

Department of Planning and Budget

2014 Fiscal Impact Statement

1. Bill Number: HB147

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

2. Patron: O'Bannon, J.M.

3. Committee: Appropriations

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

5. Summary: Authorizes the Director of the Department of Medical Assistance Services to provide payments or transfers to the Virginia Retirement System's deferred compensation plan for dentists or oral and maxillofacial surgeons who are independent contractors providing services for the Commonwealth's Medicaid program. The substitute bill restricts Medicaid independent contractor participation to dentists or oral and maxillofacial surgeons and provides that the provisions of the bill shall expire on January 1, 2020.

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 Director of the Department of Medical Assistance Services to provide payments or transfers to the Virginia Retirement System's deferred compensation plan for dentists or oral and maxillofacial surgeons providing services for the state Medicaid program as independent contractors. The bill is permissive, and does not require 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 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 dentists in the deferred compensation plan, it is expected that the agency can absorb these costs within its existing resources. The estimated costs 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 the Virginia Retirement System 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 (VRS) 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 SB412.

Date: 2/12/2014

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