Overview:

On August 28, 2011, the State’s Legislature passed emergency regulations requiring consumers and/or family members to use a Financial Management Service (FMS) provider if vendored to procure respite, day care or transportation services and thus, is authorized to receive reimbursement for any of those services. Due to this change in both state and federal requirements, NLACRC is prohibited from directly reimbursing consumers or family members for purchase of respite, day care, or transportation services. Instead, all consumers and/or family members must either 1) choose another vendored service provider to deliver the services; or 2) choose a regional center vendored FMS provider to perform the following functions:

* Assist the family member or adult consumer in verifying worker eligibility status,
* Collect and process worker’s timesheets
* Process worker payroll
* Withhold payroll taxes
* File applicable federal, state and local employment-related taxes
* Ensure appropriate insurance coverage, such as worker’s compensation insurance
* Submit billing and disperse reimbursements
* Maintain source documentation for the authorized service(s)

Who is impacted by this change in regulation?

All consumers or family members who are currently vendored to procure respite (service code 420), day care (service code 405) and/or transportation (service code 425) services will be affected by this change.

What impact does this change have on the vendored consumer or vendored family member of a consumer:

Vendored consumers and vendored family members of consumers will no longer receive reimbursement from NLACRC for the procurement of respite, day care, or transportation services. Instead, the FMS provider will either 1) directly pay the worker or 2) reimburse the vendored consumer or vendored family member for services. Based on the payment the FMS has made to the vendored consumer, vendored family member, or the worker, the FMS service provider will submit billing forms to NLACRC for reimbursement, and NLACRC will reimburse the FMS service provider for the services.
**Will this change in regulation impact the amount of service provided?**

No, the amount of services and supports that the consumer receives will not be impacted by the change in regulation. The amount of services and supports for respite, day care and/or transportation, will continue to be determined by the consumer’s Individual Program Plan (IPP).

**What is FMS?**

Financial Management Services is a service that provides fiscal management assistance to consumers or family members who are authorized to procure services under Service Code 405 - Family Member Day Care; Service Code 420 - Family Member Respite; and Service Code 425 - Family Member Transportation. A regional center vendored FMS provider will perform the following functions:

*Assist the family member or adult consumer in verifying worker eligibility status,*
*Collecting and processing timesheets of workers*
*Processing worker (s) payroll*
*Withholdings of payroll taxes*
*Filing applicable federal, state and local employment-related taxes*
*Ensure appropriate insurance coverage, such as worker’s compensation insurance*
*Performing billing payments and reimbursements as authorized by the regional center*
*Maintaining source documentation related to the authorized service(s)*

**What is a FMS Fiscal/Employer Agent (FMS F/EA)?**

Under this model, the vendored adult consumer or vendored family member remains as the employer of record for the worker. The FMS service provider will provide assistance to the consumer or family member to ensure the consumer or family member is appropriately verifying worker eligibility status; collecting and processing timesheets of workers; processing the worker’s payroll; withholding worker’s payroll taxes; filing applicable federal, state and local employment-related taxes; and maintain appropriate insurance coverage. The FMS will require the consumer or family member of the consumer to provide source documentation to demonstrate compliance with labor laws, insurance requirements, payment of wages to workers, and delivery of services.

Furthermore, the vendored adult consumer or vendored family member must complete Internal Revenue Services (IRS) Form 2678 naming the FMS selected as their agent.

Finally, the FMS provider may be required to issue the vendor consumer or family member of a consumer a 1099-MISC if the reimbursement received from the FMS is over $600.00 per year. Therefore, there may be a tax consequence to consumers and family members that select the FMS F/EA model.
**What is a FMS Co-Employer (FMS Co-Employer)?**

Under this model, the FMS is the employer of record for the worker. The consumer or family member of the consumer recommends or refers the worker to be hired and the FMS service provider hires and pays the worker’s salary, taxes, and insurance. The consumer or the family member will work with the FMS provider to recruit workers and will provide training, scheduling, and supervision to the worker.

**When will this change occur?**

The regulations state that this requirement will be retroactive to October 1, 2011 once the Federal Government approves the State’s Medicaid Waiver program. However, NLACRC must provide you thirty (30) days notice prior to changing your services. NLACRC’s service coordinator will be providing you with the thirty (30) day notice and contacting you to discuss your service delivery options.

**Will I be able to retain my worker?**

In most cases, yes, you will be able to retain your current worker. It is important to understand that the FMS service provider must verify the worker’s eligibility status and if it is determined that the worker is not eligible for employment the FMS will assist you with finding another worker.

**What is a conversion agency?**

A conversion agency is an agency vendored by the NLACRC to provide day care and/or respite services. Conversion agencies will hire individuals referred by a consumer’s family, who are eligible for employment, to deliver the authorized service.

**Where can I get more information on this change?**

[www.nlacrc.org](http://www.nlacrc.org)

[www.dds.ca.gov](http://www.dds.ca.gov)

Contact your NLACRC Service Coordinator at the following phone numbers

<table>
<thead>
<tr>
<th>NLACRC Office</th>
<th>Phone Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Van Nuys Office</td>
<td>818-778-1900</td>
</tr>
<tr>
<td>Santa Clarita Office</td>
<td>661-775-8450</td>
</tr>
<tr>
<td>Lancaster Office</td>
<td>661-9456761</td>
</tr>
</tbody>
</table>