Adverse impact notification sent to Joint Commission on Administrative Rules, House Committee on Appropriations, and Senate Committee on Finance (COV § 2.2-4007.04.C): Yes ☒ Not Needed ☐

If/when this economic impact analysis (EIA) is published in the *Virginia Register of Regulations*, notification will be sent to each member of the General Assembly (COV § 2.2-4007.04.B).

Virginia Department of Planning and Budget
Economic Impact Analysis

12 VAC 5-508 – Regulations Governing the Virginia Physician Loan Repayment Program
Department of Health
Town Hall Action/Stage: 4440/7409
February 12, 2016

Summary of the Proposed Amendments to Regulation

As the result of a periodic review, the State Board of Health (Board) proposes to amend the Regulations Governing the Virginia Physician Loan Repayment Program to 1) update outdated definitions, 2) add clarifying language, 3) rearrange requirements in this regulation to make them easier to find, 4) allow physicians with geriatrics specialties to apply for the program, 5) redefine "full time" as 32 hours (rather than 40 hours), and 6) increase the maximum loan repayment amount for both the first two year contract period and the renewal period(s).

Result of Analysis

Benefits likely outweigh costs for most proposed regulatory changes. There is insufficient information to ascertain whether benefits will likely outweigh costs for the two substantive regulatory changes in this action.

Estimated Economic Impact

Most of the changes proposed by the Board are not substantive. For instance, the Board proposes to add a definition for "geriatrics fellowship" and update language in the definition of "accredited residency" to correct the names of accrediting boards. Changes such as these are unlikely to increase costs for any affected entity but will likely benefit these entities by making this regulation easier to understand and comply with.

In addition to these clarifying changes, the Board proposes one change to conform this regulation to legislation passed in 2013. The regulation currently allows physicians with specialties in family medicine, general internal medicine, general pediatrics, obstetrics/gynecology, osteopathic general practice or psychiatry to apply to this program. Chapter 255 of the 2013 Acts of the Assembly authorized physicians with a geriatrics specialty to also take part. The Board now proposes to add geriatrics to the list of specialties a doctor may have in order to exchange loan repayment for service in medically underserved areas of the Commonwealth. Currently, this program is not funded but if it becomes funded in the future, this change may benefit senior citizens in underserved areas as it may increase the number of physicians with geriatrics specialties practicing near them. If the number of such specialists increases it would likely make it easier for senior citizens to find appropriate care without travelling long distances.

The Board also proposes two substantive discretionary changes in this action. Current regulation requires doctors who are participating in this loan repayment plan to work 40 hours per week for 45 weeks each qualifying year. The Board proposes to reduce this requirement so that these doctors will only have to work 32 hours per week for 45 weeks per year to qualify for loan repayment. Board staff reports that this change reflects industry norms for standard employment contracts. This change will mean that taxpayers, and patients served by these doctors, would get 20% fewer hours of work each year from doctors who are part of this program. There is insufficient information to ascertain whether the benefits of conforming requirements in this regulation to standard physician contracts will outweigh the costs to patients who will be able to access doctors covered by this regulation for 20% fewer hours each year.

Finally, current regulation allows doctors in this program to receive up to $50,000 toward repayment of their student loans, and other qualified student expenses, for their first two years of service and $35,000 per year for a third and fourth year of service (for a total of up to[1] $120,000 of repayment funds). The Board proposes to increase these amounts so that doctors in the program will receive up to $60,000 in repayment funds for their first two year contract and will receive up to $40,000 per year for their third and fourth years of service (for a total of up to $140,000 of repayment funds). In theory, this change will 1) increase the amount of money paid

[1] Subject to fund availability and with the restriction that doctors may not receive more money than their total qualifying expenses add to.

out to qualifying doctors (and induce a greater number of doctors to participate) if total dollars paid out of the program is below the total amount allocated or 2) decrease the number of doctors in the program but allow participating doctors to receive more money if expenditures tend to be at or close to the total dollar cap for the program. Board staff reports, however, that this program has not been funded by the General Assembly since fiscal year 2009. If this program becomes funded again in the future, the amount of taxpayer dollars used for this program may increase, or the number of physicians who take part in the program may decrease, from the levels they would be under current regulatory restrictions. There is insufficient information to ascertain which effect would dominate and whether the benefits of this change will outweigh its costs.

Businesses and Entities Affected

Virginia Department of Health staff reports that there are 241 designated health professional shortage areas in the Commonwealth. Staff further reports that no physicians are currently having loans repaid via this program because the program has not been funded since 2009.

Localities Particularly Affected

No locality will be particularly affected by this regulatory change.

Projected Impact on Employment

These regulatory changes are unlikely to have any effect on employment in the Commonwealth.

Effects on the Use and Value of Private Property

These proposed regulatory changes are unlikely to affect the use or value of private property in the Commonwealth.

Real Estate Development Costs

These proposed regulatory changes are unlikely to affect real estate development costs in the Commonwealth.

Small Businesses:

Definition

Pursuant to § 2.2-4007.04 of the Code of Virginia, small business is defined as "a business entity, including its affiliates, that (i) is independently owned and operated and

(ii) employs fewer than 500 full-time employees or has gross annual sales of less than $6 million."

Costs and Other Effects

Small businesses are unlikely to incur any costs on account of these proposed regulatory changes.

Alternative Method that Minimizes Adverse Impact

Small businesses are unlikely to incur any costs on account of these proposed regulatory changes.

Adverse Impacts:

Businesses:

Businesses are unlikely to incur any costs on account of these proposed regulatory changes.

Localities:

Localities in the Commonwealth are unlikely to see any adverse impacts on account of this proposed regulatory change.

Other Entities:

Reducing the number of hours that doctors in this program must work each week will likely reduce the medical care received by targeted populations by about 20%. Increasing the allowable payout amounts for this program may increase the total amount of taxpayer dollars spent or reduce the number of doctors participating in the program. These effects will not occur until and unless the program is funded again.

Legal Mandates

General: The Department of Planning and Budget has analyzed the economic impact of this proposed regulation in accordance with § 2.2-4007.04 of the Code of Virginia (Code) and Executive Order Number 17 (2014). Code § 2.2-4007.04 requires that such economic impact analyses determine the public benefits and costs of the proposed amendments. Further the report should include but not be limited to: (1) the projected number of businesses or other entities to whom the proposed regulatory action would apply, (2) the identity of any localities and types of businesses or other entities particularly affected, (3) the projected number of persons and employment positions to be affected, (4) the projected costs to affected businesses or entities to implement or comply with the regulation, and (5)the impact on the use and value of private property.

Adverse impacts: Pursuant to Code § 2.2-4007.04(C): In the event this economic impact analysis reveals that the proposed regulation would have an adverse economic impact on businesses or would impose a significant adverse economic impact on a locality, business, or entity particularly affected, the Department of Planning and

Budget shall advise the Joint Commission on Administrative Rules, the House Committee on Appropriations, and the Senate Committee on Finance within the 45-day period.

If the proposed regulatory action may have an adverse effect on small businesses, Code § 2.2-4007.04 requires that such economic impact analyses include: (1) an identification and estimate of the number of small businesses subject to the proposed regulation, (2) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the proposed regulation, including the type of professional skills necessary for preparing required reports and other documents, (3) a statement of the probable effect of the proposed regulation on affected small businesses, and (4) a description of any less intrusive or less costly alternative methods of achieving the purpose of the proposed regulation. Additionally, pursuant to Code § 2.2-4007.1, if there is a finding that a proposed regulation may have an adverse impact on small business, the Joint Commission on Administrative Rules shall be notified.

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