

Office of Regulatory Management
Economic Review Form

Agency name	Department of Behavioral Health and Developmental Services
Virginia Administrative Code (VAC) Chapter citation(s)	12 VAC35-260
VAC Chapter title(s)	Certified Recovery Residences
Action title	Amendments to comply with Item 312 L.2. and Chapter 755 (HB277)
Date this document prepared	December 8, 2022

Cost Benefit Analysis

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

(1) Direct Costs & Benefits	<p>Mandated Change: Amend 12VAC35-260-10 to amend the definition of “Credentialing Entity” to specify that credentialing standards must be aligned with standards of the National Alliance for Recovery Residences (NARR) or standards endorsed by Oxford House. Previously the definition of “Credentialing Entity” stated that certification programs must be in accordance with nationally recognized recovery housing standards. However, both Virginia chapters of NARR and Oxford House were named in 12VAC35-20 as the two entities meeting this definition.</p> <ul style="list-style-type: none"> • Direct Costs: This proposed regulatory change does not have any direct costs on providers. DBHDS staff is not aware of any recovery residence credentialing entity besides the National Alliance for Recovery Residences (NARR) and Oxford House, therefore this proposed change is not expected to have a substantive impact on the definition of “Credentialing Entity,” but is intended to provide greater clarity regarding the credentialing standards that residences are required to meet. • Direct Benefits: The proposed change is expected to provide greater transparency and clarity to providers and prospective residents regarding the standards that recovery residences are required to meet. Greater clarity and transparency is beneficial to providers and Virginians seeking recovery services, however, this benefit cannot be financially quantified.
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Mandated Change: Amend 12VAC35-260-10 to amend the definition of “Recovery Residence” to include the requirement that the residence be certified by DBHDS.

- **Direct Costs:** This mandated regulatory change requires any facility operating under the title of “Recovery Residence” to be certified by DBHDS. Previously, currently, the definition of “Recovery Residence” as defined in 12VAC35-260-10 is “means a housing facility that (i) provides alcohol-free and illicit-drug-free housing to individuals with substance abuse disorders and individuals with co-occurring mental illnesses and substance abuse disorders and (ii) does not include clinical treatment services.” This definition would include group homes and other sober living residences that did not meet the standards of a “certified recovery residence”.

This regulatory change does not result in any cost to providers. Recovery residences that are “certified” as defined in 12VAC35-260-10 will not be impacted. This definitional change does not prohibit sober living residences, or other alcohol and drug free residences from operating, but excludes them from the regulatory definition of “recovery residence,” and therefore, no other businesses will be impacted.

- **Direct Benefits:** The mandated regulatory change would increase transparency for potential individuals needing recovery services. Individuals will benefit in having the assurance that any entity called a “recovery residence,” by definition, must adhere to a set of standards outlined in 12VAC35-260-20. This change will provide a benefit to individuals in improving market awareness; however, this benefit is difficult to quantify and therefore, cannot be calculated.

Mandated Change: Amend 12VAC35-260-20 to require that any person seeking to operate a certified recovery residence be certified by DBHDS. Certification by DBHDS requires a potential recovery residence to provide evidence of credentialing in the form of a charter or membership with one of the organizations listed in 12VAC35-260-10, and that the recovery residence complies with any minimum square footage requirements related to beds and sleeping rooms established by the credentialing entity or the square footage requirements set forth in [§ 36-105.4](#) of the Code of Virginia, whichever is greater.

- **Direct Costs:** There are no estimated costs to this mandated regulatory change. All recovery residences certified by NARR or Oxford House already meet the square footage requirement, which is equal to the requirements set out in § 36-105.4 of the Code of

Virginia; therefore, no certified residences will be impacted. Any new residences that enter the market will already be subject to the square footage requirements of Virginia's Uniform Statewide Building Code, and therefore, are not likely to experience any impact as a result of this mandated regulation.

- **Direct Benefits:** The mandated regulatory change will increase transparency for potential residents of certified recovery residences. This change will provide a benefit to individuals in improving market awareness; however, this benefit is difficult to quantify and therefore, cannot be calculated.

Mandated Change: Amend 12VAC35-260-30 to require DBHDS to monitor recovery residences for their regulatory compliance and consult with credentialing entities to keep the lists of recovery homes up to date.

- **Direct Costs:** This mandated regulatory change will not result in any costs for providers. The requirement that DBHDS monitor regulatory compliance and consult with credentialing entities to verify the accuracy of the list of residences may result in some administrative costs for DBHDS, however DBHDS believes that this requirement can be absorbed through existing staff resources.
- **Direct Benefits:** This change will provide a benefit to individuals by improving market awareness, as they will be certain that residences on the list maintained by DBHDS meet the requirements set out in this chapter.

Mandatory Change: Amend 12VAC35-260-40 to require recovery residences to disclose its credentialing entity to each prospective resident. If the credentialing entity is NARR, the residence shall disclose the level of support provided by the recovery residence. If the credentialing entity is Oxford House, Inc., the recovery residence shall disclose that the recovery residence is self-governed and unstaffed.

- **Direct Costs** – Under this proposed regulatory action, each recovery residences will be required to attest that the disclosure has been made to residents. DBHDS estimates that the disclosure to potential residents can be absorbed through existing provider resources, such as administrative resources for onboarding new residents. Therefore, there is no estimated cost of this proposed regulatory action.
- **Direct Benefits:** SB622/HB277 was intended to provide greater transparency to prospective residents of recovery residents regarding the credentials of each recovery residence and the level or professional staff support available to residents. This regulatory action will increase accountability and transparency of recovery residences, which is likely to improve the quality of life at the

	recovery homes. While this change is beneficial, it is difficult to quantify the financial benefit of transparency and consumer education; therefore an exact benefit cannot be calculated.		
(2) Quantitative Factors	Estimated Dollar Amount	Present Value	
Direct Costs	(a) \$	(c) \$	
Direct Benefits	(b) \$	(d) \$	
(3) Benefits-Costs Ratio		(4) Net Benefit	\$
(5) Indirect Costs & Benefits			
(6) Information Sources			
(7) Optional			

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

(1) Direct Costs & Benefits	This table is not necessary as this regulatory action was mandated by SB622/HB277 of the 2022 Session of the General Assembly. As such, the department did not exercise any discretion in the drafting of this regulatory action.		
(2) Quantitative Factors	Estimated Dollar Amount	Present Value	
Direct Costs	(a) \$0	(c) \$0	
Direct Benefits	(b) \$0	(d) \$0	
(3) Benefits-Costs Ratio		(4) Net Benefit	\$0
(5) Indirect Costs & Benefits			
(6) Information Sources			
(7) Optional			

Table 1c: Costs and Benefits under an Alternative Approach

(1) Direct Costs & Benefits	This table is not necessary as this regulatory action was mandated by SB622/HB277 of the 2022 Session of the General Assembly. As such, the department did not exercise any discretion in the drafting of this regulatory action.		
(2) Quantitative Factors	Estimated Dollar Amount	Present Value	
Direct Costs	(a)	(c)	
Direct Benefits	(b)	(d)	
(3) Benefits-Costs Ratio		(4) Net Benefit	
(5) Indirect Costs & Benefits			
(6) Information Sources			
(7) Optional			

Impact on Local Partners

Table 2: Impact on Local Partners

(1) Direct Costs & Benefits	This regulatory action is not expected to result in any direct costs or benefits to local partners.		
(2) Quantitative Factors	Estimated Dollar Amount		
Direct Costs	(a) \$0		
Direct Benefits	(b) \$0		
(3) Indirect Costs & Benefits			
(4) Information Sources			
(5) Assistance			
(6) Optional			

Economic Impacts on Families

Table 3: Impact on Families

(1) Direct Costs & Benefits	<ul style="list-style-type: none"> • Costs: This regulatory action is not expected to result in any costs for families. • Benefits: This regulation is expected to have a positive impact on Virginia families with family members suffering from substance use disorder by providing greater transparency in the recovery residence industry. Additional data is needed to determine if greater transparency is expected to result in an economic benefit to families, therefore, an economic benefit cannot be calculated.
(2) Quantitative Factors	Estimated Dollar Amount
Direct Costs	(a) \$0
Direct Benefits	(b) \$0
(3) Indirect Costs & Benefits	
(4) Information Sources	
(5) Optional	

Impacts on Small Businesses

Table 4: Impact on Small Businesses

(1) Direct Costs & Benefits	It is not known how many currently certified recovery residences meet the definition of small business as defined in § 2.2-1604. However, due to the typical size of recovery homes and the number of providers in Virginia, DBHDS estimates that the majority of providers likely meet the criteria of “small business” as defined in § 2.2-1604. Therefore, small businesses regulated by 12VAC35-260 would experience the same costs and benefits outlined in table 1a.
(2) Quantitative Factors	Estimated Dollar Amount
Direct Costs	(a) \$0
Direct Benefits	(b) \$0
(3) Indirect Costs & Benefits	
(4) Alternatives	

(5) Information Sources	
(6) Optional	

Changes to Number of Regulatory Requirements

Table 5: Total Number of Requirements

	Number of Requirements			
Chapter number	Initial Count	Additions	Subtractions	Net Change
12VAC35-260	0	0	0	0

(Discretionary requirements on the agency remains one.)

COST BENEFIT ANALYSIS WORKSHEET

INTERIM v. July 28,
M 2022

Discount Rate:	3%
Time horizon:	10 years

DO NOT CHANGE THIS NUMBER unless you wish to use a different discount rate; if so, please make a note of this on the Economic Impact form and provide a rationale

Notes:

1. Year 0 represents the current fiscal year
2. Options 1 & 2 below correspond to the two options in the grocery cart example. Option 3 below provides an example where costs and benefits vary from year to year.
3. Replace the values in the green cells below with the expected costs and benefits for your analysis. Insert zero (0) for years where no costs or benefits are expected.
4. The sections for options 2 and 3 must be filled out if the agency has any discretion over the proposed regulatory changes. Use "Option 2" for the status quo and "Option 3" for one other alternative.

Year	Option 1		Option 2		Option 3	
	Cost	Benefit	Cost	Benefit	Cost	Benefit
0	0	0	0	0	0	0
1	0	0	0	0	0	0
2	0	0	0	0	0	0
3	0	0	0	0	0	0
4	0	0	0	0	0	0
5	0	0	0	0	0	0
6	0	0	0	0	0	0
7	0	0	0	0	0	0
8	0	0	0	0	0	0

9	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

<u>Present Value</u>						
Year	Option 1		Option 2		Option 3	
	Cost	Benefit	Cost	Benefit	Cost	Benefit
0	0	0	0	0	0	0
1	0	0	0	0	0	0
2	0	0	0	0	0	0
3	0	0	0	0	0	0
4	0	0	0	0	0	0
5	0	0	0	0	0	0
6	0	0	0	0	0	0
7	0	0	0	0	0	0
8	0	0	0	0	0	0
9	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

	Option 1	Option 2	Option 3
Benefit-Cost Ratio	#DIV/0!	#DIV/0!	#DIV/0!
Net Benefit	0	0	0