LICENSING INDICATOR SYSTEMS[1]

INTRODUCTION

The purpose of a licensing indicator system is to increase the efficiency and effectiveness of an existing licensing system by refocusing the emphasis of the licensing process. A licensing indicator system is intended to complement, and not replace, an existing licensing measurement system.

Through use of the licensing indicator system, less time is spent conducting annual inspections of facilities with a history of high compliance with the licensing rules, and more time is spent a) providing technical assistance to help facilities comply with licensing rules and b) conducting additional inspections of facilities and agencies with low compliance with licensing rules.

The licensing indicator system is actually a shortened version of a comprehensive licensing inspection instrument. A small number of rules are selected based upon a statistical methodology designed for this specific purpose. The licensing indicator system uses a measurement tool, designed to measure compliance with a smaller number of rules, but that predicts high compliance with **all** the rules. If a facility is in complete compliance with all of the rules measured in the licensing indicator system, high compliance with all the rules is statistically predicted. It is critical to understand that the rules for the licensing indicator system are research-based, selected statistically, and not based upon value judgment or arbitrary assignment, risk assessment or frequent rule violations. Moreover, the system has been used for over 30 years, successfully implemented in several states, and applied to different human-care licensing programs – in short, it is time-tested and proven to be more than adequate in consumer protection.

PREREQUISITES FOR IMPLEMENTING A LICENSING INDICATOR SYSTEM

Before developing and implementing a licensing indicator system, it is important that the existing licensing system is comprehensive and well established. The following are prerequisites to implementation of an indicator system:

- Licensing rules must be comprehensive, well written and measurable. Rules are the building blocks for any licensing system.
- There must be a measurement tool designed to standardize the application and interpretation of the rules. A licensing inspection instrument designed to assure statewide consistency in the application of the rules is essential prior to implementing a licensing indicator system.
- At least one year of data on rule violations for individual facilities. These data are needed to enter into the computer software system in order to determine the rules that are the indicators or predictors of high compliance.

HOW TO DEVELOP A LICENSING INDICATOR SYSTEM

The basic steps to developing a licensing indicator system include:

- Selecting a sample or population of regulated settings to determine the indicators. If using a sample, the sample should be appropriately stratified to reflect the general population by considering setting size, geographic area, profit status, and ownership types.
- Tabulating violation data of the sample or population for analysis.
- Establishing the criteria for “compliant” and “non-compliant” settings.
- Determining the strength of association between rules that are violated in non-compliant settings and complied with in compliant settings, and selecting the rules with the strongest associations as key indicators.
- Adding a small number of additional rules that are determined based on a licensing weighting system or known risk to the statistically selected indicators.[2]
- Adding a random selection of rules to the statistically selected and high-risk indicators.

The final licensing indicator system instrument contains the indicator rules, high-risk rules and random rules. The total number of rules on an indicator checklist will vary, but will range from 20-45 items.

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[1] Summarized from Measurement Tools and Systems – Chapter 11 of the NARA LICENSING CURRICULUM, by Richard Fiene and Karen Kroh.

[2] The purpose of this step is to assure face validity of the instrument.

CRITERIA FOR USE OF THE LICENSING INDICATOR SYSTEM

The development of very specific criteria for use of the licensing indicator system is perhaps the most critical step of the design process. This is the step at which the determinations are made as to when the licensing indicator system will be used. The determination of use of the system should be standardized and not based upon licensing inspector discretion. Each licensing agency must develop its own criteria based upon its own historical licensing data and experience. Following are some criteria that have been successfully applied:

- The setting has had a full or regular license with no negative sanctions for the previous two (2) years.
- All previous violations have been corrected according to the setting's plan of correction.
- No significant, validated complaints have been made against the setting within the past year.
- The total number of consumers served has not increased by more than a specified percentage within the past year.
- A full inspection using the comprehensive licensing measurement instrument must be done at least every three (3) years.

REVISION OF THE LICENSING INDICATOR SYSTEM

The licensing indicator system should be continually reevaluated for its effectiveness. The system should be completely revised at least every three years or upon a revision of the rules. In order to achieve the intended purpose of the licensing indicator system of refocusing the emphasis of licensing effort from facilities with high compliance to facilities with low compliance, constant review, evaluation and revision of the licensing indicator system is essential.

BALANCE BETWEEN COMPLIANCE AND PROGRAM QUALITY

An increased emphasis and concern for program quality is a difficult area to address for licensing agencies. The resources to complete program quality reviews and to advocate for quality within government are not commensurate with the expectations. However, there are some strategies that can be employed to assist licensing agencies. The first and foremost will be to save time on doing licensing inspections. The indicator system described here will provide such a tool for saving time. Studies conducted over the past two decades indicate that utilizing an indicator checklist approach saves up to 50% in the on-site inspection time. This frees up time for conducting additional inspections in new or problem facilities, to provide technical assistance, or to complete program quality reviews.

DEFINITIONS

Instrument Based Program Monitoring | A movement within licensing and regulatory administration from qualitative measurement to a very quantitative form of measurement that includes the use of checklists.

Indicator System | A licensing measurement system utilizing a shortened version of a comprehensive checklist measuring compliance with rules through a statistical methodology. Only key predictor rules are included on an indicator checklist. It is a form of inferential inspections where only a portion of the full set of rules is measured.

Inferential Inspections | An abbreviated inspection utilizing a select set of rules to be reviewed. An indicator system, weighting of rules for determining a shortened inspection tool, a random selection of rules, etc. are examples of inferential inspections. Use of inferential inspections was developed as a time saving technique and a way to focus regulatory efforts on facilities that required additional inspections or technical assistance.

Checklist | A simple measurement tool that measures compliance with state rules in a yes/no format. Either the facility is in compliance with rules or not in compliance. Generally, there is no partial compliance with checklists.

REFERENCE

Griffin and Fiene. "A systematic approach to child care regulatory review, policy evaluation and planning to promote health and safety of children in child care: A manual for state and local child care and maternal and child health agency staff." *Zero to Three.* The National Center for Clinical Infant Programs, 1995.