

## Department of Planning and Budget

### 2014 Fiscal Impact Statement

**1. Bill Number:** SB412

<b>House of Origin</b>	<input type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input checked="" type="checkbox"/> Engrossed
<b>Second House</b>	<input checked="" type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

**2. Patron:** Hanger, E.W.

**3. Committee:** Health, Welfare and Institutions

**4. Title:** Deferred compensation plan for Medicaid program independent contractors.

**5. Summary:** Authorizes the Board of Trustees of the Virginia Retirement System to develop policies and procedures to allow certain independent contractors who hold an active license as dentists or oral and maxillofacial surgeons and perform services for the Commonwealth's Medicaid program to participate in the deferred compensation plan for employees of the Commonwealth and authorizes the Director of the Department of Medical Assistance Services to provide payments or transfers to and to participate in any deferred compensation plan for independent contractors providing Medicaid services established by the Board.

**6. Budget Amendment Necessary:** No. See Item 8.

**7. Fiscal Impact Estimates:** Fiscal impact estimates are final. See Item 8.

**8. Fiscal Implications:** This bill authorizes the Virginia Retirement System (VRS) to develop policies and procedures to allow dentists or oral and maxillofacial surgeons providing services for the state Medicaid program as independent contractors to participate in the deferred compensation plan offered to state employees. The bill is permissive, and does not require either VRS or the Department of Medical Assistance Services (DMAS) to offer or facilitate participation of these independent contractors in the deferred compensation plan. DMAS estimates that the total initial cost of facilitating participation of such contractors will be \$55,000 the first year and \$20,000 per year in subsequent years. Of these amounts, \$27,500 the first year and \$10,000 in subsequent years would be expended from the general fund, with the difference reimbursed by the federal government. If DMAS proceeds to facilitate the participation of independent contractors in the deferred compensation plan, it is expected that the agency can absorb these costs within its existing resources. The cost would be incurred to pay for the current dental services third party administrator to administer the deferred compensation plan, including withholding and remitting deferred amounts specified by each contractor to VRS and reporting related information required by the IRS. These responsibilities require systematic and procedural changes in the operations of the third party administrator.

The Virginia Retirement System implements the state's deferred compensation program and also contracts its own third party administrator for administration of the program. However, program participants are charged an annual administrative fee of \$30.50 to cover the costs of its contract. Therefore, participating independent contractors would assume these expenses and VRS anticipates no fiscal impact on the agency.

**9. Specific Agency or Political Subdivisions Affected:** Department of Medical Assistance Services; Virginia Retirement System.

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** This bill is similar to HB147.

**Date:** 2/12/2014

**Document:** H:\General Government\General Assembly\2014 Session\VRS\SB412E.doc