Department of Planning and Budget
2014 Fiscal Impact Statement

1. **Bill Number:** SB412

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

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

3. **Committee:** Finance

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 performing 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 services for the Commonwealth's Medicaid program established by the Board.

6. **Budget Amendment Necessary**: Yes. See Item 8.

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

8. **Fiscal Implications:** This bill authorizes the Virginia Retirement System (VRS) to develop policies and procedures to allow independent contractors providing services for the state Medicaid program 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 independent contractors in the deferred compensation plan.

   Currently, only dentists participating in the state's Medicaid program as independent contractors have requested to participate in the deferred compensation plan. DMAS estimates that the total initial cost of facilitating participation of dentists only 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 and appropriated as federal funding. If VRS and DMAS proceed to facilitate the participation of dentists in the deferred compensation plan, a budget amendment for these amounts will be necessary. 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 dentist 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 bill does not restrict deferred compensation plan participation to dentists alone and the cost of facilitating the participation of other Medicaid independent contractors is not available. Payments to other independent contractors are not administered by the same third party contractor as dentists and are processed by the Department of Medical Assistance Services. Therefore, systematic and procedural changes would need to take place within DMAS to facilitate participation by other independent contractors and the agency is not able to estimate the related costs at this time. DMAS reports that since the bill is permissive, it only plans to allow these other types of contractors to participate in the plan if it receives additional funding for the associated administrative costs.

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, dentists or any other 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 identical to HB147.

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