

Economic Impact Statement
LSA Document #06-427

IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses**Description of Rule:**

The Indiana State Department of Health (ISDH) has responsibility for the licensure and regulation of hospitals pursuant to [IC 16-21](#). Thirty-six of those hospitals have federal designations as Critical Access Hospitals because they are considered rural hospitals under federal regulations. This designation brings much needed federal funding otherwise unavailable to these critical access hospitals. The federal regulations consider various factors such as population of the county in which the hospital is located. Two critical access hospitals will lose their critical access hospital designation because of the increase of population in their county of location. Once lost, the designation cannot be regained. These hospitals serve a part of the county not affected by the population increase and remain "rural hospitals" for all other purposes.

The federal regulations allow critical access hospitals who do not meet the federal criteria to remain as critical access hospitals if they qualify as "rural hospitals" under a state law or rule. This rule amendment provides a definition of rural hospital that is reasonable and accomplishes the purpose of protecting the critical access hospital designation for hospitals that serve rural areas of Indiana.

Economic Impact on Small Businesses:**1. Estimate of the number of small businesses, classified by industry sector, that will be subject to the proposed rule.**

[IC 4-22-2.1-4](#) defines a small business as any person, firm, corporation, limited liability company, partnership, or association that:

- (1) is actively engaged in business in Indiana and maintains its principal place of business in Indiana;
- (2) is independently owned and operated;
- (3) employs one hundred (100) or fewer full-time employees; and
- (4) has gross annual receipts of five million dollars (\$5,000,000) or less.

The ISDH licenses 140 hospitals. The North American Industry Classification System classifies these institutions as General Medical and Surgical Hospitals (NAICS 622110). The ISDH reviewed data reported by the licensed hospitals. After review of the most recent data submitted by Indiana hospitals, the ISDH has determined that no Indiana hospitals regulated by the proposed rule meet the definition of a small business. All Indiana hospitals reported gross annual receipts in excess of \$5,000,000. Nineteen hospitals reported fewer than 100 full-time employees but most, if not all of these hospitals, are not independently owned and operated. These are primarily long term care hospitals classified as hospitals within hospitals.

Conclusion:

Because no Indiana hospitals licensed under this rule are a small business, there is no economic impact of the proposed rule on small businesses.

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