

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 5-410 Regulations for the Licensure of Hospitals in Virginia
Department of Health
Town Hall Action/Stage: 4088/7334
December 11, 2015

Summary of the Proposed Amendments to Regulation

The State Board of Health (Board) proposes to specify that renovation or construction of hospitals be consistent with the 2014 *Guidelines for Design and Construction of Hospitals and Outpatient Facilities* of the Facility Guidelines Institute. Additionally, the Board proposes to amend other language for improved clarity.

Result of Analysis

The benefits likely exceed the costs for all proposed changes.

Estimated Economic Impact

Section § 32.1-127.001 of the Code of Virginia states that the Board shall promulgate regulations for the licensure of hospitals that include minimum standards for design and construction that are consistent with the current edition of the *Guidelines for Design and Construction of Hospital and Health Care Facilities* issued by the American Institute of Architects Academy of Architecture for Health. The American Institute of Architects Academy of Architecture for Health has become the Facility Guidelines Institute (FGI). Consequently the Board proposes to amend this regulation to specify that renovations or construction be consistent with the 2014 *Guidelines for Design and Construction of Hospitals and Outpatient Facilities* of

the Facility Guidelines Institute.¹ The current regulation references the 2010 and 2006 guidelines. Adopting the requirements in the 2014 *Guidelines* would produce both cost increases and reductions.

Potential Cost Increases

The change in requirements associated with adopting the 2014 edition would produce approximately the following cost increases.²

| Facility Type | Cost Change | Explanation |
|--|-------------|---|
| General hospital | 1.88 % | The bulk of this increase is due to changes required for fume hood exhaust, family support and meditation rooms, private rooms for intermediate care units, and lifts for bariatric rooms. |
| Children's hospital | 2.37 % | The bulk of the increase is due to the requirements for a family lounge and a play area on top of the 1.88% increase for general hospitals. (These requirements are compared to the 2010 general hospital requirements as a separate children's hospital chapter is new in the 2014 edition.) |
| Psychiatric/rehab hospital | 0.26 % | The bulk of the increase is due to changes requiring drywall ceilings in patient rooms and toilets. |
| Freestanding outpatient – urgent care/surgery/imaging/endoscopy | 0.17 % | The bulk of the increase is due to changes requiring a separate clean/decontamination room and a toilet in the recovery area in endoscopy facilities. |
| Freestanding outpatient – neighborhood clinic/office surgery/dialysis center | 2.68 % | The bulk of the increase is due to changes requiring a soiled workroom in renal dialysis centers and a toilet at pre-procedure areas in office surgical facilities. |

Potential Cost Reductions

Several of the changes in requirements in the 2014 *Guidelines* could yield reductions in the percentage of cost increase and could provide significant benefits. The following describe potential cost savings by section of the 2014 *Guidelines*.³

¹ The 2014 *Guidelines for Design and Construction of Hospitals and Outpatient Facilities* is the current edition.

² The following table is reproduced from Gormley T, Garland J, Jones W. “Estimated Cost of Applying the 2014 vs. the 2010 FGI Guidelines for Design and Construction Requirements to Hospitals and Outpatient Facilities.” Facility Guidelines Institute and the American Society for Healthcare Engineering (2015).

³ The information for potential cost reductions also comes from Gormley, Garland, and Jones (2015).

1.2-2 Functional Program. This section was revised to clarify the requirements for a functional program and to help owners and designers define the actual needs for a project to minimize additional costs for construction of scope beyond programmed requirements or needs and to minimize the need for scope changes later in a project.

1.2-3 Safety Risk Assessment. Combining a number of risk assessments under one umbrella, this new tool clarifies what risks should be assessed at the outset of a project and should help owners and designers define the scope of a project to avoid overbuilding and to improve operational and clinical results.

1.2-5.4 Bariatric-Specific Design Considerations. The percentage of the population that is obese varies considerably in different regions in the United States, making it impossible to determine minimum requirements for facilities and equipment to accommodate provision of care for this portion of the population that would be appropriate everywhere. Therefore, specific requirements were removed so that health care organizations can determine the percentage of their patient population that needs these accommodations. Allowing the decision on how much of a facility must be able to accommodate persons of size to be customized to a locality should allow cost savings in some areas.

2.1-5.1 Central Services. Requirements in this section were clarified so sterile processing services can be provided in a manner that meets local capabilities rather than having minimum requirements that may go beyond what is needed in small hospitals. This would save costs by allowing a customized approach for each location.

Conclusion

The estimated cost increases associated with adopting the 2014 Guidelines are fairly small, and may be offset by cost savings of other changes in the 2014 edition depending on the specifics of individual hospital construction and renovation projects. The Board and the architects and engineers associated with the Facility Guidelines Institute believe that adopting the 2014 edition will increase patient and staff health and safety. Thus, the proposal to specify that renovation or construction of hospitals be consistent with the 2014 *Guidelines* will likely produce a net benefit.

Businesses and Entities Affected

The proposed amendments potentially affect the 106 licensed hospitals within the Commonwealth.

Localities Particularly Affected

The proposed amendments do not disproportionately affect particular localities.

Projected Impact on Employment

The proposed amendments will not likely significantly affect total employment.

Effects on the Use and Value of Private Property

The proposed amendments are unlikely to significantly affect the use and value of private property.

Real Estate Development Costs

Depending on the specific attributes of the hospital construction or renovation project, the proposed adoption of the 2014 *Guidelines* may increase or decrease total real estate development costs. In any case, the change is not likely to be large.

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

Depending on the specifics of individual hospital construction and renovation projects, the proposed adoption of the 2014 *Guidelines* may increase or decrease the cost of hospital construction and renovation. In net, the proposed amendments are unlikely to significantly increase costs for small businesses.

Alternative Method that Minimizes Adverse Impact

Depending on the specifics of individual hospital construction and renovation projects, the proposed adoption of the 2014 *Guidelines* may increase or decrease the cost of hospital construction and renovation. For those projects that would have increased

costs due to requirements in the 2014 edition, there is no clear alternative method that meets the intended policy goals at a lower cost.

Adverse Impacts:

Businesses:

Depending on the specifics of individual hospital construction and renovation projects, the proposed adoption of the 2014 Guidelines may increase or decrease the cost of hospital construction and renovation. For those businesses that face increased costs, the increase will likely be relatively moderate.

Localities:

The proposed amendments are unlikely to significantly adversely affect localities.

Other Entities:

The proposed amendments are unlikely to significantly adversely affect other entities.

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.