ncbenha.org email: ncbenha@mindspring.com**

March 17, 2014

Joint Legislative Commission on Governmental Operations
Legislative Building
16 West Jones Street
Raleigh NC 27601

RE: Fee Increases

Dear Committee Members:

The NC State Board of Examiners for Nursing Home Administrators is requesting a consultation with the Commission regarding proposed revised rules that include fee increases. The fee increases do not impact local or state government, and fees have not been increased since 2004. The Board is self-sustaining; therefore, fee increases are necessary to ensure that the Board maintains its fiscal integrity. The Board's office systems need to be updated in order to function efficiently, and the projected fee increases would help the Board avoid a shortfall in the next fiscal year. The Board had a deficit of \$21,962 in the FY 2012-13 due to an increase in operating expenses and projecting a deficit greater than that amount in the current fiscal year.

Increase in Initial License fee from \$425 to \$500 in accordance with GS 90-280 (b). The Board licenses approximately 60 to 65 new applicants per fiscal year which would increase revenue from \$4500 to \$4875 for that fee.

Increase in Administrator In Training Processing Fee from \$150 to \$250 in accordance with GS 90-280 (a). The Board had 49 applicants last year which would increase revenue to \$4900 for that fee.

Increase in State Examination fee from \$75 to \$150 in accordance with GS 90-280 (a). The Board had 94 applicants for the state exam last FY which would increase revenue to \$7050 for that fee.

Increase in Reciprocity/Endorsement fee from \$200 to \$250 in accordance with GS 90-280 (a). The Board had 28 applicants for the last FY which would increase revenue by \$1400 for that fee.

Increase in Temporary License Fee from \$200 to \$300 in accordance with GS 90-280 (f). The Board had 26 applicants in the last FY which would increase revenue by \$2600 for that fee.

Increase in Renewal Fee from \$425 to \$500 in accordance with GS 90-280 (b). The Board renews on a biennial renewal which splits the administrators into odd and even year renewals. In the last FY the Board renewed 347 which would increase revenues by \$26,025 for my odd year renewal and then in this FY the Board renewed 415 which would increase revenues by \$31,125 for a total of \$57,150 for the biennium.

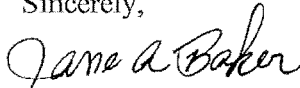
Increase in Inactive Fee from \$50 to \$100 in accordance with GS 90-280 (d). The Board had 106 inactive licensees in the last FY which would increase revenue by \$5300 in that fee.

Increase in Continuing Education Approval fees from \$75 up to \$100 for courses up to six hours and then an additional \$10 per hour for courses more than six hours in accordance with GS 90-280 (g). The Board reviewed approximately 74 courses in the last FY which would increase revenue by \$1850 for that fee.

Increase in Continuing Education providers may be certified for an annual fee up to \$4000. The increase in provider fee would be based on the number of courses provided in the prior year. At this time the Board has two approved continuing education providers offer approximately 25 courses each and the continuing education providers are currently at \$2000 annually. This fee would not increase to \$4000; it would be based on the courses they have offered in the prior year just as before. Judging the increase in revenue would be difficult.

Since the Board is self-sustaining and the number of applicants differs from year to year, the Board bases the budget on actual numbers from the prior year. The national board has evidence there is a reduction in applicants for nursing home administrators in many states at this time. Yet, our responsibility for public protection and investigation of complaints has continued undiminished. Therefore, the fee increases are necessary to maintain the Board's fiscal integrity.

Sincerely,



Jane A. Baker
Executive Director
JAB/mnb
14/21



North Carolina State Board of Examiners For Nursing Home Administrators

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January 15, 2015

HAND DELIVERED

Sen. Fletcher L. Hartsell, Jr.
Co-Chair, Jt. Leg. PED Oversight Committee
300 N. Salisbury Street, Room 300-C
Raleigh NC 27603

Rep. Julia C. Howard
Co-Chair, Jt. Leg. PED Oversight Committee
300 N. Salisbury Street, Room 302
Raleigh NC 27603

Mr. John W. Turcotte, Director
Program Evaluation Division
300 N. Salisbury Street, Suite 100
Raleigh NC 27603

RE: Additional information to Response Dated January 2, 2015 for NC State Board of Examiners for Nursing Home Administrators

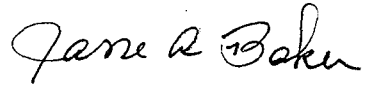
Dear Senator Hartsell, Representative Howard and Mr. Turcotte:

Thank you and your staff for reviewing the response from NC State Board of Examiners for Nursing Home Administrators (NCBENHA) submitted for the PED Report on Occupational Licensing Agencies on January 2, 2015.

In our initial response, we encouraged PED to contact Bernard Robinson & Company, LLP for any information to alleviate concerns regarding NCBENHA's financial well-being as stated in the report. After reviewing the PED report, Bernard Robinson & Company wrote a letter to address this concern regarding our financial well-being. For your convenience, I have also attached a copy of this letter for your review and hope it will be included with our initial response.

We trust PED will find this information helpful and again we respectfully request that PED reconsider its recommendation that NC BENHA be consolidated with another regulatory entity.

Sincerely,



Jane A. Baker
Executive Director

Enclosures (2)

Cc: Program Evaluation Oversight Committee Members
NC BENHA Board Members



Greensboro, NC | Raleigh, NC | Winston-Salem, NC

Certified Public Accountants and Advisors Since 1947

January 9, 2015

Ms. Jane Baker, Executive Director
North Carolina Board of Examiners for Nursing Home Administrators
3733 National Drive, Suite 110
Raleigh, North Carolina 27612

Per your request we have read the PED Study of Occupational Licensing Agencies report and have outlined our analysis of the study's financial analysis of the North Carolina Board of Examiners for Nursing Home Administrators (Board). The report generated from the PED Study of Occupational Licensing Agencies (OLA) indicates the Board should be consolidated with another regulatory entity to ensure the necessary resources are available to effectively regulate its licensees. The factors used to make the determination were based on scores related to: 1) annual revenue; 2) financial solvency.

Annual gross revenues of the OLAs were identified in the study as an indication of an OLA's ability to effectively provide oversight of its licensees. The annual revenue criteria used in the study was as follows:

- annual gross revenues of less than \$100,000 the OLA received a score of "0"
- annual gross revenues of \$100,000-\$500,000 the OLA received a score of "5"
- annual gross revenues of more than \$500,000 the OLA received a score of "10"

Using these criteria, the Board received a score of "5".

Financial solvency was scored using the ratio of net position to annual expenses with scoring as follows:

- a ratio of .5 or less received a score of "0"
- a ratio of greater than .5 but less than 1.5 received a score of "5"
- a ratio of greater than 1.5 received a score of "10"

Using these criteria, the Board received a score of "0".

The above benchmarks do not account for the relationship between annual revenues and annual expenses. In addition, the thresholds appear to be arbitrary and not used as a standard by any other oversight agency of governmental entities. The Local Government Commission recommends a minimum of 8% for the financial solvency ratio versus the 50%-150% used in the study. The State Auditor has recommended OLAs measure solvency by maintaining 3-6 months of operating expenses in unrestricted net assets. It appears there is a need to identify standard benchmarks for the OLAs to allow for objective analysis.

The North Carolina Department of the Treasurer makes available a guide for financial condition analysis in which it purports financial measures for both Governmental Activities & Enterprise Funds using the economic resources and accrual basis of accounting and General Funds using the financial resources and modified accrual basis of accounting. The OLAs are nonmajor enterprise funds of the State of North Carolina as determined by the Office of State Controller; therefore we postulate that it is both logical and reasonable to use the financial measures for Governmental Activities & Enterprise Funds.

It is critical to note the Board approved a 15% increase in fees effective July 2014. The increased fees will have a significant impact to the operations for the fiscal year ending June 30, 2015. It is important to comment that the Board had no previous fee increases for ten years.

Analyzing the financial condition of an OLA contains a degree of subjectivity and therefore it is important to carefully choose and evaluate the indicators used in such analysis. The information in the table below reports the calculated Governmental Activities & Enterprise Funds resource flow benchmarks for both the latest audited financial information of the Board and the projected fiscal year operations for 2015 and indicates the Board would meet the resource flow measurement benchmarks as outlined for Governmental Activities & Enterprise Funds in fiscal year 2015.

Governmental Activities & Enterprise Funds

Resource Flow Measures (Operating Statements)	Actual YE 6/30/2014	*Projection YE 6/30/2015	Benchmark
Total Margin Ratio -a measure of spending within financial means	0.93	1.02	1
Percentage Change in Net Assets - a measure of an entity's improvement or decline	-0.19	0.07	Positive number
Self-Sufficiency - a measure of charges for services versus the costs of the services	0.93	1.02	1 - Enterprise fund fees should cover 100% of annual operations

* The Board approved fee increases effective July 2014.

*The lesser of the fee increase applied to the prior year audited income balances or the budgeted increase was used to obtain a conservative projection.

* A 6% increase in expenses was used per the budget, instead of the 4% average increase in expenses over the past 3 years, to obtain a conservative projection.

*The financing measure was not computed since the Board has no debt.

Please feel free to contact me with any questions or concerns regarding this letter.

Sincerely,



Sandy Newell
Bernard Robinson & Company, L.L.P.