

December 18, 2023

Melinda Grant, Undersecretary
California Business, Consumer Services and Housing Agency
500 Capitol Mall, Suite 1850
Sacramento, CA 95814

Dear Undersecretary Melinda Grant,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the Medical Board of California submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2023.

Should you have any questions please contact Marina O'Connor, Deputy Director, at (916) 263-2220, marina.oconnor@mbc.ca.gov.

GOVERNANCE

Mission and Strategic Plan

The mission of the Medical Board of California is to protect health care consumers and prevent harm through the proper licensing and regulation of physicians and surgeons and certain allied health care professionals and through the vigorous, objective enforcement of the Medical Practice Act, and to promote access to quality medical care through the Board's licensing, policy, and regulatory functions.

Strategic Goals

Goal 1 – Licensing Protect consumers by setting appropriate requirements for licensure, including education, experience, and demonstrated competence, and efficiently issuing licenses to individuals meeting those requirements.

Goal 2 – Enforcement Protect the health and safety of consumers by effectively investigating complaints, by enforcing the laws and regulations of the Medical Practice Act when violations occur, and by educating licensees and consumers on the laws and regulations governing safe practices in California.

Goal 3 – Legislation and Regulation Advocate for and sponsor legislation and adopt regulations, policies, and procedures that strengthen and support the Board's mandate, mission, vision, and goals.

Goal 4 – Outreach Promote consumer protection through increasing public, licensee, and community partner awareness of the Board, its mission, activities, and services.

Goal 5 – Board Administration Protect the consumers of California by promoting organizational success through proper Board governance, effective leadership, and responsible management.

Control Environment

The Board is overseen by the Department of Consumer Affairs (DCA) and the Business, Consumer Services, and Housing (BCSH) Agency along with other state administrative control agencies. The Board has 15 Board members who serve on committees, task forces, and disciplinary panels to assist with the licensing and enforcement work of the Board. Board staff work under the direction of the Board Appointed Executive Director to accomplish the Board's mission of consumer protection.

Board executive management has established core values documented in the Workplace Guidelines and Employee Expectations (August 2016) that advise management in the promotion of a safe and supportive working environment, where integrity, consumer protection and data guide decision making. The Board is in the process of revising the Workplace Guidelines and Employee Expectations. Managers are trained and encouraged to demonstrate integrity and establish control by; supporting staff in their daily work, listening to staff concerns and requests and following through with solutions, demonstrating professionalism, providing clear direction and objectives, assisting with staff development, and fostering professional growth. Management also considers these values when developing procedures and policies in each unit throughout the Board.

The Board seeks to actively recruit diverse and high performing individuals that display integrity, competence, and commitment to consumer protection when filling vacancies at the Board by developing strong screening criteria and interview questions that allow managers to evaluate these qualities and hire the most qualified individual for each position. Employee performance is a high priority for management and is monitored closely. When training can assist in employee development, it is offered. When employee performance is not meeting expectations, the necessary disciplinary actions are applied. Procedure manuals and cross training of employees are critical components to the Board's efficiency and overall organizational health. The Board meets quarterly each year to create policies, take disciplinary action and report on its progress to licensees and stakeholders.

Information and Communication

The Board values communication from stakeholders, employees, and other boards to enhance its mission of consumer protection, as well as best serve its licensees. Internal communication is fostered in a "top down" manner through executive management meetings, monthly manager meetings, semi-annual all staff meetings, monthly unit staff meetings, one-on-one meetings, as well as regular all-staff e-mail messages. This model ensures that the values and goals are regularly discussed and refined so that staff may all work together to accomplish a common goal. The Board also encourages "bottom up" communication through the implementation of an anonymous "suggestion box" available in the Board office, and management's "open door policy" that gives staff the opportunity to step outside of the chain of command when proposing changes that may improve processes and procedures.

The Board understands the value of external communication with stakeholders to better educate and protect consumers, and provide quality and consistent customer service to its licensees. Outreach efforts in communities statewide, presentations by the executive director

and management, Board meetings, panel meetings, committee meetings, interested parties meetings, and special task forces give consumers and licensees the opportunity to provide insight and feedback to Board members when directing decisions. Additionally, the Board increased accessibility and participation for Californians by hosting public meetings in a hybrid manner and conducting webinars to expand stakeholder outreach.

To improve communications with internal and external stakeholders the Board utilizes information technology tools. The Board's dedication to proactive and strategic communications has created long-term, positive relationships with consumers and licensees.

The Board establishes communication across entity lines with other healing arts boards to collaborate on issues that face both entities for increased consumer protection.

MONITORING

The information included here discusses the entity-wide, continuous process to ensure internal control systems are working as intended. The role of the executive monitoring sponsor includes facilitating and verifying that the Medical Board of California monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Marina O'Connor, Deputy Director; Reji Varghese, Executive Director.

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The Board's licensing and enforcement management teams conduct case reviews with staff to ensure individual caseloads are being appropriately worked and apply a course of correction when necessary. The Board's performance measures are reported at each quarterly Board meeting so the Board Members and stakeholders have an opportunity to review, monitor, and provide feedback. The information included here discusses the entity-wide, continuous process to ensure internal control systems are working as intended. The role of the executive monitoring sponsor includes facilitating and verifying that the Medical Board of California monitoring practices are implemented and functioning.

RISK ASSESSMENT PROCESS

The following personnel were involved in the Medical Board of California risk assessment process: executive management, front line management, and staff.

The following methods were used to identify risks: brainstorming meetings, ongoing monitoring activities, audit/review results, other/prior risk assessments, external stakeholders, and performance metrics.

The following criteria were used to rank risks: likelihood of occurrence, potential impact to mission/goals/objectives, timing of potential event, potential impact of remediation efforts, and tolerance level for the type of risk.

RISKS AND CONTROLS

Risk: Fund Condition and Fees

The Board's fees were raised effective January 1, 2022, pursuant to SB 806, but physician's and surgeon's fees were set almost \$300 below what MBC requested, and what a third-party fee study identified as appropriate levels. Prior to that, the Board's physician's and surgeon's initial licensure and renewal fees were increased effective January 1, 2006, from \$600 to \$790, its first increase since 1994, to support the Vertical Enforcement/Prosecution model. Effective January 1, 2007, the physician's and surgeon's initial licensure and renewal fees were increased by \$15 to \$805 based upon the average amount of cost recovery that the Board had received in the prior three fiscal years that would no longer be received by the Board. Effective July 1, 2009, the physician's initial licensure and renewal fees were decreased by \$22 to \$783, a reduction mandated because of the elimination of the Board's Diversion Program on July 1, 2008.

For the past three fiscal years the Board relied on loans from another state agency under Department of Consumer Affairs to fund its operations. Since then, costs have increased and now the Board must pay back loans with interest.

SB 815 increased physician and surgeon's initial licensure and renewal fees from \$863 to \$1,151 effective January 1, 2024, which is \$138 less than requested. Effective January 1, 2027, the fee amount will increase to \$1,255.

An additional loan with alternative repayment terms may be needed to ensure the Board's solvency while the fee increase takes effect.

Control: Expenditure Reduction

The Board is focused on improving solvency through expenditure reduction. Operating expenses are a portion of the Board's financial structure that will continue to be addressed. Specifically, reducing daily controllable, and general costs at the program level and certain fixed costs such as facilities expense and lease renewals will be points of emphasis.

Control: Revenue Collection Measures

The Board plans to initiate improvements to its cite and fine and cost recovery collection measures. Specifically, employing collection agencies to ensure the Board receives prompt payment if cites or fines have not been paid, utilizing accurate time-tracking measures to recoup investigative costs, and ensuring appropriate authority to complete the recovery process. Additionally, the Board plans to revise rate development processes to improve reimbursement collection for probation monitoring and shared services efforts. These initiatives will allow the Board to create steady cash flows and reduce cite and fine write-offs.

Control: Financial Analysis

The Board will continue to conduct periodic financial analysis to improve financial

position. Through the identification of key performance indicators, trend analysis, and cost driver analysis, the Board will develop a comprehensive view of its financial strengths and weaknesses. This helps executive and managerial staff make informed and strategic decisions. The Board currently conducts this form of analysis but continues to refine its approach to foster financial growth and sustainability.

Risk: Expert Review Program Training

The recruitment and retention of medical experts has historically been a challenge for the Board. The Expert Reviewer Program is a critical component needed to support the investigation and enforcement functions of the Board. Specifically, medical experts provide expert reviews and opinions that must be credible, unbiased and based on admissible evidence. The Board's enforcement program is reliant upon quality Expert Reviewers and the work they perform.

Control: Hourly Rate Increase

To attract and maintain a diverse pool of quality experts, the Board will continue to seek an increase in the hourly pay rate to be aligned with the current market rates.

Control: Mandatory Training

Eliminate optional training attendance and the two-tier rate structure and require all medical experts to complete the expert training program prior to performing case review.

Control: Revise Training

Board staff is working on revising the training format to an online self-paced module platform to provide reviewers with the flexibility to complete training at their own pace and allow the Expert Reviewer Program additional quality control mechanisms throughout the training process.

Risk: License Application Processing Time

Historically, the Board aims to review a new Physician's and Surgeon's or Postgraduate Training License application within 45 days of receipt of both the application and required fees. After the passage of Senate Bill 806, the Board's sunset bill, which changed the training requirement for licensure from 36 months of board-approved training to 12 or 24 months of training, the Board's application volume almost doubled. The Board received some additional positions in July 2022 to implement the new law, but struggled with filling vacancies Board-wide, resulting in a 19% Board vacancy rate. Over the last two years, the license application processing time rose to over 130 days.

While the Board has made progress in reducing the processing time, most applications received are deficient, which prevents the Board from issuing a license when the application is initially reviewed. Many other state medical regulatory agencies are able to issue a physician license in the same amount of time it takes the Board to review an application. In Fiscal Year

2022-2023, the average time to issue a Physician's and Surgeon's license after reviewing a complete application was 92 days and the average time after reviewing an incomplete application was 158 days.

Control: Licensing Business Processes

The Board is conducting a wholistic evaluation of all license application review processes to eliminate unnecessary steps and increase efficiency. The Board is also transitioning to an entirely paperless application process and eliminating its reliance on mailed documents and printed materials.

Control: Legislative Changes

The Board continues to identify legislative changes to licensure requirements that increase efficiency without compromising consumer protection. The Board recently eliminated an outdated training requirement in Senate Bill 815 that will allow the Board to utilize other sources of training verification.

Control: Technology Tools

The Board is pursuing technological changes to its current application processing systems and working with external entities that provide application information to the Board to further streamline processes and improve communications with applicants.

Control: Outreach

The Board's Licensing Program conducts in person and virtual outreach events for current and prospective license applicants. The Licensing Program is also developing additional outreach materials that can be easily distributed to and accessed by applicants and stakeholders. The Board's Public Affairs Division is collaborating with external stakeholders to expand Board communications on the licensing process and to find new channels to keep applicants and postgraduate training programs informed of critical deadlines and requirements.

CONCLUSION

The Medical Board of California strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies as appropriate. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

Reji Varghese, Director

CC: California Legislature [Senate (2), Assembly (1)]
California State Auditor
California State Library
California State Controller
Director of California Department of Finance
Secretary of California Government Operations Agency