

Office of Regulatory Management
Economic Review Form

Agency name	State Board of Health
Virginia Administrative Code (VAC) Chapter citation(s)	12 VAC 5-381
VAC Chapter title(s)	Regulations for the Licensure of Home Care Organizations
Action title	Fee Change for Home Care Organizations after Enactment of Chapter 172 (2022 Acts of Assembly)
Date this document prepared	February 25, 2025
Regulatory Stage (including Issuance of Guidance Documents)	Fast-Track

Cost Benefit Analysis

Complete Tables 1a and 1b for all regulatory actions. You do not need to complete Table 1c if the regulatory action is required by state statute or federal statute or regulation and leaves no discretion in its implementation.

Table 1a should provide analysis for the regulatory approach you are taking. Table 1b should provide analysis for the approach of leaving the current regulations intact (i.e., no further change is implemented). Table 1c should provide analysis for at least one alternative approach. You should not limit yourself to one alternative, however, and can add additional charts as needed.

Report both direct and indirect costs and benefits that can be monetized in Boxes 1 and 2. Report direct and indirect costs and benefits that cannot be monetized in Box 4. See the ORM Regulatory Economic Analysis Manual for additional guidance.

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

(1) Direct & Indirect Costs & Benefits (Monetized)	• Increase home care organization (HCO) licensure fee to \$1,500 per license and the term of the license to three years. Direct Costs: \$1,000 increase per applicant for an initial license, which is currently \$500. 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). 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 this supersedes the regulation. 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. Indirect Costs & Benefits: VDH is unaware of any indirect monetized costs or benefits at this time. • Require HCO licensees to submit their written requests for a license change or exemption on a prescribed form. Direct Costs: \$0 per HCO licensee. Direct Benefits: \$21,435 benefit for VDH by saving approximately 4 hours of staff time (\$20.07/hr) for approximately 267 license change and exemption requests received annually. Indirect Costs & Benefits: VDH is unaware of any indirect costs or benefits at this time.	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a) \$2,400,000	(b) \$2,661,435
(3) Net Monetized Benefit	\$261,435	
(4) Other Costs & Benefits (Non-Monetized)	It is possible that HCOs with more initial funding will have the resources to invest in essential aspects of care delivery, like staff training, better equipment, and more comprehensive patient services. This indicates that a higher initial fee could “select” for HCOs with sound financial management that are better equipped to balance operational costs while maintaining or enhancing high quality care for their clients. Also, with	

	the increasing issue of Medicaid fraud among HCOs in Virginia, financially stable organizations may be more likely to implement compliance systems and other internal controls to reduce the risk of fraudulent practices.
(5) Information Sources	VDH historical financial records; current number of and historical trends in HCO licensee and applicant population.

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

(1) Direct & Indirect Costs & Benefits (Monetized)	- HCO licensure fee is \$500 for an initial license. 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. Direct Benefits: Initial HCO licensees would save \$1,000 over the term of the initial three-year license. Indirect Costs & Benefits: VDH is unaware of any indirect costs or benefits at this time. - Require HCO licensees to submit their written requests for a license change or exemption without prescribing the form to use. Direct Costs: \$0 per HCO licensee. \$21,435 cost for VDH of 4 hours of staff time (\$20.07/hr) for approximately 267 license change and exemption requests received annually. Direct Benefits: VDH is not aware of any quantifiable direct benefits at this time. Indirect Costs & Benefits: VDH is unaware of any indirect costs or benefits at this time.	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a) \$3,021,435	(b) \$3,000,000
(3) Net Monetized Benefit	-\$21,435	
(4) Other Costs & Benefits (Non-Monetized)	VDH is unaware of any non-monetized costs or benefits at this time.	

(5) Information Sources	VDH historical financial records; current number of and historical trends in HCO licensee and applicant population.
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Table 1c: Costs and Benefits under Alternative Approach(es)

(1) Direct & Indirect Costs & Benefits (Monetized)	- HCO licensure fees is \$1,000 for an initial license. 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). Direct Benefits: Initial HCO licensees would save \$500 over the term of the initial three-year license. Indirect Costs & Benefits: VDH is unaware of any indirect costs or benefits at this time. - Require HCO licensees to submit their written requests for a license change or exemption without prescribing the form to use. Direct Costs: \$0 per HCO licensee. \$21,435 cost for VDH of 4 hours of staff time (\$20.07/hr) for approximately 267 license change and exemption requests received annually. Direct Benefits: VDH is not aware of any quantifiable direct benefits at this time. Indirect Costs & Benefits: VDH is unaware of any indirect costs or benefits at this time.	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a) \$1,296,435	(b) \$1,275,000
(3) Net Monetized Benefit	-\$21,435	
(4) Other Costs & Benefits (Non-Monetized)	VDH is unaware of any non-monetized costs or benefits at this time.	
(5) Information Sources	VDH historical financial records; current number of and historical trends in HCO licensee and applicant population.	

Impact on Local Partners

Use this chart to describe impacts on local partners. See Part 8 of the ORM Cost Impact Analysis Guidance for additional guidance.

Table 2: Impact on Local Partners

(1) Direct & Indirect Costs & Benefits (Monetized)	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.	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a) \$0	(b) \$0
(3) Other Costs & Benefits (Non-Monetized)	VDH is unaware of any non-monetized costs or benefits at this time for local partners.	
(4) Assistance	N/A	
(5) Information Sources	See response to (1) of this Table.	

Impacts on Families

Use this chart to describe impacts on families. See Part 8 of the ORM Cost Impact Analysis Guidance for additional guidance.

Table 3: Impact on Families

(1) Direct & Indirect Costs & Benefits (Monetized)	Families will not incur any direct or indirect costs or benefits of the regulatory change as they are not subject to the mandates contained in 12VAC5-381.	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a) \$0	(b) \$0
(3) Other Costs & Benefits (Non-Monetized)	It is possible that families receiving care from HCOs with strong financial health are more likely to get high quality care.	

(4) Information Sources	See response to (1) of this Table.
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Impacts on Small Businesses

Use this chart to describe impacts on small businesses. See Part 8 of the ORM Cost Impact Analysis Guidance for additional guidance.

Table 4: Impact on Small Businesses

(1) Direct & Indirect Costs & Benefits (Monetized)	• Increase home care organization (HCO) licensure fees to \$1,500 per license and the term of the license to three years. Direct Costs: \$1,000 increase per applicant for an initial license, which maintains 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 voluntarily disclose 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, or \$216,000, is attributable to small businesses. 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). Indirect Costs & Benefits: VDH is unaware of any indirect costs or benefits at this time. • Require HCO licensees to submit their written requests for a license change or exemption on a prescribed form. Direct Costs: \$0 per HCO licensee. Direct Benefits: \$21,435 benefit for VDH by saving approximately 4 hours of staff time (\$20.07/hr) for approximately 267 license change and exemption requests received annually. Apportioning for the speculated small business population, 90% of \$21,435 is \$19,212.
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	Indirect Costs & Benefits: VDH is unaware of any indirect costs or benefits at this time.	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a) \$2,160,000	(b) \$2,179,212
(3) Other Costs & Benefits (Non-Monetized)	VDH is unaware of any non-monetized costs or benefits at this time for small businesses.	
(4) Alternatives	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. 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. 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.	
(5) Information Sources	VDH historical financial records; current number of and historical trends in HCO licensee and applicant population.	

Changes to Number of Regulatory Requirements

Table 5: Regulatory Reduction

For each individual action, please fill out the appropriate chart to reflect any change in regulatory requirements, costs, regulatory stringency, or the overall length of any guidance documents.

Change in Regulatory Requirements

VAC Section(s) Involved*	Authority of Change	Initial Count	Additions	Subtractions	Total Net Change in Requirements
	(M/A):	1			

12VAC5-381-40	(D/A):	5			
	(M/R):				
	(D/R):	3			
12VAC5-381-70	(M/A):	2			
	(D/A):	2			
	(M/R):	2			
	(D/R):	1			
Grand Total of Changes in Requirements:					(M/A): 0
					(D/A): 0
					(M/R): 0
					(D/R): 0

Key:

Please use the following coding if change is mandatory or discretionary and whether it affects externally regulated parties or only the agency itself:

(M/A): Mandatory requirements mandated by federal and/or state statute affecting the agency itself

(D/A): Discretionary requirements affecting agency itself

(M/R): Mandatory requirements mandated by federal and/or state statute affecting external parties, including other agencies

(D/R): Discretionary requirements affecting external parties, including other agencies

Cost Reductions or Increases (if applicable)

VAC Section(s) Involved*	Description of Regulatory Requirement	Initial Cost	New Cost	Overall Cost Savings/Increases
12VAC5-381-70	Change in fee from \$500 annually to \$1,500 triennially for initial and renewal HCO license applications	\$2,400,000	\$2,661,435	\$261,435