Office of Regulatory Management

Economic Review Form

Agency name	Department of Behavioral Health and Developmental Services (DBHDS)
Virginia Administrative Code (VAC) Chapter citation(s)	12VAC35-106
VAC Chapter title(s)	General Rules and Regulations for Licensing Providers by the Department of Behavioral Health and Developmental Services
Action title	Regulatory Restructuring - General Chapter (Part 1 of 7)
Date this document prepared	12/17/2025
Regulatory Stage (including Issuance of Guidance Documents)	NOIRA

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)	Chapter 106, General Rules and Regulations for licensing providers by the Department of Behavioral Health and Developmental Services (DBHDS), applies to every provider licensed by DBHDS. Additional requirements related to specific services also apply. Service-specific chapters regarding those requirements are listed in their respective chapter. The purpose of this chapter is to reduce the effects of regulatory accumulation on firms and DBHDS by restructuring fractured regulations applicable to all providers in one cohesive chapter. This regulatory overhaul will reduce the administrative burden provides face while navigating the Virginia Administrative Code. The following regulatory changes are anticipated to result in a direct or indirect monetary cost or benefit: Direct costs: • 12VAC35-106-10 and 12VAC35-106-20: One-time providers compliance costs: updating policies, procedures, and forms to reflect new definitions, application and modification processes, and licensing types. Estimated per-provider one-time staff and administrative time: 10-40 hours. At an assumed cost of $30/hour for total compensation: $300-$1200. • 12VAC35-106-60: Unannounced inspections and documentation availability may require additional staff time; estimated recurring annual provider cost could be estimated from $100-$1200 a year (3-40 hours/year at $30/hour of administrative assistant cost and depending on the size of the firm). • 12VAC35-106-250 Providers must have evidence of both a valid drivers license and DMV driving record for employees transporting individuals. DMV driving records cost $9. • 12VAC35-106-360 through 560. Development of organizational policies, procedures, and practices in line with new regulations may take between 20-40 hours depending on the existing policies of the firm. At an assumed cost of $50/hour for total compensation of an average human resources specialist, $1000-$2000. • 12VAC35-106-390 Cost of storing the records can include requiring large, multi-drawer fire- and waterproof cabinets for medical record storage average $3,500.

	Direct Benefits • Restructuring the entirety of 12VAC35-105 is to achieve the goal of reducing the effects of regulatory accumulation on firms as well as reducing the impact of fragmented regulatory accumulation on licensing staff at DBHDS. Staff surveys revealed that licensing specialists spend an average of 6.5 hours per week answering technical questions regarding licensing regulations from providers. The average annual compensation package for licensing staff is $107,400 which translates to an hourly rate of $51.63, thus 6.5 hours spent assisting providers navigate licensing regulations comes to an annual department expenditure of $536,664.37 after accounting for indirect Medicaid reimbursement for licensing work**.** Regulatory restructuring is projected to save the department and thus taxpayers $536,664.37 dollars. • 12VAC-35-106-380: Providers are required to establish regular business hours for each location a provider operates to ensure that DBHDS can conduct unannounced inspections and investigations and submit the regular business hours to the department. o The purpose of this new regulation is to reduce the burden placed on licensing staff that conduct investigations. Surveys of licensing staff indicate that approximately 280 hours of licensing staff time is wasted in a fiscal year traveling to various providers across the commonwealth who are closed. This requirement will save taxpayers approximately $14,456.40 annually.

(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a) $7,909	(b) $551,120.77
(3) Net Monetized Benefit	$543,211.77	

(4) Other Costs & Benefits (Non-Monetized)	Direct Benefit • 12VAC35-106-10 and 12VAC35-106-20: Centralization of fragmented authority and applicability and definitions regulations due to regulatory accumulation reduces administrative burden placed on providers of sorting through • 12VAC35-106-40: Applicant financial solvency will be evaluated by licensing staff to ensure long-term financial health of business ensuring long term continuity of care for individuals receiving

	services. Applicants are required to submit a succession plan. Among S&P 1500 corporations, external hires of CEOs in corporations are typically paid 15% more than CEOs hired internally. Additionally, in the same corporations, lack of a succession plan can see a 1% decrease in shareholder value. A report by the Society for Human Resource Management revealed that the cost of replacing a highly skilled employee can exceed 200% of their annual salary. • 12VAC35-106-120: When providers receive a corrective action plan from the Department of Behavioral Health and Developmental Services (the Department or DBHDS) because of an investigation determining non-compliance, providers are given structured and regulatory assistance by the Department and are offered three attempts to improve compliance to regulations. • 12VAC35-106-160: Without consent agreements, the alternative would be revocation of a provider's license, consent agreements allow the Department and the provider to facilitate the providers operation in accordance with applicable regulation without further adverse action allowed providers to continue to provide services to individuals. • 12VAC35-106-180 through 220: New regulations concerning provider management and administration under Part IV Article 1 include: increased transparency of organizational structure improves business function and efficiency, clear executive director qualifications ensures that providers have leadership with relevant tangible qualifications, systems of financial recordkeeping in line with proper accounting principles increases business function and efficiency. • 12VAC35-106-270: Students or volunteers providing direct care services must be supervised by provider employees or contractors, this will ensure individuals receiving care are receiving care in a proper manner. This will also help with workforce development if students choose to go into public behavioral health service upon graduation. • 12VAC35-106-310: Provider staffing plan adds General Education Development certificate holders to the list of individuals eligible for direct care positions this increases the pool of potential hires for the provider which may reduce vacancy times. • 12VAC35-106-380: Requires providers to establish and display regular business hours for each of the providers offices where individual or personnel records are stored. The department is obligated by §37.2-411 to make unannounced inspections, some provides do not have regular hours posted making unannounced inspections impossible. • 12VAC35-106-390: Office and service locations.

	• 12VAC35-106-510: Ensuring proper management of PRN medications would protect providers from medical malpractice lawsuits if a patient were seriously injured or died from lack of PRN medication. • 12VAC35-106-560. Ensuring all employees and contractors have valid driver's licenses prior to transporting individuals receiving services prevents potential lawsuits arising if something happens during transport. Indirect Benefits • 12VAC35-106-120: A systematic approach to corrective actions could create clearer expectations across providers, promoting a more consistent regulatory environment. Reducing non-compliance through technical assistance could lower enforcement costs in the future, benefiting the regulatory body and providers.
(5) Information Sources	Fire-proof cabinets for medical records Driving Record Cost US Dept. Of Labor – Administrative Assistant wage US Dept. Of Labor – Human Resources Specialist Cost

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

(1) Direct & Indirect Costs & Benefits (Monetized)	The General Provisions Chapter outlines new regulations related to increased documentation from providers, license renewal and changes, policies for recordkeeping, organizational structure, emergency/safety regulations for individuals served, and other additions that clarify existing regulatory actions. Under the current regulations, policies regarding these items may not be as clearly written or understood or in the best interest for the care of individuals served. Further, the existing regulations are compiled in a disorganized manner making it difficult for providers to navigate the regulations that apply to the services they provide. Table 1a describes the savings the regulatory restructuring will bring taxpayers by reducing the time licensing staff responds to provider questions about the regulations under the status quo. Maintaining the regulations as they currently exist will continue to cost taxpayers $536,664.37	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a) $536,664.37	(b) $0
(3) Net Monetized Benefit	-$536,664.37	

(4) Other Costs & Benefits (Non-Monetized)	Non-monetary costs: Maintaining the existing code will ensure the continuation of providers spending time on the phone with DBHDS licensing specialists attempting to understand the code that regulate the services they provide instead of focusing on the successful operation of their practice. Non-monetary benefits: There are not expected to be any non-monetary benefits as a result of maintaining the existing regulatory structure.
(5) Information Sources	

Table 1c: Costs and Benefits under Alternative Approach(es)

(1) Direct & Indirect Costs & Benefits (Monetized)	The alternative approach to the proposed regulatory restructuring is to not implement the regulatory changes or clarifications. This will leave providers, individuals served, and their families with an unorganized, disjointed, and sprawling body of regulatory code that is that is not updated or in the best interest for the care of individuals served.	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a)	(b)
(3) Net Monetized Benefit		
(4) Other Costs & Benefits (Non-Monetized)		
(5) Information Sources		

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)	There is not expected to be in changes in the regulation that result in monetary costs or benefits on local partners.

(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a)	(b)
(3) Other Costs & Benefits (Non-Monetized)	There is not expected to be in changes in the regulation that result in monetary costs or benefits on local partners.	
(4) Assistance		
(5) Information Sources		

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)	There is not expected to be in changes in the regulation that result in monetary costs or benefits on families.	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a)	(b)
(3) Other Costs & Benefits (Non-Monetized)	Benefits • 12VAC35-106-400: A provider's fee schedule shall be available to the individual receiving services or their authorized representative upon request. Individuals receiving services or their authorized representative will be aware of the costs of the services they are receiving. • 12VAC35-106-440: The provider shall implement a written policy that defines the process for transitioning or discharging an individual who experiences an emergency or crisis that the provider is not equipped to serve. This will ensure that individuals receiving services are properly transitioned or discharged to a facility that is properly equipped to handle an individual experiencing an emergency a crisis. This will also	

	provide peace of mind to the family of the individual receiving services. • 12VAC35-106-500: Providers shall publish, post in a manner accessible to individuals receiving services, and make available to individuals, and if applicable, their authorized representatives, service descriptions. The provider shall make the service descriptions available for public review. Individuals served, their families, and the general public will be able to have more clarity service area descriptions • 12VAC35-106-510: Providers shall implement written policies concerning self-administration of medication by individuals receiving services and recognition of side effects. • 12VAC35106-510: Ensuring proper management of PRN medications will ensure individuals receiving services and their families that over-the-counter medications or prescription medications are available as needed for the individual receiving services. • 12VAC35-106-560: Ensuring all employees and contractors have valid driver's licenses prior to transporting clients of the provider ensures that individuals receiving services are safely transported by licensed drivers.
(4) Information Sources	

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)	It is impossible to determine the cost or benefits this regulatory restructuring will cause for small businesses as it is impossible to determine the amount of providers that are classified as small businesses.	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a)	(b)

(3) Other Costs & Benefits (Non-Monetized)	
(4) Alternatives	
(5) Information Sources	

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):				
	(D/A):				
	(M/R):				
	(D/R):				
				Grand Total of Changes in Requirements:	**(M/A):**
					(D/A):
					(M/R):
					(D/R):

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

Other Decreases or Increases in Regulatory Stringency (if applicable)

VAC Section(s) Involved*	Description of Regulatory Change	Overview of How It Reduces or Increases Regulatory Burden

Length of Guidance Documents (only applicable if guidance document is being revised)

Title of Guidance Document	**Original Word Count**	**New Word Count**	**Net Change in Word Count**

*If the agency is modifying a guidance document that has regulatory requirements, it should report any change in requirements in the appropriate chart(s).