

Office of Regulatory Management
Economic Review Form

Agency name	State Board of Health
Virginia Administrative Code (VAC) Chapter citation(s)	12 VAC 5-220-10 <i>et seq.</i>
VAC Chapter title(s)	Virginia Medical Care Facilities Certificate of Public Need Rules and Regulations
Action title	Promulgation of Fee Schedule
Date this document prepared	October 20, 2023
Regulatory Stage (including Issuance of Guidance Documents)	Fast Track

Cost Benefit Analysis

Table 1a: Costs and Benefits of the Proposed Changes (Primary Option)

<p>(1) Direct & Indirect Costs & Benefits (Monetized)</p>	<p>Amended to include the new COPN fee cap, fee rate, registration fee, and fee schedule:</p> <ul style="list-style-type: none"> • Direct Monetized Benefit: VDH will have sufficient fee revenue to support its COPN program activities and staff due to the projected annual revenue of \$1,704,141; this calculation is based on the average annual number of projects and project costs for SFYs2015-2020 due to the variability in the number of project applications and capital expenditure costs observed by the COPN program after the start of the COVID-19 pandemic in 2020. The data for SFYs2021-2023 do not reflect anticipated typical COPN expenditure and revenue moving forward, and therefore were not utilized in these fee calculations. The COPN personnel budget, escalated to reflect the SFY 22, SFY 23 a and b raises, plus other operating line items, escalated for inflation, estimates a budget need of \$1,524,655, including the addition of the two authorized FTEs, state raises, inflation, and operating costs; this leaves VDH with an additional \$179,486 after the operating budget needs from the total fee revenue. • Direct Monetized Cost: All COPN projects will incur higher fees due to the increase to the COPN capital expenditure fee cap amount and fee rate from 1% estimated capital cost of the project and a maximum project application fee of \$20,000 to a fee rate of
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	<p>1.5% estimated capital cost of the project and a maximum project application fee of \$44,000. This action will also increase the minimum application fee for a project from \$1,000 to \$1,600, so projects with an estimated capital expenditure amount of less than \$106,700 will need to pay a higher application fee than they previously would have. Fees were not previously charged for registrations, so regulants who are registering medical equipment that requires a registration will incur an initial \$70 registration fee. The total annual expected registration cost to regulants is expected to be approximately \$2,452 annually.</p> <ul style="list-style-type: none"> • There are no monetized indirect costs or benefits associated with this regulatory action. <p>There are no monetized direct or indirect costs or benefits associated with the following regulatory changes:</p> <ul style="list-style-type: none"> • Updated the text to cross-reference the new “schedule of fees” section. 	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	The identified monetized costs represent fees, which are a transfer payment and cancel out.	The identified monetized costs represent fees, which are a transfer payment and cancel out.
(3) Net Monetized Benefit		
(4) Other Costs & Benefits (Non-Monetized)	There are no non-monetized costs or benefits associated with this action.	
(5) Information Sources	VDH COPN Division	

Table 1b: Costs and Benefits under the Status Quo (No change to the regulation)

(1) Direct & Indirect Costs & Benefits (Monetized)	<ul style="list-style-type: none"> • Direct Monetized Benefit: Without the regulatory change in the fee cap, the COPN capital expenditure fee cap would remain at \$20,000, and the department would not require a registration fee. The cost to regulants would remain the same. • Direct Monetized Cost: Without the change in fee cap and additional registration fee, VDH will not be able to support its current COPN program activities and staffing levels due to the necessity to hire two new staff. The annual estimate for fee revenue currently, based on the numbers from SFY15-SFY20, is only \$572,287, which is far below the operating budget needed to support this program.
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	<ul style="list-style-type: none"> • There are no monetized indirect costs or benefits associated with the status quo. 	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a) \$0	(b) \$0
(3) Net Monetized Benefit	\$0	
(4) Other Costs & Benefits (Non-Monetized)	There are no non-monetized costs and benefits associated with this regulatory change.	
(5) Information Sources	VDH COPN Division	

Table 1c: Costs and Benefits under Alternative Approach(es)

(1) Direct & Indirect Costs & Benefits (Monetized)	<p>An alternative approach would be to revive a previous fast track stage that raised the 1% capital expenditure fee cap to \$60,000 and required a \$70 registration fee.</p> <ul style="list-style-type: none"> • Direct Monetized Benefit: The direct monetized benefit of this change is that the projected revenue of \$1,189,489 annually would be an increase in the total fee revenue collected by the COPN program. • Direct Monetized Cost: The monetized cost of this regulatory change is that regulants would be required to pay a registration fee of \$70 for each registration, and projects with an estimated capital expenditure of \$2 million will pay a higher application fee. There is a cost to the department as well due to the fact that an annual fee revenue of \$1,189,489 is no longer sufficient to support the COPN program due to employee raises, interest, and an increase in the workload for the COPN program employees as a result of new mandates. • There are no indirect costs or benefits of this alternative regulatory change. 	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a) The identified monetized costs represent fees, which are a transfer payment and cancel out.	(b) The identified monetized costs represent fees, which are a transfer payment and cancel out.
(3) Net Monetized Benefit		
(4) Other Costs & Benefits (Non-Monetized)	This alternative was proposed in a previous fast-track action, however, this change received negative feedback from some stakeholders, and the	

	stage was withdrawn so that further discussions about a mutually acceptable fee schedule could be had.
(5) Information Sources	VDH COPN Division

Impact on Local Partners

Table 2: Impact on Local Partners

<p>(1) Direct & Indirect Costs & Benefits (Monetized)</p>	<p>Amended to include the new COPN fee cap, fee rate, registration fee, and fee schedule:</p> <ul style="list-style-type: none"> • Direct Monetized Benefit: VDH will have sufficient fee revenue to support its COPN program activities and staff due to the projected annual revenue of \$1,704,141; this calculation is based on the average annual number of projects and project costs for SFYs2015-2020 due to the variability in the number of project applications and capital expenditure costs observed by the COPN program after the start of the COVID-19 pandemic in 2020. The data for SFYs2021-2023 do not reflect anticipated typical COPN expenditure and revenue moving forward, and therefore were not utilized in these fee calculations. The COPN personnel budget, escalated to reflect the SFY 22, SFY 23 a and b raises, plus other operating line items, escalated for inflation, estimates a budget need of \$1,524,655, including the addition of the two authorized FTEs, state raises, inflation, and operating costs; this leaves VDH with an additional \$179,486 after the operating budget needs from the total fee revenue. • Direct Monetized Cost: All COPN projects will incur higher fees due to the increase to the COPN capital expenditure fee cap amount and fee rate from 1% estimated capital cost of the project and a maximum project application fee of \$20,000 to a fee rate of 1.5% estimated capital cost of the project and a maximum project application fee of \$44,000. This action also increased the minimum application fee for a project from \$1,000 to \$1,600, so projects with an estimated capital expenditure amount of less than \$106,700 will need to pay a higher application fee than they previously would have needed to. Fees were not previously charged for registrations, so regulants who are registering medical equipment that requires a registration will incur an initial \$70 registration fee. The total annual expected registration cost to regulants is expected to be approximately \$2,452 annually. • There are no monetized indirect costs or benefits associated with this regulatory action. <p>There are no monetized direct or indirect costs and benefits associated with the following regulatory changes:</p>
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	<ul style="list-style-type: none"> • Updated the text to cross-reference the new “schedule of fees” section. 	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	The identified monetized costs represent fees, which are a transfer payment and cancel out.	The identified monetized benefits represent fees, which are a transfer payment and cancel out.
(3) Other Costs & Benefits (Non-Monetized)	There are no non-monetized costs and benefits associated with this regulatory change.	
(4) Assistance	Regulants will not require additional assistance from VDH to meet the requirements of this regulatory change.	
(5) Information Sources	VDH COPN Division	

Impacts on Families

Table 3: Impact on Families

(1) Direct & Indirect Costs & Benefits (Monetized)	Families will not be affected by direct or indirect costs and benefits of the regulatory change as they are not subject to the requirements contained in this regulatory chapter and thus will incur no direct cost or benefit.	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a) \$0	(b) \$0
(3) Other Costs & Benefits (Non-Monetized)	None.	
(4) Information Sources		

Impacts on Small Businesses

Table 4: Impact on Small Businesses

(1) Direct & Indirect Costs & Benefits (Monetized)	<p>Based on anecdotal information, VDH does not believe any general hospital or nursing home meets the definition of “small business.” VDH is unable to quantify how many Physician Offices and Outpatient Surgical Hospitals qualify as small businesses; however, entities that qualify as a “small business” can anticipate the impacts below:</p> <p>Amended to include the new COPN fee cap, fee rate, registration fee, and fee schedule:</p>
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	<ul style="list-style-type: none"> • Direct Monetized Benefit: There are no monetized benefits for small businesses associated with this regulatory action. • Direct Monetized Cost: All COPN projects will incur higher fees due to the increase to the COPN capital expenditure fee cap amount and fee rate from 1% estimated capital cost of the project and a maximum project application fee of \$20,000 to a fee rate of 1.5% estimated capital cost of the project and a maximum project application fee of \$44,000. This action also increased the minimum application fee for a project from \$1,000 to \$1,600, so projects with an estimated capital expenditure amount of less than \$106,700 will need to pay a higher application fee than they previously would have needed to. Fees were not previously charged for registrations, so regulants who are registering medical equipment that requires a registration will incur an initial \$70 registration fee. The total annual expected registration cost to regulants is expected to be approximately \$2,452 annually. • There are no monetized indirect costs or benefits associated with this regulatory action. <p>There are no monetized direct or indirect costs and benefits associated with the following regulatory changes:</p> <ul style="list-style-type: none"> • Updated the text to cross-reference the new “schedule of fees” section. 	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	The identified monetized costs represent fees. VDH is unable to quantify the total amount of the overall projected fee revenue that would be paid by small businesses.	\$0
(3) Other Costs & Benefits (Non-Monetized)	There are no non-monetized costs and benefits associated with this regulatory change.	
(4) Alternatives	The State Board of Health was not able to identify any alternatives for small businesses that would be more equitable while still protecting the health, safety, and welfare of the public, and has put forth thoughtful consideration about the burdens of the new substantive regulatory requirements that have a cost to regulants.	
(5) Information Sources	VDH COPN Division	

Changes to Number of Regulatory Requirements

Table 5: Regulatory Reduction

For each individual action, please fill out the appropriate chart to reflect any change in regulatory requirements, costs, regulatory stringency, or the overall length of any guidance documents.

Change in Regulatory Requirements

VAC Section(s) Involved	Authority of Change	Initial Count	Additions	Subtractions	Net Change
12.5.220.105	Statutory:	8 (R/S)	+1 (R/S)		+1
	Discretionary:				
12.5.220.110	Statutory:	2 (G/S) 2(R/S)	+1 (R/S)		+1
	Discretionary:	2 (G/D) 4(R/D)			
12.5.220.125	Statutory:		+3 (R/S)		+3
	Discretionary:		+1 (R/D)		+1
12.5.220.180	Statutory:	1 (G/S) 1 (R/S)	+1 (R/S)	- 1 (R/S)	0
	Discretionary:	2 (G/D) 6 (R/S)			
12.5.220.355	Statutory:	1 (G/S) 1 (R/S)	+1 (R/S)	-1 (R/S)	0
	Discretionary:	2 (G/D) 6 (R/D)		-1 (R/D)	-1

Cost Increases

VAC Section(s) Involved	Description of Regulatory Requirement	Initial Cost	New Cost	Overall Cost Savings/Increases
12.5.220.125	The COPN minimum fee, COPN fee cap, and COPN fee rate have been increased. A registration fee has been established.	-Minimum fee: \$1,000 -Fee cap: \$20,000 -Fee rate: 1% of the estimated capital expenditure cost	-Minimum fee: \$1,600 -Fee cap: \$44,000 -Fee rate: 1.5% of the estimated capital expenditure cost -Registration fee: \$70	-Registration fee: \$2,452 annually -Projected COPN fee revenue: \$1,704,141 annually