

## Department of Planning and Budget 2019 Fiscal Impact Statement

**1. Bill Number:** HB1798

**House of Origin**    ☐ Introduced    ☒ Substitute    ☐ Engrossed  
**Second House**    ☐ In Committee    ☐ Substitute    ☐ Enrolled

**2. Patron:** Heretick

**3. Committee:** Commerce and Labor

**4. Title:** Call centers; procurement of state business-related call center and customer service work.

**5. Summary:** This bill requires that state agency contracts entered into on and after July 1, 2019, for the performance of state business-related call center and customer service work to provide that such work shall be performed entirely within the Commonwealth.

*This revised fiscal statement reflects the anticipated impact to the Department of Transportation.*

**6. Budget Amendment Necessary:** See item 8, below.

**7. Fiscal Impact Estimates:** Indeterminate. See Item 8.

**8. Fiscal Implications:** It is anticipated that this bill will result in indeterminate, but potentially significant additional costs to the Departments of Medical Assistance Services, Deaf and Hard of Hearing, and Social Services.

Department of Medical Assistance Services

The Department of Medical Assistance Services (DMAS) contracts with several vendors to perform call center and customer service related services. These contracts can include operations in other states. These arrangements are typically associated with efforts to increase efficiencies to control costs or handle overflow calls when existing staff in Virginia cannot handle the call volume. Under the bill, these contracts would have to be modified to ensure that all such centers are located in Virginia, resulting in significant costs to the contractors that would then be passed on to DMAS.

A number of DMAS contracts would be impacted by this bill; these include: the choice counseling and enrollment broker services for the Commonwealth Coordinated Care Plus (CCC Plus) and MEDALLION 4.0 Programs; consumer directed services contract; and the Cover Virginia call center contract.

In addition, DMAS contracts with several health plans for the Commonwealth's Medicaid managed care programs: Medallion 4.0 and Commonwealth Coordinated Care Plus. These

health plans operate multiple call center or customer service lines including care coordination call centers, general member services and nurse lines. Some of these lines provide twenty-four hours a day seven days a week access to health care experts, providing medical advice, and medical or mental health crisis intervention. Again, to the extent that these contractors have call centers and customer service related operations outside the state of Virginia it is anticipated that the provisions of this bill will generate additional, indeterminate costs to the contract.

DMAS maintains that the bill's requirement that all such contracts would need to be revised would result in increases based on the contractor's need to hire and train additional staff in locations within Virginia and temporary part-time employees to handle high-peak call volume instead of using out-of-state overflow call centers. DMAS is unable to estimate the full impact of the bill without further input and analysis from each contractor. However, given DMAS' current multimillion dollar contracts involving call centers and the lack of flexibility the contractors would have to leverage cost via efficiencies and location, the agency anticipates the additional cost would likely be significant.

#### Department for the Deaf and Hard of Hearing

The Department for the Deaf and Hard of Hearing (DDHH) currently contracts with a national provider for the provision of telecommunication relay services. This provider does not have any operations in Virginia. The estimated cost of this contract is approximately \$2.6 million each year. Prior to awarding this contract, DDHH was required (by Appropriation Act language) to locate replay center operations in Virginia. During this time, the cost of the annual contract exceeded \$10 million as only one replay services provider was willing to locate its operations in Virginia. That company has since exited the business and the Appropriation Act requirement removed. Based on its previous experience and the current service market, DDHH indicates that it is extremely unlikely that any relay services contractor would be willing to locate in Virginia without significant costs being incurred.

#### Department of Social Services

The requirement that new state agency contracts for the performance by a Contractor of state business-related call center and customer service work be performed entirely within the Commonwealth would likely limit competition and/or significantly increase the cost of contracts with a call center and customer service work component. The Department of Social Services (DSS) has out of state call center contracts with the Electronic Benefits Transfer (EBT) Financial Processing Services for the Supplemental Nutrition Assistance Program (SNAP) and the Electronic Child Care services. Currently, there are a limited number of suppliers that provide EBT services for SNAP and Child Care. The suppliers for these services have contracts with several states and use a centralized call center which enables DSS to realize a lower contract cost. If the Commonwealth required contractors to relocate to Virginia, there would likely be increased costs for service due to non-shared overhead costs that the vendor would try to recoup. Furthermore, the establishment of a call center typically requires agencies to pay a large implementation fee, so it is possible that DSS would incur yet another implementation fee and costs of re-procurement for these services. In FY 2018,

DSS spent \$2.3 million on the SNAP EBT and \$1.5 million on the Electronic Child Care services contracts. There are no available estimates of what it could cost to renegotiate or replace these contracts.

#### Virginia Department of Health

This bill, as amended, adds a requirement that all contracts entered into on and after July 1, 2019, for the performance by a contractor of state business-related call center and customer service work provide that such work shall be performed by the contractor or its agents or subcontractors entirely within the Commonwealth for the contractor's primary call center and customer service workplace. The Virginia Department of Health (VDH) has out of state contracts for Poison Control Centers and Poison Hotline services. Any new contract for poison control centers must provide free consultation, 24-hour emergency telephone or other means of communication, to the public and to health care providers regarding the ingestion or application of substances as per § 32.1-111.15 of the Code of Virginia. The code also requires these centers to provide prevention education and information about poison control services; training for health care providers in toxicology and medical management of poison exposure cases; and poison control surveillance through the collection and analysis of data from reported poison exposures to identify poisoning hazards, prevent poisonings, and improve treatment of poisoned patients. VDH estimates that if it were required to locate all call centers for new contracts within the Commonwealth would have a significant cost, however the fiscal impact cannot be determined at this time.

#### Department of General Services

This bill adds an additional contractual requirement for executive branch agencies to ensure that all contracts for state business-related call center and customer service contract work entered into on and after July 1, 2019, shall be performed by the contractor or its agents or subcontractors entirely within the Commonwealth for the contractor's primary call center and customer service workplace. This bill as amended would create an in-state preference which would restrict competition and is anticipated to result in increased costs by restricting competition. It is unknown whether there are enough businesses in the Commonwealth to handle the type and volume of call centers and customer service centers required by the Commonwealth. Additionally, in-state preferences could foster reciprocity from other states. If reciprocity is imposed on Virginia businesses by other states, it would likely reduce out of state sales and result in a reduction to state revenues.

DGS has indicated that it is unclear who is affected by this bill. It requires the director of each agency to implement the provision. This bill or its title does not define "agency".

#### Department of Labor and Industry:

It is anticipated that this bill will not result in a fiscal impact to the Department of Labor and Industry (DOLI) as the agency would have no role in enforcing the provisions of this bill.

**9. Specific Agency or Political Subdivisions Affected:** Department of Medical Assistance Services; Department for the Deaf and Hard of Hearing; Department of Social Services; Department of Health; Department of General Services; Department of Labor and Industry; state agencies.

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

**11. Other Comments:** The following agencies utilize agency controlled call centers.

The Department of Motor Vehicles (DMV) maintains three locations with contact center capabilities. The main locations are in South Boston and Altavista, Virginia. These are two high unemployment areas of the state. Additionally, there is a small operation in Richmond, Virginia. The contact center agents are DMV employees. DMV Contact Center agents respond to customer calls, emails and social media requests. Contact Center agents provide information and transaction processing to the public, business and other government agencies. DMV does not plan to outsource this customer service function.

According to the Virginia Department of Transportation, current toll violation collections activity is provided by a subcontractor whose base of operation is outside of Virginia. The requirement to have an in-state service provider could impact any future agreement renewal. Changing service providers creates significant costs related to system interface development, testing and account transitions.

The fiscal impact of this bill to the Virginia State Police is unknown.

The Virginia Information Technologies Agency does not anticipate a fiscal impact from this bill.