

Department of Planning and Budget 2017 Fiscal Impact Statement

1. Bill Number: HB2419

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

2. Patron: Heretick

3. Committee: Commerce and Labor

4. Title: Relocation of call centers to a foreign country.

5. Summary: Requires certain call centers that intend to relocate operations from the Commonwealth to a foreign country to give the Commissioner of Labor and Industry at least 120 days' prior notice. An employer that fails to do so is subject to a civil penalty not to exceed \$10,000 for each day of the violation. The civil penalty revenue is to be deposited to the general fund. The measure requires the Commissioner to compile a semiannual list of all employers that relocate a call center from the Commonwealth to a foreign country and to distribute the list to state agencies. Subject to exceptions, an employer that appears on the list is (i) ineligible for five years for any direct or indirect grants of state funds, any loans guaranteed by the state, or any tax credit or reduction in tax liability and (ii) required to remit the unamortized value of such grants, loans, or tax benefits, or any other governmental support the employer has previously received, to the Secretary. The measure requires new state agency contracts 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. Finally, the measure requires that, to the extent permitted, (a) state contractors who perform state business-related call center and customer service work outside the Commonwealth under an existing contract perform such work entirely within the Commonwealth by July 1, 2019, and (b) any new customer service employees hired to work under an existing contract be employed within the Commonwealth.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Preliminary. See Item 8.

8. Fiscal Implications: The Department of Labor and Industry (DOLI) anticipates being able to absorb the provisions of this bill with current resources if violations of the notification provisions are minimal. DOLI also anticipates that providing a list of the call centers that move overseas to other state agencies can be absorbed with current resources.

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 in other states and leverages cost and efficiencies via consolidations and geographic locations to address peak call times when

existing staff in Virginia cannot handle the call volume within contract requirements. 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. DMAS contracts that would be impacted by this bill include a Maximus contract to perform choice counseling and enrollment broker services for the Commonwealth Coordinated Care (CCC) and MEDALLION 3.0 Programs, the consumer directed contractor (Public Partnership LLC) assisting with home care services, the Cover Virginia call center providing critical customer assistance for Medicaid and FAMIS programs and eligibility in addition to health insurance options, and Managed Care Organizations (MCO) that will also have call centers and customer service related operations outside the state of Virginia.

Maximus and Cover Virginia both utilize an overflow center in other states during peak call times when existing staff in Virginia cannot handle the call volume within contract requirements. It is very likely both contractors would request additional compensation from the State to cover the additional costs associated with the requirements of the bill. DMAS also contracts with several health plans for our Medicaid managed care programs: Medallion 3.0 and the upcoming 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 trained to protect the health and wellbeing of their members by linking them to needed services, providing medical advice that may divert them from using their local emergency department, and by intervening during medical or mental health crisis. DMAS' contracts with these entities would have to be modified to comply with this bill and the health plans would have to hire and train additional staff. Given that some of these lines require the call takers to have a certain level of education and training (i.e., only licensed and certified nurses can answer the calls to the nursing line) it may be difficult to find enough staff to serve members in a timely manner. Additionally, having Virginia business trained staff out of state ensures preparedness for continued business operations during any unforeseen disaster recovery events in Virginia.

Under HB2419, all such contracts would need to be revised resulting 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 expects the additional cost would likely be significant.

Department of Social Services

The Department of Social Services (DSS) has concerns with the requirement that all contracts for the performance by a contractor of state business-related call center and customer service work provide that such work be performed entirely within the Commonwealth. DSS has contracts for Electronic Benefits Transfer Financial Processing Services for Supplemental Nutrition Assistance Program (SNAP) and Child Care benefits

that both have a call center component. The suppliers for these services have contracts with several states and they use a centralized call center. This requirement could significantly increase the cost of these contracts. No estimates of what it would cost to renegotiate or replace these contracts are available.

Most businesses that work across state lines have a centralized call center near the location of their primary business. DSS is also the lead agency for multi-agency fingerprinting services program for citizens that contains a call center component. None of the FBI approved vendors are headquartered in Virginia.

Virginia Information Technologies Agency

The Virginia Information Technologies Agency (VITA) anticipates there will be an impact on the current procurement efforts for disentanglement from Northrop Grumman. For instance, one component of the request for proposal (RFP) for the Multi-Supplier Integrator (MSI) that is intended to coordinate all other suppliers post-Northrop Grumman is to operate the state's IT help desk call center. VITA asked potential responders to the RFP to provide a scenario and cost estimate where the call center is located in the Commonwealth. It is unknown at this time if that would add cost to their responses.

When VITA helped the Virginia Department for the Deaf and Hard of Hearing (VDDHH) do an RFP for their Relay Center which was previously in Norton, Virginia (AT&T was exiting the business), VITA could not find a provider in Virginia at all and saved over \$6 million per year by moving the relay center to an existing facility out of state.

Also, this bill would require the MSI to locate their call center in Virginia, which may or may not add cost (VITA asked them to propose multiple ways) but more concerning are the level 2/3 help desks of the other towers like Google, HPES and any other suppliers.

VITA estimates a total of \$34 million potential cost for the towers and MSI, plus \$6 million for VDDHHS's Relay Center for a total of more than \$40 million of potential cost. In addition, this bill may be difficult to enforce. Also, VITA is assuming that this bill does not apply to every software contract held by the Commonwealth where the call center support is provided by the supplier in mostly out of state call centers. The indeterminate impact of this requirement will be on if and how potential vendors respond to future RFPs.

9. Specific Agency or Political Subdivisions Affected: Department of Labor and Industry; Department of Medical Assistance Services; Department of Social Services; Virginia Information Technologies Agency; state agencies.

10. Technical Amendment Necessary: No.

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

The Virginia State Police handles all of its own calls and maintains that all of its operations must be in Virginia.

The Department of Motor Vehicles (DMV) maintains two call centers in South Boston and Altavista, Virginia, two high unemployment areas of the state. The employees there are DMV employees and the agency found that there is far less turnover than having it in Richmond, Virginia. DMV does not plan to outsource this customer service function that has to provide information and accept payment.