

Office of Regulatory Management  
Economic Review Form

<b>Agency name</b>	State Board of Health
<b>Virginia Administrative Code (VAC) Chapter citation(s)</b>	12VAC5-381
<b>VAC Chapter title(s)</b>	Regulations for the Licensure of Home Care Organizations
<b>Action title</b>	Fee Change for Home Care Organizations after Enactment of Chapter 172 (2022 Acts of Assembly)
<b>Date this document prepared</b>	August 11, 2022

**Cost Benefit Analysis**

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

<p>(1) Direct Costs &amp; Benefits</p>	<ul style="list-style-type: none"> <li>Increase home care organization (HCO) licensure fees to \$1,500 per license and the term of the license to three years.</li> </ul> <p>Direct Costs: \$1,000 increase per applicant for an initial license, which does maintain the current yearly cost of the license of \$500/yr. VDH estimates that an increase in the initial fee for HCO licenses may reduce the annual number of new applicants by 20% (240 instead of 300). Please note that the \$1,500 per applicant for a renewed license is already mandated in the second enactment clause of Chapter 172 (2022 Acts of Assembly) and is not included in the cost-benefit calculation below because the Act supersedes the regulation.</p> <p>Direct Benefits: Preserving approximately \$240,000 in fee revenue over the term of the initial three-year license that would otherwise be lost without the regulatory change. VDH estimates that this increase in the initial fee for HCO licenses may reduce the annual number of new applicants by 20% (240 instead of 300).</p> <ul style="list-style-type: none"> <li>Require HCO licensees to submit their written requests for a license change or exemption on a prescribed form.</li> </ul> <p>Direct Costs: \$0 per HCO licensee.</p> <p>Direct Benefits: \$60,204 benefit for VDH by saving approximately 4 hours of staff time (\$17.30/hr) for approximately 870 license change and exemption requests received annually.</p>	
<p>(2) Quantitative Factors</p>	<p>Estimated Dollar Amount</p>	<p>Present Value</p>

Direct Costs	(a) \$2,400,000	(c) \$2,108,666
Direct Benefits	(b) \$3,002,040	(d) \$2,637,625
(3) Benefits-Costs Ratio	1.25	(4) Net Benefit \$528,959
(5) Indirect Costs & Benefits	VDH is not aware of any quantifiable indirect costs or indirect benefits at this time.	
(6) Information Sources	VDH historical financial records; current number of and historical trends in HCO licensee and applicant population.	
(7) Optional	<p>VDH has numerous challenges and constraints that limit a cost benefit analysis, including limited data availability, limited statutory discretion, and insufficient analytical models.</p> <p>The qualitative benefits of the proposed regulatory change are ensuring VDH has adequate fee revenue to support sufficient staff to perform inspections and other oversight functions of HCOs to promote and ensure the health and safety of clients and patients who receive personal care services and skilled services from HCOs and ensuring consistent processes are followed by HCOs and VDH's staff to improve efficiency in VDH operations and integrity of licensing data.</p>	

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

(1) Direct Costs & Benefits	<ul style="list-style-type: none"> <li>HCO licensure fees is \$500 for an initial license.</li> </ul> <p>Direct Costs: \$300,000 cost to VDH in lost fee revenue over the term of the initial three-year license; VDH estimates that the annual number of new applicants would remain steady at 300.</p> <p>Direct Benefits: Initial HCO licensees would save \$1000 over the term of the initial three-year license</p> <ul style="list-style-type: none"> <li>Require HCO licensees to submit their written requests for a license change or exemption without prescribing the form to use.</li> </ul> <p>Direct Costs: \$0 per HCO licensee. \$60,204 cost for VDH of 4 hours of staff time (\$17.30/hr) for approximately 870 license change and exemption requests received annually.</p>
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	Direct Benefits: VDH is not aware of any quantifiable direct benefits at this time.		
(2) Quantitative Factors	Estimated Dollar Amount	Present Value	
Direct Costs	(a) \$3,602,040	(c) \$3,164,792	
Direct Benefits	(b) \$3,000,000	(d) \$2,635,833	
(3) Benefits-Costs Ratio	0.832861379	(4) Net Benefit	-\$528,959
(5) Indirect Costs & Benefits	VDH is not aware of any quantifiable indirect costs or indirect benefits at this time.		
(6) Information Sources	VDH historical financial records; current number of and historical trends in HCO licensee and applicant population.		
(7) Optional	<p>VDH has numerous challenges and constraints that limit a cost benefit analysis, including limited data availability, limited statutory discretion, and insufficient analytical models.</p> <p>The qualitative benefits of the proposed regulatory change are ensuring VDH has adequate fee revenue to support sufficient staff to perform inspections and other oversight functions of HCOs to promote and ensure the health and safety of clients and patients who receive personal care services and skilled services from HCOs and ensuring consistent processes are followed by HCOs and VDH's staff to improve efficiency in VDH operations and integrity of licensing data.</p>		

**Table 1c: Costs and Benefits under an Alternative Approach**

(1) Direct Costs & Benefits	<ul style="list-style-type: none"> <li>HCO licensure fees is \$1000 for an initial license.</li> </ul> <p>Direct Costs: \$255,000 cost to VDH in lost fee revenue over the term of the initial three-year license; VDH estimates that this increase in the initial fee for HCO licenses may reduce the annual number of new applicants by 15% (255 instead of 300).</p> <p>Direct Benefits: Initial HCO licensees would save \$500 over the term of the initial three-year license</p> <ul style="list-style-type: none"> <li>Require HCO licensees to submit their written requests for a license change or exemption without prescribing the form to use.</li> </ul>
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	<p>Direct Costs: \$0 per HCO licensee. \$60,204 cost for VDH of 4 hours of staff time (\$17.30/hr) for approximately 870 license change and exemption requests received annually.</p> <p>Direct Benefits: VDH is not aware of any quantifiable direct benefits at this time.</p>		
(2) Quantitative Factors	Estimated Dollar Amount	Present Value	
Direct Costs	(a) \$1,877,040	(c) \$1,649,188	
Direct Benefits	(b) \$1,275,000	(d) \$1,120,229	
(3) Benefits-Costs Ratio	0.68	(4) Net Benefit	-\$528,959
(5) Indirect Costs & Benefits	VDH is not aware of any quantifiable indirect costs or indirect benefits at this time.		
(6) Information Sources	VDH historical financial records; current number of and historical trends in HCO licensee and applicant population.		
(7) Optional	<p>VDH has numerous challenges and constraints that limit a cost benefit analysis, including limited data availability, limited statutory discretion, and insufficient analytical models.</p> <p>The qualitative benefits of the proposed regulatory change are ensuring VDH has adequate fee revenue to support sufficient staff to perform inspections and other oversight functions of HCOs to promote and ensure the health and safety of clients and patients who receive personal care services and skilled services from HCOs and ensuring consistent processes are followed by HCOs and VDH's staff to improve efficiency in VDH operations and integrity of licensing data.</p>		

**Impact on Local Partners**

**Table 2: Impact on Local Partners**

(1) Direct Costs & Benefits	Local partners will not incur any direct costs or benefits of the regulatory change as they are not subject to the mandates contained in 12VAC5-381.
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(2) Quantitative Factors	Estimated Dollar Amount
Direct Costs	(a) \$0
Direct Benefits	(b) \$0
(3) Indirect Costs & Benefits	VDH is not aware of any quantifiable indirect costs or benefits for local partners.
(4) Information Sources	See response to (1) of this Table.
(5) Assistance	N/A
(6) Optional	VDH has numerous challenges and constraints that limit a cost benefit analysis, including limited data availability, limited statutory discretion, and insufficient analytical models.

**Economic Impacts on Families**

**Table 3: Impact on Families**

(1) Direct Costs & Benefits	Families will not incur any direct costs or benefits of the regulatory change as they are not subject to the mandates contained in 12VAC5-381.
(2) Quantitative Factors	Estimated Dollar Amount
Direct Costs	(a) \$0
Direct Benefits	(b) \$0
(3) Indirect Costs & Benefits	VDH is not aware of any quantifiable indirect costs or benefits for families.
(4) Information Sources	See response to (1) of this Table.

(5) Optional	VDH has numerous challenges and constraints that limit a cost benefit analysis, including limited data availability, limited statutory discretion, and insufficient analytical models.
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**Impacts on Small Businesses**

**Table 4: Impact on Small Businesses**

(1) Direct Costs & Benefits	<ul style="list-style-type: none"> <li>• Increase home care organization (HCO) licensure fees to \$1,500 per license and the term of the license to three years.</li> </ul> <p>Direct Costs: \$1,000 increase per applicant for an initial license, which does maintain the current yearly cost of the license of \$500/yr. VDH estimates that an increase in the initial fee for HCO licenses may reduce the annual number of new applicants by 20% (240 instead of 300). VDH speculates that the vast majority (at least 90%) are small businesses, though applicants are not required to disclose nor have any volunteered whether they qualify as “small businesses” within the meaning of Code of Virginia § 2.2-4007.1, so this estimate is based on anecdotal evidence. VDH estimates a cost of \$240,000 over the term of the initial three-year license from lost fee revenue; assuming 90% of applicants are small business, 90% of the \$240,000 is attributable to small businesses or \$216,000.</p> <p>Direct Benefits: Preserving approximately \$240,000 (of which 90% is \$216,000) in fee revenue over the term of the initial three-year license that would otherwise be lost without the regulatory change. VDH estimates that an increase in the initial fee for HCO licenses may reduce the annual number of new applicants by 20% (240 instead of 300).</p> <ul style="list-style-type: none"> <li>• Require HCO licensees to submit their written requests for a license change or exemption on a prescribed form.</li> </ul> <p>Direct Costs: \$0 per HCO licensee.</p> <p>Direct Benefits: \$60,204 benefit for VDH by saving approximately 4 hours of staff time (\$17.30/hr) for approximately 870 license change and exemption requests received annually. Apportioning for the speculated small business population, 90% of \$60,204 is \$54,184.</p>
(2) Quantitative Factors	Estimated Dollar Amount

Direct Costs	(a) \$2,160,000
Direct Benefits	(b) \$2,701,836
(3) Indirect Costs & Benefits	VDH is not aware of any quantifiable indirect cost or indirect benefits.
(4) Alternatives	<p>In developing the proposed regulations, the State Board of Health (Board) considered that the affected industry consists primarily of small businesses. Providing a small business exemption would result in the overwhelming number of applicants and HCO licensees being exempt from the proposed regulatory change, just as establishing performance standards or less stringent requirements specific to small business would have the effect of lowered standards and requirements in nearly every case. Consequently, there are no other alternative regulatory methods to minimizing the adverse impact on small businesses that the Board could utilize without being inconsistent with health, safety, environmental, and economic welfare in accomplishing the objectives of the General Assembly mandates.</p> <p>However, there is some flexibility built into the regulation for all regulants (not just small businesses) in that individual regulants may ask for a variance that would allow for an individualized alternative to enable compliance with the purpose of a specific regulatory standard, if compliance would otherwise be economically burdensome and be an impractical hardship unique to the regulant.</p>
(5) Information Sources	VDH historical financial records; current number of and historical trends in HCO licensee and applicant population.
(6) Optional	<p>VDH has numerous challenges and constraints that limit a cost benefit analysis, including limited data availability, limited statutory discretion, and insufficient analytical models.</p> <p>The qualitative benefits of the proposed regulatory change are ensuring VDH has adequate fee revenue to support sufficient staff to perform inspections and other oversight functions of HCOs to promote and ensure the health and safety of clients and patients who receive personal care services and skilled services from HCOs and ensuring consistent processes are followed by HCOs and VDH's staff to improve efficiency in VDH operations and integrity of licensing data.</p>

**Changes to Number of Regulatory Requirements**

**Table 5: Total Number of Requirements**

	<b>Number of Requirements</b>			
<b>Chapter number</b>	<b>Initial Count</b>	<b>Additions</b>	<b>Subtractions</b>	<b>Net Change</b>
381	218	4	4	0