

ATTACHMENT 1  
ECONOMIC IMPACT STATEMENT

A. Estimated Private Sector Cost Impacts

Estimated economic impacts were calculated by conducting outreach with affected stakeholders to determine the scale of projected impacts. Where relevant and appropriate, the Department of Justice (Department) analyzed instances of prior stakeholder engagement and recent historical data and trends to determine projected economic impacts that businesses or individuals may incur to comply with this regulation over its lifetime. For example, the Department conducted outreach with research partners in order to determine the estimated economic impact, in the form of time and resources, which a research partner may incur to comply with this regulation over its lifetime.

Impacts on certain businesses and individuals were considered, but ultimately excluded from this economic impact analysis. It was determined that this regulation had no economic impact on the following businesses: hospitals and practitioners, pharmacies and pharmacists, veterinary practices and veterinarians, dental practices and dentists, and other health care institutions or medical providers. This is because the isolated economic impacts to these businesses that are attributable to this regulation, rather than the underlying statutes, are nominal, if existent. If a hospital was determined to have a measureable economic impact from this regulation, it was captured and quantified as a Health Information Technology (HIT) System for purposes of these calculations. This regulation results in a nominal economic impact to Out-of-State Prescribers and Out-of-State Pharmacists, which was excluded because it strictly impacted out-of-state businesses and individuals.

B. Estimated Costs

Estimated costs were calculated by assessing the impact on businesses and individuals incurred in one year. These costs were then multiplied by the 10-year projected lifetime of this regulation. Given the frequency with which bills amend or change the enabling statutes that pertain to this regulation, costs were estimated on a 10-year projected lifetime. There are no annual ongoing costs that businesses and individuals must incur to comply with this regulation over its lifetime. This means that the total cost was estimated by assessing the sum of all initial costs that any business or individual may incur to comply with this regulation over its lifetime. The following costs for small businesses, typical businesses, and individuals, are based on the costs that all expected businesses or individuals may incur to comply with this regulation over its lifetime.

As established in this regulation, each HIT System must pay a Connectivity Fee of \$1,500 in order to interface with the Department's Information Exchange Web Service (IEWS). The Department estimates that as few as 10 and as many as 20 HIT System businesses would apply to connect to the IEWS each year, resulting in a total of 100 to 200 HIT Systems over the 10-year lifetime of the regulation. Accordingly, the Department estimates that HIT System

businesses would incur costs of approximately \$15,000 to \$30,000 annually, or \$150,000 to \$300,000 for 10 years (the lifetime of the regulation).

For each of the 10 to 20 HIT System businesses that would apply to connect to the IEWS, the Department anticipates that it would take as few as 50 hours and as many as 672 hours (four months) to make the changes necessary to meet the Department's technology requirements. The Department determined that 55% of HIT System businesses would take as few as 50 hours and 45% of HIT System businesses would take as many as 672 hours to make the changes necessary to meet the Department's technology requirements. The Department determined that the average hourly rate for a Web Services Engineer is \$100. As such, the Department estimates that HIT Systems would incur costs of approximately \$329,900 to \$659,800 annually, or \$3,299,000 to \$6,598,000 for 10 years (the lifetime of the regulation).

The Department further determined that 47.3% of HIT Systems would be small businesses and 52.7% would be typical businesses. In order to calculate the low range of costs that could be incurred by small business HIT Systems as a result of the regulation, the Department summed the low range estimates (\$150,000 and \$3,299,000) to determine the total cost to HIT Systems, multiplied that total by 47.3% to determine the total cost of small business HIT Systems, and divided that total by the estimated number of small businesses (95 Hit Systems (47.3%) of the 200 estimated HIT Systems) to determine the individual cost for a small business HIT System. The same logic was applied to the high range of small business HIT Systems and both the low and high range of costs for typical business HIT Systems. See Figure 1 below for a breakdown of those costs estimates.

The Department estimates that as few as 7 and as many as 14 Research Organizations would apply for a data sharing agreement each year, resulting in a total of 70 to 140 Research Organizations over the 10-year lifetime of the regulation. Because the individuals who would perform duties related to research functions vary broadly, the Department used a Research Analyst classification as the basis for estimating the low economic impact of the regulation on the research community and a Health Policy Analyst classification as the basis for estimating the high economic impact of the regulation on the research community. The Department determined the average salary of a Research Analyst to be \$49,000, or \$24.50 hourly, and the average salary of a Health Policy Analyst to be \$80,167, or \$40.08 hourly. The Department determined that each research application could take as few as 50 hours and as many as 80 hours to complete, for a total of \$1,225 to \$3,206 per application. Estimating that it would receive a total of 70 to 140 research requests over the 10-year lifetime of the regulation, the Department approximates the total cost of completing the research application would be \$85,750 to \$448,896.

As required by the regulation, each research application would need to be accompanied by at least one notarization, which may cost as little as \$2, or as much as \$20. The Department estimates that as few as 4 and as many as 30 individuals will need to complete the notary requirement for each application (70 to 140 applications over the 10-year lifetime of the regulation). For the low range, the Department estimated that half of notarizations would cost \$2 and half would cost \$20. For the high range, the Department estimated \$20 per person. As such,

the Department estimates that research organizations would incur costs of approximately \$3,080 to \$84,000 related to notarizations over 10 years (the lifetime of the regulation).

Further, any Research Requestor who would have access to Identified Individual-Level Data would be required to undergo a fingerprint background check. The Department estimates that as few as 1 and as many as 5 individuals will need to undergo a background check annually. A State-level and federal-level fingerprint background check would cost \$49. As such, the Department estimates that research organizations would incur costs of approximately \$490 to \$2,450 related to background checks over 10 years (the lifetime of the regulation).

In determining the cost of the regulation to the research community, the Department applied the same logic as that used for HIT Systems. It summed the low range estimates, multiplied that total by 47.3% or 52.7% to determine the proportion of small or typical businesses respectively, and divided the entire total by the estimated number of businesses (66 for small business and 74 for typical business) to determine the individual cost for small or typical businesses. The results of these calculations are listed in Figure 1 below.

To determine the impact to individuals who may request their own data, the Department looked at the number of requests received over the past two years (51 in 2017 and 58 in 2018). The Department determined that as as many as 60 individuals will need to complete the notary requirement annually, or 600 that could result over the 10-year lifetime of the regulation. The only cost to individuals would result from the notarization requirement of this regulation. Each notarization may cost as little as \$2, or as much as \$20. Estimating that half of notarizations would cost \$2, and half would cost \$20, the cost of 600 notarizations would be approximately \$6,600 for 10 years (the lifetime of the regulation), or \$11 per person for the low range. The high range assumes \$20 per person and the cost of 600 notarizations would be approximately \$12,000 for 10 years.

**FIGURE 1 – ESTIMATED COSTS**

<b>Initial Costs for a Small Business</b>		
	<u>Number of Businesses</u>	<u>Total Cost for a Business</u>
Health Information Technology Systems	95	\$17,172 - \$34,345
Research Organizations	66	\$640 - \$3,836
<b>Initial Costs for a Typical Business</b>		
	<u>Number of Businesses</u>	<u>Total Cost for a Business</u>
Health Information Technology Systems	105	\$17,311 - \$34,621
Research Organizations	74	\$636 - \$3,812
<b>Initial Costs for an Individual</b>		
	<u>Number of Individuals</u>	<u>Total Cost for an Individual</u>
Individual Requestor	600	\$11 - \$20
<b>TOTAL INDIVIDUALS</b>	600	
<b>TOTAL BUSINESSES</b>	340	
<b>TOTAL COST</b>		<b>\$3,544,920 - \$7,445,346</b>

## FISCAL IMPACT STATEMENT

### A. Fiscal Effect on Local Government

Using the information gathered from affected parties, the estimated fiscal effect of three fiscal years to local government is approximately \$102,477 - \$463,275.

The estimated fiscal effects on local government were calculated by conducting outreach with affected local agencies or actors to determine the scale of projected effects. Where relevant and appropriate, the Department analyzed instances of prior engagement and recent historical data and trends to determine projected fiscal effects on local government that local agencies or actors may incur to comply with this regulation over three fiscal years. For example, the Department conducted outreach with local Law Enforcement Agencies to determine the estimated fiscal effects on local government, in the form of time and resources, which a Law Enforcement Official may incur to comply with this regulation over three fiscal years.

#### *Local Law Enforcement Impact*

The costs to local Law Enforcement Agencies related to search warrants, court orders, and prosecution subpoenas were factored into the total fiscal effect on local government. Through outreach, it was determined that each search warrant may take as few as 20 hours to process. The Department anticipates that this work would generally be completed by a Special Agent/Investigator and determined that the average salary of a Special Agent/Investigator to be \$73,100, or \$41.15 hourly. Therefore, the costs associated with a Special Agent/Investigator preparing and submitting five search warrants per year (the annual low end of the range estimated by the Department) for three fiscal years would be \$12,345. It was also determined that each search warrant may take as long as 40 hours to process. Therefore, the costs associated with a Special Agent/Investigator preparing and submitting 25 search warrants per year (the annual high end of the range estimated by the Department) for three fiscal years would be approximately \$123,450.

The Department determined the average salary of a Deputy District Attorney (DA) to be \$91,100, or \$51.29 hourly. Through outreach, it was determined that each court order may take as few as four hours to process. Therefore, the costs associated with a Deputy DA preparing and submitting five court orders per year (the annual low end of the range estimated by the Department) for three fiscal years would be \$3,075. It was also determined that each court order may take as long as 24 hours to process. Therefore, the costs associated with a Deputy DA preparing and submitting 25 court orders per year (the annual high end of the range estimated by the Department) for three fiscal years would be approximately \$92,325.

The Department determined the average hourly wage of a Legal Assistant to be \$16. Through outreach, it was determined that each subpoena may take as little as one half hour to process. The costs associated with a Legal Assistant preparing and submitting 35 subpoenas per year (the annual low end of the range estimated by the Department) for three fiscal years would be \$840.

It was also determined that each subpoena may take as long as one hour to process. The costs associated with a Legal Assistant preparing and submitting 40 subpoenas per year (the annual high end of the range estimated by the Department) for three fiscal years would be approximately \$1,920.

#### *Local Governmental Research Organizations/County Public Health Officer Impact*

Because the individuals who would perform duties related to research functions vary broadly, the Department used a Public Health Officer classification as the basis for estimating the low fiscal impact of the regulation on the local governmental research community and an Epidemiologist classification as the basis for estimating the high fiscal impact of the regulation on the local governmental research community. The Department determined the average salary of a Public Health Officer to be \$50,864, or \$28.63 hourly, and the average salary of an Epidemiologist to be \$89,558, or \$50.42 hourly. The Department determined that each research application could take as few as 50 hours and as many as 80 hours to complete, for a total of \$1,432 to \$4,034 per application. The Department estimated at most that 58 research applications would be received (one for each county public health office) over three fiscal years. The Department approximates the total cost of completing the research application would be \$83,027 to \$233,980.

As required by the regulation, each research application would need to be accompanied by at least one notarization, which may cost as little as \$2, or as much as \$20. The Department estimates that as few as 5 and as many as 10 individuals will need to complete the notary requirement for each application (58 applications over three fiscal years). For the low range, the Department estimated that half of notarizations would cost \$2 and half would cost \$20. For the high range, the Department estimated \$20 per person. As such, the Department estimates at most that local governmental research organizations would incur costs of approximately \$3,190 to \$11,600 related to notarizations over three fiscal years.

#### B. Fiscal Effect to State Government

Using the information gathered from affected parties, the estimated fiscal effect of three fiscal years to State government is approximately \$6,738 - \$19,578.

The estimated fiscal effects on state government were calculated by conducting outreach with affected state agencies or actors to determine the scale of projected effects. Where relevant and appropriate, the Department analyzed instances of prior engagement and recent historical data and trends to determine projected fiscal effects on state government that state agencies or actors may incur to comply with this regulation over three fiscal years. For example, the Department conducted outreach with state law enforcement to determine the estimated fiscal effects on state government, in the form of time and resources, which a state law enforcement official may incur to comply with this regulation over three fiscal years. Marginal impacts were determined to public research organizations that are similar to the impacts discussed for public health offices. Additionally, similar preparation and submission costs were found for state law enforcement officials, but to a considerably reduced extent.

*Department, Bureau of Medi-Cal Fraud & Elder Abuse (BMFEA) and the Department of Health Care Services (DHCS)*

The individuals who would perform duties related to the subpoena requirements outlined in this regulation within the Department's BMFEA or the DHCS would be working in the Special Agent/Investigator classification. As noted previously, the Department determined the average salary of a Special Agent/Investigator to be \$73,100, or \$41.15 hourly. The Department further based its volume estimates on the number of requests received for a 12-month period, which was 61. The Department determined that as few as 61 or as many as 90 requests may be received. It was determined that each subpoena may take as little as one half hour and as long as one hour to process. Therefore, the costs associated with a Special Agent/Investigator preparing and submitting 61 to 90 search warrants per year for three fiscal years would be approximately \$3,764 to \$11,110.

*State Government Entities Subject to Research Requirements*

The aforementioned costs related to the research application and notarization requirements of this regulation that were applicable to County Public Health Officers are also potentially applicable to the Department of Public Health (CDPH). It was also determined that there is a high likelihood of a second State entity entering into a similar agreement with the Department that would be subject to these research requirements. The Department projected that each of these entities may incur those costs once.

Because the individuals who would perform duties related to research functions vary broadly, the Department used a Public Health Officer classification as the basis for estimating the low fiscal impact of the regulation on the State governmental research community and an Epidemiologist classification as the basis for estimating the high fiscal impact of the regulation on the State governmental research community. The Department determined the average salary of a Public health Officer to be \$50,864, or \$28.63 hourly, and the average salary of an Epidemiologist to be \$89,558, or \$50.42 hourly. The Department determined that each research application could take as few as 50 hours and as many as 80 hours to complete, for a total of \$1,432 to \$4,034 per application. The Department estimated at most that two research applications would be received (one for the CDPH and one other entity) over three fiscal years. The Department approximates the total cost of completing the research application would be \$2,864 to \$8,068.

As required by the regulation, each research application would need to be accompanied by at least one notarization, which may cost as little as \$2, or as much as \$20. The Department estimates that as few as 5 and as many as 10 individuals will need to complete the notary requirement for each application (one for the CDPH and one for another entity over three fiscal years). For the low range, the Department estimated that half of notarizations would cost \$2 and half would cost \$20. For the high range, the Department estimated \$20 per person. As such, the Department estimates at most that State governmental research organizations would incur costs of approximately \$110 to \$400 related to notarizations over three fiscal years.