Economic Impact Analysis
Virginia Department of Planning and Budget

18 VAC 85-20, 31, 40, 50, 80, 101, 110; – Regulations of the Board of Medicine
Department of Health Professions

July 28, 1999

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 9-6.14:7.1.G of the Administrative Process Act and Executive Order Number 25 (98). Section 9-6.14:7.1.G requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. The analysis presented below represents DPB's best estimate of these economic impacts.

Summary of the Proposed Regulation

The proposed regulations revise the schedule of fees paid by physicians and other medical professionals to the Board of Medicine. The purpose of these fee changes is to bring the Board into compliance with the Board's interpretation of § 54.1-113 of the Code of Virginia. Section 54.1-113 requires all regulatory boards under the Department of Health Professions to revise their fee schedules if, after the close of any biennium, there is more than a 10 percent difference between revenues and expenditures. The proposed fee changes are as follows:

<u>All Professions Regulated by the Board of Medicine</u>

The following fees are determined by the actual costs to the Board for the particular activity or function and are set identically for each of the professions regulated by the Board of Medicine:

- $15 for producing a duplicate wall certificate,
- $5 for producing and sending a duplicate license,
- $2,000 for reinstatement of a license pursuant to §54.1-2921 (revoked licenses),
- $25 for processing and collecting on a returned check,
- $10 for verifying a license to another jurisdiction, and
- $25 for sending all or part of a transcript or certification of grades.

Practice of Medicine, Osteopathy, Podiatry, and Chiropractic

- Application for licensure in medicine, osteopathy, or podiatry will increase from $200 to $215, application for licensure in chiropractic will decrease from $200 to $195;

- Biennial licensure renewal for licensure in medicine, osteopathy, and podiatry will increase from $125 to $240; biennial licensure renewal for chiropractic licensure will increase to only $215 since chiropractors are not yet included in the physician profiling system requirements;

- Application for a license to practice physician acupuncture is reduced from $100 to $55 and the biennial renewal fee will increase from $50 to $70;

- The fee for a temporary permit to practice medicine (for a maximum of three months) will rise from $25 to $30;

- Application for a limited professorial or fellow license will decrease from $125 to $55; the annual renewal for this license will increase from $25 to $35 and a $15 fee will be charged for late renewal;

- Application for a limited license as a resident or intern is set at $55; the annual renewal for this license will increase from $10 to $35 and a $15 fee will be charged for late renewal;

- The penalty for late renewal of a license will be $85 for a license in medicine, osteopathy, or podiatry, and $75 for a license in chiropractic (all renewal fees represent approximately 35% of the biennial renewal); and

- Reinstatement of a lapsed license (a license not renewed for at least one biennium after expiration) will increase from $250 to $290 for a license in medicine, osteopathy, or podiatry, and $270 for a chiropractic license.

Physical Therapists

- Application for licensure will increase from $100 to $140 for physical therapists and from $100 to $105 for physical therapist assistants;

- The fee for application by endorsement, currently $125, will be set identically to the fees for licensure by examination ($140 for physical therapists and $105 for physical therapist assistants);

- Biennial renewal of a physical therapist license will rise from $100 to $135, biennial renewal for physical therapist assistants will remain at $70;

- The penalty for late renewal of a license will be $50 for physical therapists, and $25 for physical therapist assistants; and

- Reinstatement of a lapsed license will be $180 for physical therapist and $120 physical therapist assistants;

Respiratory Care Practitioners

- Application for licensure will increase from $100 to $130;

- Biennial renewal fee will rise from $50 to $135;

- The penalty for late renewal of a license will be $50; and

- Reinstatement of a lapsed license will be $180.

Physician Assistants

- Application for licensure will increase from $100 to $130;

- Biennial renewal of physician assistant license will rise from $80 to $135;

- The penalty for late renewal of a license will be $50; and
- A new $15 fee will be established for the processing and approval of a new protocol required whenever a physician assistant changes employment of accepts different responsibilities with his supervising physician.

Occupational Therapists

- Application for licensure will increase from $100 to $130;
- Biennial renewal of an occupational therapist license will rise from $85 to $135;
- The penalty for late renewal of a license will be $50; and
- Reinstatement of a lapsed license will be $180.

Radiologic Technologists

- Application for licensure will increase from $100 to $130 for radiologic technologists, and from $50 to $90 for a radiologic technologist-limited license;
- Biennial renewal of a radiologic technologist license will rise from $75 to $135, and from $25 to $70 for radiologic technologists-limited;
- The penalty for late renewal of a license will be $50 for radiologic technologist, and $25 for radiologic technologists-limited; and
- Reinstatement of a lapsed license will be $180 for radiologic technologist and $120 radiologic technologists-limited.

Licensed Acupuncturists

- Application for licensure will decrease from $150 to $130;
- Biennial renewal of an acupuncturist license will rise from $85 to $135;
- The penalty for late renewal of a license will be $50; and

- Reinstatement of a lapsed license will be $180.

Estimated Economic Impact

The primary effect of the proposed fee changes will be to increase compliance costs for practitioners under the Board of Medicine in Virginia by approximately $4.3 million biannually.[1] Under the current fee structure, the Board of Medicine projects a $3.8 million deficit by June 2002.[2] The proposed fee increases would substantially reduce the projected deficits during the 2000-2002 biennium and thereafter would begin to generate a modest surplus, thereby bringing the Board into compliance with the Code.

According to the Board of Medicine, several circumstances have been responsible for the failure of fee revenue to keep up with expenditures. Such circumstances include implementation of the Health Practitioner Intervention Program, the mandated physician profile database and, to a lesser extent, staff pay raises and related benefit increases included in the Governor's budget, Y2K compliance, installation of a new computer system, and relocation of the Department of Health Professions (DHP). These circumstances have increased costs despite other efforts to improve efficiency (i.e., the privatization of certain functions, reductions in staff, etc…) undertaken by the Department and the Board during the past five years. According to DHP, the proposed fee increases are necessary so that the Board of Medicine can continue to perform its essential functions of licensing, investigations of complaints, and adjudication of disciplinary cases. These functions sustain the supply of medical professionals in Virginia and protect the public from continued practice by incompetent or unethical practitioners.

The level of the proposed fee increases, specifically the biennial renewal fees, are based on revenue and expenditure projections prepared by DHP for the Board of Medicine. The proposed amounts were selected such that projected revenues would be sufficient to cover projected expenditures but would not result in anything more than a modest surplus. Since a wide range of occupations are regulated by Board of Medicine, they were grouped into categories so that professionals licensed by the Board which have similar rates of discipline and

[1] This figure reflects the difference between projected revenue for the Board of Medicine under the current fee structure and estimated revenue under the proposed fee schedule ($6,270,395 and $10,625,295).
[2] This figure reflects the difference of the projected budget through 6/30/2002 ($10,242,110) and the projected revenue under the current fee structure ($6,465,557).

administrative expenditures would also have similar fees set in the proposed regulations. Practitioners of medicine osteopathy, podiatry, and chiropractic were grouped into one occupational category. Physical therapists, occupational therapists, respiratory therapists, radiologic technologists, licensed acupuncturists, and physician assistants were grouped into a separate category. In addition, persons with a restricted or limited license (i.e., interns, residents, physical therapist assistants, etc.) were categorized differently from fully licensed practitioners. The changes in fee structures are largely based on DHP's *Principles for Fee Development* and are discussed below.[3]

Application Fees

The proposed regulations amend the application fees for all professions regulated by the Board of Medicine. In most cases, the new fee is higher than the existing fee but, for some professions, the proposal represents a reduction from the current fee. The new application fees will cover the costs of application processing and credential review, approximately half of a biennial renewal cycle, and a wall certificate. The proposed fees are consistent across professions except where there is clear evidence that the costs are not similar. For example, applications for limited licenses require much less detailed review, therefore the Board has chosen to set application fees for such licenses at a lower level. The existing fees vary widely across professions and do not accurately represent the true costs of initial application. For instance, applicants in many professions receive their first biennial license and their wall certificate at no cost. These costs are currently covered by renewal fees.

By charging individuals for the full costs of their application, the proposed fees are more efficient and equitable. They also will provide consistency across professions regulated by the Board of Medicine. Though the proposed application fees are higher than the existing fees in most cases, they represent a very small portion of the total cost of entry into the medical profession, which includes all education and training expenses. Therefore, this fee increase is unlikely to have a significant effect on the decision of individuals to enter the medical profession and consequently, should not affect the number of applicants or the supply of medical professionals in Virginia.

[3] This document, dated May 20, 1999, outlines the principles by which DHP sets its licensing fees. The principles

Reinstatement and Late Renewal Fees

The proposed regulations establish a late fee, equal to approximately 35% of the biennial renewal fee for each profession, for licensees renewing within one biennium of the expiration date and require reinstatement for the renewal of any licenses (now lapsed) beyond the biennium. The proposed reinstatement fees cover the costs of application processing and document review, and a portion of the biennial license renewal fee.

Currently, some professions regulated by the Board charge cumulative penalty fees for as long as the license has been lapsed while other have flat reinstatement fees ranging from $50 to $225. The late fees and reinstatement fees in the proposed regulation establish a policy that differentiates between persons who are merely a day late in renewing their license from persons who have chosen to let their license lapse for a lengthy period of time (e.g., someone who had left the state, obtained a license in another jurisdiction, and then has returned to Virginia). According to DHP, the proposed late renewal fee more accurately reflects the costs incurred by the Department for processing late renewals, which cannot be processed through the automated system but must be manually entered.

The application fee for reinstatement of a revoked license will be $2,000. This change represents a significant increase from the current fee of $750. The level of the proposed fee is based on the Board's determination of the actual costs involved, including a pre-hearing investigation (approximately 15-20 hours), preparation of legal documents (5 to 10 hours of time by a legal assistant), and a hearing before the Board (including per diem for members, travel expenses, and Attorney General office time). DHP estimates that eight individuals will request reinstatement of a revoked license each year. Compliance costs for these individuals would increase by a total of $10,000 under the proposal. However, it is the Board's opinion that these costs should be paid by the applicant and not supported by renewal fees from other licensees.

In addition to charging individuals for the full costs incurred on their behalf, which is both more efficient and equitable, the proposed reinstatement and late fees will provide consistency across professions regulated by the Board of Medicine, and should have a positive net economic benefit.

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are intended to provide structure, consistency, and equity for all the professionals regulated within the Department.

Miscellaneous Fees

Almost all of the other proposed fee changes are intended to represent more accurately the actual cost of service. For example, the fee charged for a duplicate license is set at $5 (a reduction in most cases), the returned check charge is set at $25, and the fee for a transcript of an application or license record will be $25. These fees are set uniformly across all professions under the Board of Medicine and will provide consistency and equity for members.

Summary

While the proposed regulations reduce fees for certain services, the net effect of the new fee schedule will be an increase in application and licensure costs for all licensed medical professionals in Virginia. According to DHP, the proposed fee increases are necessary to prevent a delay in the performance of or the elimination of investigations and discipline proceedings, and license renewals, a delay which could negatively affect public health and safety and reduce the supply of medical care in Virginia.

Although the total increase in compliance costs is substantial, from an individual perspective, these fees represent a very small portion of the total cost of entry into the medical profession (e.g., the *total* cost of entry includes all education and training expenses). The proposed fee changes, therefore, are unlikely to have a significant effect on the decision of individuals to enter or exit the medical profession. For this reason, the proposed regulatory changes should have no economic consequences beyond the anticipated increase in licensing costs.

Businesses and Entities Affected

There are approximately 45,000 medical professionals licensed by the Board of Medicine in Virginia that will be affected by the proposed fee changes.[4] In addition to those individuals already licensed, any changes to these regulations will also affect all future applicants.

[4] 27,059 medicine and osteopathy; 756 osteopathy; 498 podiatrists; 1,488 chiropractors; 232 physician acupuncturists; 2,208 medical interns and residents; 28 limited professorial licensees; 3,601 physical therapists; 1,277 physical therapist assistants; 2,706 respiratory care practitioners; 498 physician assistants; 1,801 occupational therapists; 1,826 radiologic technologists; 1,057 radiologic technologists-limited; and 58 licensed acupuncturists.

Localities Particularly Affected

The proposed fee changes will not have a disproportionate affect on any particular localities since they apply statewide.

Projected Impact on Employment

Since the application and licensure renewal fees represent a very small portion of the total cost of entry into the medical profession, no significant impact on employment in Virginia is expected.

Effects on the Use and Value of Private Property

The proposed fee changes are not expected to have any significant effects on the use and value of private property in Virginia.