



Virginia Department of Planning and Budget **Economic Impact Analysis**

18 VAC 85-20 Regulations Governing the Practice of Medicine, Osteopathic Medicine, Podiatry, and Chiropractic
Department of Health Professions
Town Hall Action/Stage: 6636 / 11018
April 28, 2026

The Department of Planning and Budget (DPB) 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 19. The analysis presented below represents DPB's best estimate of the potential economic impacts as of the date of this analysis.¹

Summary of the Proposed Amendments to Regulation

Pursuant to Chapter 464 of the 2024 Acts of Assembly,² the Board of Medicine (Board) proposes to provide a licensure pathway for foreign physicians using a system of provisional and restricted licensure.

Background

The 2024 General Assembly authorized the Board to issue a two-year provisional license to a physician licensed in a foreign country, then a subsequent renewable two-year restricted license if the physician practices in a medically underserved area. The legislation stipulates that after two years of practice under the renewable license in a medically underserved area, a foreign physician would be eligible to apply for a full, unrestricted license to practice medicine in the Commonwealth. Further, the legislation specifies that eligibility for such a license is conditional upon an applicant demonstrating certain educational and experiential qualifications to the Board

¹ Code § 2.2-4007.04 requires that such economic impact analyses determine the public benefits and costs of the proposed amendments. Further the analysis 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.

² <https://legacylis.virginia.gov/cgi-bin/legp604.exe?241+ful+CHAP0464>

and obtaining employment with a medical care facility that provides an assessment and evaluation program for physicians licensed in a foreign country.

In this action, the Board proposes rules to establish a pathway for licensure of foreign educated physicians in the Commonwealth. More specifically, the proposal would allow a foreign physician to initially practice under a two-year provisional license at a medical facility in the Commonwealth.

The foreign doctor must 1) provide evidence of licensure or authorization to practice medicine in a foreign country for five years and evidence of good standing; 2) provide evidence of a standard Educational Commission for Foreign Medical Graduates certificate or other credential evaluation services approved by the Board; 3) provide evidence of passage of Step 1 and Step 2 of the United States Medical Licensing Examination; 4) provide evidence of receipt of a degree of doctor of medicine or equivalent from a medical school in a foreign country accredited by an organization approved by the Board; and 5) provide evidence of an active agreement with a medical care facility in Virginia which shall contain information regarding the assessment and evaluation program consistent with the Board's standards. The agreement shall be executed and shall clearly define the scope of employment and the participation of the provisionally licensed physician in the assessment and evaluation program. In addition, the applicant must have practiced medicine for at least 12 months consecutively within the seven years preceding application; and shall have no grounds for denial based on provisions of § 54.1-2915 of the Code of Virginia or regulations of the Board.

Under the proposed regulations, a foreign physician who meets the enumerated requirements would be required to have an active agreement with a medical care facility to obtain a provisional license not to exceed two years at a cost of a \$55 application fee. The agreement would define the scope of employment and the participation of the provisionally licensed physician in an assessment and evaluation program. The provisionally licensed physician must practice under direct supervision for the first 12 months. If deemed appropriate by the supervising physician, the provisionally licensed physician may practice under indirect supervision after the first 12 months. The medical care facility must have an assessment and evaluation program designed to develop, assess, and evaluate the physician's clinical and nonclinical skills; and familiarity with standards appropriate for medical practice in the

Commonwealth. The assessment, evaluation, and clinical training program would utilize a clinical competency committee made up of three physicians which meets to assess and evaluate the provisionally licensed physician no less than quarterly and provide quarterly feedback to the provisionally licensed physician.

Upon successful completion of two years of practice as a provisionally licensed physician, the foreign physician would be allowed apply for a restricted license (restricted only in the sense that it is limited to practice in a designated medically underserved area or a health professional shortage area). The application fee for a restricted license to practice as a foreign physician in a designated medically underserved area or a health professional shortage area would be \$302.

After practicing for two years with a restricted license, the foreign physician would be qualified to apply for biennial renewal of a restricted license at a cost of \$377; or to apply for a full, unrestricted license to practice in the Commonwealth at a cost of \$302 for licensure in medicine or osteopathic medicine.

Estimated Benefits and Costs

According to the Department of Health Professions (DHP), the legislation creating a pathway to full licensure for qualified physicians from outside of the United States is intended to help solve shortages of every major medical profession, partially due to limited residency opportunities nationally. Liberalization of medical licensing to allow foreign educated doctors to practice is one approach to solve physician supply shortages.³ An article by the Federation of State Medical Boards⁴ shows that as of April, 2026 22 states have enacted legislation to provide a licensure pathway for internationally trained physicians, and 19 states have had pending or proposed similar legislation in the recent past.

Although it appears that the proposal is quite broad in that it would provide a pathway to any type of physician from any country to practice in the Commonwealth so long as they meet the qualifications enumerated above, DHP notes that having to have an active agreement with a qualified medical facility may be the most limiting requirement in several ways.

³ <https://www.amjmed.com/action/showPdf?pii=S0002-9343%2825%2900530-3>

⁴ <https://www.fsmb.org/siteassets/advocacy/policies/states-with-enacted-and-proposed-additional-img-licensure-pathways-key-issue-chart.pdf>

First, medical facilities are required to provide ongoing supervision, develop, assess, and evaluate the foreign physician's clinical and nonclinical skills, and familiarity with standards appropriate for medical practice in the Commonwealth. The assessment, evaluation, and clinical training program would utilize a clinical competency committee made up of three physicians which meets to assess and evaluate the provisionally licensed physician no less than quarterly and provide quarterly feedback to the provisionally licensed physician. DHP notes that while relatively large facilities may have resources to meet these requirements, smaller facilities may lack such resources. Thus, only a subset of medical facilities may have the resources required to initially hire a foreign doctor for the provisional license.

Second, eligible medical facilities are under no obligation to hire foreign physicians that would practice under a provisional license. Their decision to hire foreign physicians would be dictated by their needs and associated costs, including potential risks they may face. In essence, for a qualified medical facility it may not make business sense to hire a foreign doctor.

Third, following the two-year provisional license phase, the proposal limits the facilities that can hire a foreign doctor with a restricted license to those that are in a designated medically underserved area or a health professional shortage area. Data from the federal Health Resources and Services Administration data warehouse shows that there are 172 medically underserved areas/populations⁵ and 159 primary care shortage areas⁶ in Virginia.

According to DHP, these considerations may significantly limit the number of foreign physicians that could be licensed through this new pathway. For example, DHP is anecdotally aware of at least 100 foreign physicians in the Commonwealth that may have an interest in obtaining a provisional license. However, DHP also believes that of the 100 such interested individuals, only a few may be provisionally licensed in the end due to the limitations posed by the eligible facility types; and training, assessment, and evaluation obligations.

Businesses and Other Entities Affected

The proposed regulation would primarily affect medical facilities that provide training, assessment, and evaluation for provisional licensure of foreign doctors and medical facilities in underserved or health professional shortage areas that can hire foreign doctors with a restricted

⁵ <https://data.hrsa.gov/data/data-explorer/?ds=17>

⁶ <https://data.hrsa.gov/data/data-explorer/?ds=15>

license; and qualified foreign doctors who wish to practice in the Commonwealth. To the extent, the number of foreign doctors that qualify for full unrestricted license after four years, other medical facilities may be affected as they could hire such foreign doctors. None of the medical facilities where foreign doctors can work provisionally or medical facilities in underserved or health professional shortage areas that can hire foreign doctors with a restricted license; or qualified foreign doctors appear to be disproportionately affected.

The Code of Virginia requires DPB to assess whether an adverse impact may result from the proposed regulation.⁷ An adverse impact is indicated if there is any increase in net cost or reduction in net benefit for any entity, even if the benefits exceed the costs for all entities combined.⁸ Although the new pathway to unrestricted physician licensure may result in increased competition for some incumbent doctors, the proposal is driven by legislation. Thus, there is no adverse impact indicated on account of the proposed regulation.

Small Businesses⁹ Affected:¹⁰

Some of the affected facilities may meet the definition of small business. However, the proposed regulation does not appear to adversely affect businesses or small businesses.

⁷ Pursuant to Code § 2.2-4007.04(D): 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.

⁸ Statute does not define “adverse impact,” state whether only Virginia entities should be considered, nor indicate whether an adverse impact results from regulatory requirements mandated by legislation. As a result, DPB has adopted a definition of adverse impact that assesses changes in net costs and benefits for each affected Virginia entity that directly results from discretionary changes to the regulation.

⁹ 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.”

¹⁰ 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.

Localities¹¹ Affected¹²

The proposal particularly affects localities that have a shortage of physicians. However, the proposal does not substantively affect costs for local governments.

Projected Impact on Employment

The proposed legislation may help with under employment of foreign doctors already living in the United States or add to the supply of doctors if they come from other countries.

Effects on the Use and Value of Private Property

Qualified private medical facilities offering training, assessment, and evaluation for a provisional licensure of foreign doctors and medical facilities in underserved or health professional shortage areas would have the ability to hire foreign doctors if it helps with their profits. Thus, to the extent they hire such doctors, there should be a positive impact on their asset values. No other effects on the use and value of private property, nor on real estate development costs are expected.

¹¹ “Locality” can refer to either local governments or the locations in the Commonwealth where the activities relevant to the regulatory change are most likely to occur.

¹² § 2.2-4007.04 defines “particularly affected” as bearing disproportionate material impact.