



Economic Impact Analysis Virginia Department of Planning and Budget

18 VAC 125-20 – Regulations Governing the Practice of Psychology Department of Health Professions (DHP), Board of Psychology

May 3, 2002

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 regulation increases various fees paid by licensed psychologists to the Board of Psychology. The purpose of these fee increases 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:

Clinical Psychologists, Applied Psychologists, School Psychologists

- The renewal fee for an active license will change from \$225 biennially to \$140 annually;
- Renewal of an inactive license will change from \$115 biennially to \$70 annually;
- The penalty for late renewal of a license will change from \$80 to \$50;
- A one-time debt reduction fee in 2003 of \$50 for active licensees and \$25 for inactive licensees will be charged;

School Psychologists - Limited

- The renewal fee for an active license will change from \$100 biennially to \$70 annually;
- Renewal of an inactive license will change from \$50 biennially to \$35 annually;
- The penalty for late renewal of a license will change from \$35 to \$25;
- A one-time debt reduction fee in 2003 of \$25 for active licensees and \$15 for inactive licensees will be charged;

The proposed regulation also revises references to the renewal due date, late renewals, and continuing education requirements to reflect the change from a biennial to an annual renewal cycle.

Estimated Economic Impact

For the past several years, expenditures of the Board of Psychology have exceeded revenue, in spite of a fee increase in 1999. The agency cites increases in staff salaries and benefits, expenses associated with new data systems and the health practitioner intervention program, a delay in the previous fee increase, and declines in the number of licensees, as factors contributing to the rising expenditures. Under the current fee structure, the Board of Psychology projects a deficit of \$160,000 for the 2002-2004 biennium.¹ The level of the proposed fee increases is based on revenue and expenditure projections prepared by DHP for the Board of Psychology. 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.

The effect of the new fee schedule will be an increase in application and licensure costs for all psychologists licensed in Virginia. Specifically, renewal fees paid by psychologists will increase by approximately \$60,000 per year. The one-time debt reduction fee will generate approximately \$110,000 in 2003. According to DHP, the proposed fee increases are necessary to cover the administrative and disciplinary activities of the Board of Psychology. Sufficient funding is essential to prevent a delay in application processing, license renewals, and the investigation of complaints and disciplinary proceedings against practitioners who are accused of

¹ This figure reflects the difference of the projected FY2002-2004 expenditures (\$653,159) and the projected revenue under the current fee structure (\$640,450) added to the beginning balance of -\$146,872.

substandard care or violations of law and regulation, in order to protect the public health and safety of recipients of psychology services 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 psychology profession (e.g., the *total* cost of entry includes all education and training expenses). The recent decline in the number of psychologists, especially clinical psychologists, is of concern. However, according to persons in the profession, the root causes of this decline include the difficulty faced in getting reimbursements from third-party payers and the prevalence of similar professions who provide counseling and therapy. While the increased fee will not enhance the prospects for increasing the number of licensees, the Board does not believe that licensure fees alone will result in a reduction in the number of applicants for licensure or the number of licensed persons available to provide clinical psychology services to the public. The proposed fee changes, therefore, are unlikely to have a significant effect on the decision of individuals to enter or exit this 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 currently 2035 clinical psychologists, 54 applied psychologists, 112 school psychologists, and 27 school psychologists-limited licensed by the Board of Psychology in Virginia.

Localities Particularly Affected

The proposed fee changes will not affect 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 psychology 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.