

Economic Impact Statement
LSA Document #07-657

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 health facilities under [IC 16-28](#). Health facilities are licensed to provide two levels of care, comprehensive or residential. About 514 health facilities are licensed to provide comprehensive care, and about 88 health facilities are licensed to provide residential care. About 100 of the 605 facilities are licensed to provide both comprehensive and residential care.

This proposed rule amends the current long-term care licensure rule. This proposed rule amendment:

- (1) requires automatic fire sprinkler systems and battery operated or hard-wired smoke detectors in each room of a comprehensive care facility,
- (2) clarifies license requirements for administrators of comprehensive and residential care facilities, and
- (3) amends the definition of the word "children".

The proposed rule uses the language of Senate Enrolled Act 93 of 2007 that requires sprinkler systems and smoke detectors in comprehensive care facilities. The statute and rule required a facility to have installed a sprinkler system and smoke detectors in each resident's room by July 1, 2012.

Senate Enrolled Act 333 of 2007 creates separate licensure for administrators of comprehensive and residential care facilities, and those new requirements are referenced in the proposed rule. These separate licensure requirements include establishing separate education, experience, and training requirements that must be established by the Indiana Professional Licensing Agency.

The definition of "children" was modified to define a child in terms of chronological age and to be more consistent with the FSSA definition.

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 does not have access to information regarding the gross annual receipts or any other financial information from health facilities licensed under [IC 16-28](#). Without that information the determination of whether a health facility affected by this rule is a small business cannot be determined.

2. Estimate of the average annual reporting, record keeping, and other administrative costs that small businesses will incur to comply with the proposed rule.

Assuming that some of the long-term care facilities meet the definition of a small business, which is unlikely, any reporting, record keeping, and other administrative costs to them will be minimal. This proposed rule is unlikely to increase any such costs for a facility.

3. Estimate of the total annual economic impact that compliance with the proposed rule will have on all small businesses subject to the rule.

Assuming that some of the long-term care facilities meet the definition of a small business, which is unlikely, the total annual economic impact of compliance with this proposed rule will vary with the size of the facility. A survey of facility beds done in December 2006 by the ISDH indicated that costs could range from \$175 to \$400 per room for system installation.

4. Statement justifying any requirement or cost that is imposed on small businesses by the rule; and not expressly required by the statute authorizing the agency to adopt the rule; or any other state or federal law.

The proposed rule does not impose any requirement in addition to what is required by the statute.

5. Regulatory Flexibility Analysis

Other factors considered:

A. Establishment of less stringent compliance or reporting requirements for small businesses.

The underlying statutes do not allow for less stringent compliance for any entity.

B. Establishment of less stringent schedules or deadlines for compliance or reporting requirements for small businesses.

The underlying statutes provide a substantial period of time (5 years) for comprehensive long-term care facilities to come into compliance with the sprinkler and smoke detector requirements. Most such facilities are already in compliance with the requirements for sprinkler systems.

C. Consolidation or simplification of compliance or reporting requirements for small businesses.

The simplicity and specificity of the statute leave no need or regulatory room for flexibility. The proposed rule is not difficult to understand or to follow.

D. Establishment of performance standards for small businesses instead of design or operational standards imposed on other regulated entities by the rule.

The implementation of performance standards is not relevant to this situation.

E. Exemption of small businesses from part or all of the requirements or costs imposed by the rule.

The statute provides no exemptions for part or all of the requirements imposed.

Conclusion

The proposed rule will be unlikely to impact small business as defined by [IC 4-22-2.1-4](#). If any facilities meet the definition, the impact on the facility will be based on size and number of rooms in the facility. Costs will vary depending on the installation costs charged and the system selected. System installation costs are estimated from \$175 to \$400 per room. This is not an impact that the rule can mitigate. The requirements of the rule for sprinklers and smoke detectors reflect the specific requirements of the underlying statute.

Posted: 04/09/2008 by Legislative Services Agency

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