



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

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### **18 VAC 90-20 – Department of Health Professions, Board of Nursing Regulations Governing the Practice of Nursing October 27, 2003**

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The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.G of the Administrative Process Act and Executive Order Number 21 (02). Section 2.2-4007.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 board of nursing (the board) proposes to permanently raise its licensure fees to meet the requirements of HB 1441 and HB 1871 of the 2003 General Assembly. The new fee schedule incorporating the fiscal effect of HB 1441 has been in effect since July 2003 under the emergency regulations. The fiscal effect of HB 1871 has not been incorporated in the fee schedule under emergency regulations, but will be incorporated with this permanent action.

### **Estimated Economic Impact**

The proposed changes permanently increase various licensure fees paid by registered and licensed practical nurses. The purpose of the fee increase is to collect additional revenues to comply with the requirements of HB 1441 and HB 1871. HB 1441 strengthens the requirements for health care institutions to report misconduct by nurses. As a result, the board expects 350 additional reports or complaints, 315 full investigations, 78 informal conferences, and 22 formal hearings. Also, about 174 confidential consent agreements (a new disciplinary instrument introduced by the bill) are expected. The total fiscal effect of increased reporting, investigations,

disciplinary proceedings, and enforcement is estimated to be approximately \$2.1 million budget shortfall for the board of nursing per biennium. The board already increased the biennial license renewal fee by \$12 and other fees accordingly to finance the fiscal effect of HB 1441 under the emergency regulations.

HB 1871 will create additional budget shortfall for the agency. This bill mandates Virginia's membership in a multi-state nursing compact starting in January 2005. A nurse holding a license from any of the member states<sup>1</sup> will be allowed to practice everywhere in the compact. Currently, nurses are required to hold multiple licenses if they practice in more than one state. The reciprocal recognition of licenses among the members will eliminate the need to retain a Virginia license for those who practice in Virginia based on a multi-state licensure privilege. Thus, the number of licenses issued by the board is expected to decrease by 9,667, which will cause a significant reduction in biennial renewal fees, license verification fees, and licensure-by-endorsement fees. Although there is likely to be some savings from fewer licensees and applicants, the costs associated with disciplinary proceedings related to individuals with multi-state licensure privilege will continue to be borne by the Commonwealth and there will be new staff, training, and database expenditures associated with administration of the compact agreement. A significant decrease in revenues coupled with only a modest decrease in licensure costs and additional new expenditures is projected to produce \$1.3 million net budget shortfall (\$13 per license) every two years.

The proposed fee changes to finance the anticipated \$3.4 million shortfall are as follows:

- Increase application fee from \$105 to \$130 for both licensure by examination and by endorsement.
- Increase biennial renewal fee from \$70 to \$95.
- Increase late fee for biennial renewal from \$25 to \$35.
- Increase reinstatement fee for a lapsed license (a license not renewed within two years after expiration) from \$120 to \$145.
- Increase reinstatement fee for a suspended or revoked license from \$160 to \$185.

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<sup>1</sup> Currently there are 19 states signed the compact and there are others in the process.

While the purpose of the proposed increase in fee schedule is to finance the additional expenditures introduced by HB 1441 and HB 1871, failure to collect additional revenues would undermine the ability of the board to perform all of its functions rather than only those functions recently introduced by the statutory changes. Thus, the benefit of the proposed fee increases is maintaining the level of public service provided by the board (i.e. protecting public health and safety through licensing, investigations of complaints, adjudication of disciplinary cases, review of and approval of nursing education programs, etc.).

Although the total increase in compliance costs amounts to \$3.4 million per biennium, from an individual perspective, a \$25 increase in fees is a small portion of the total cost of entry (including all education and training expenses) into nursing profession. Thus, while higher fees may discourage some individuals, particularly those considering part-time work, from seeking licensure and offering their services, the proposed fee increases are unlikely to significantly alter the decision of individuals to entry or exit the profession and consequently are not expected to significantly affect the supply of nurses in Virginia.

### **Businesses and Entities Affected**

There are currently 85,718 registered nurses and 27,236 practical nurses licensed in the Commonwealth.

### **Localities Particularly Affected**

The proposed fee increases do not affect any particular locality more than others.

### **Projected Impact on Employment**

Since the increase in licensure fees is a relatively small portion of the total cost of entry, no significant effect on employment in nursing profession is expected. However, it is anticipated that additional 27 full time administrative positions will be needed by the boards of medicine, nursing, and pharmacy as a result of HB 1441. Of the 27, the number of positions that will be devoted to the board of nursing is not known at this time. Additionally, it is estimated that HB 1871 will increase the staffing needs for the board of nursing by two positions. All of these positions will be filled as needed.

## **Effects on the Use and Value of Private Property**

The proposed fee increases are not expected to significantly affect the use and value of private property.