



**F/EA Model Frequently Asked Questions Information**  
**Created by Consumer Direct Colorado and approved by the**  
**Colorado Department of Health Care Policy and Financing**  
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Regardless of the service option; agency-based, In Home Support Services (IHSS) or Consumer Directed Attendant Support Services (CDASS), minimizing risk is a joint effort between the Client or Authorized Representative and providers. The Fiscal Employer Agent (F/EA) Model Information sheet has been created to highlight the features and responsibilities associated with the CDASS model. It is intended to assist Clients and Authorized Representatives to understand the protections in place and potential liability.

The Department of Health Care Policy and Financing has put requirements in place as part of the FMS provider contracts to ensure they are operating within industry standards.

Likewise, Clients and Authorized Representatives have the responsibility to follow CDASS rules, FMS provider policies and procedures, and employment regulations. These are put in place to provide protection to the Client or Authorized Representative (AR), attendants, the FMS providers, and the State of Colorado.

The following Frequently Asked Questions have been compiled to assist Clients and Authorized Representatives.

**1. Q: What happens if the FMS provider inappropriately files payroll taxes?**

**A:** Upon appointment as your fiscal agent, the FMS provider assumes responsibility for properly filing employer and attendant related payroll taxes with the IRS and State of Colorado. Filing is based on the information submitted by the attendant on their W-4 and exempt relationship status, if applicable. In the event there is an issue with the filing or penalties, the FMS provider assumes responsibility.

The National Resource Center for Participant-Directed Services has published the following related to this topic:

*As a participant-employer who uses a Fiscal/Employer Agent (F/EA), what is my status at the IRS?*



The IRS has a special tax classification designated specifically for self-directing individuals who hire workers and use an F/EA. The IRS officially classifies these individuals as “Home Care Service Recipients,” a special type of household employer. The Internal Revenue Manual, which instructs IRS agents on how to enforce tax regulations, has detailed instructions in place for Home Care Service Recipients. The Manual directs IRS agents to handle participants’ tax matters with the greatest possible sensitivity. The Manual also makes clear to IRS agents that an F/EA is responsible for handling wages and taxes related to Home Care Service Recipients, and the F/EA should be the only point of contact about tax issues related to participants’ program activity.

In the event of a tax problem related to participation in a self-direction model, the IRS has stated publicly that they would go after the F/EA, not the participant, for any taxes and penalties due. The IRS internal databases also reflect this position, as the IRS has reported that upon establishment as a Home Care Service Recipient in the IRS systems, the participant-employer’s individual filing requirements and opportunity to get notices, liens, and levies from the IRS are *removed* and instead those filing requirements and opportunities for notices, liens and levies are connected to the Fiscal/Employer Agent who has submitted an IRS Form 2678, *Employer Appointment of Agent* on the participant-employer’s behalf.

*(The National Resource Center for Participant-Directed Services uses F/EA to identify the Fiscal Management Service.)*

## **2. Q: What happens if the FMS provider is unable to process and/or pay attendant payroll?**

**A:** Each FMS provider was required to submit a Business Continuity plan to the Department. In the event of technical issues, emergencies, natural disasters or similar, the plan details how the FMS provider will respond.

Prior to contracting with the FMS providers, the Department required the FMS providers to demonstrate they were financially solvent. Additionally, FMS providers are subject to an annual review by the Department.

Having three FMS providers’ provides additional assurances. In the event one FMS provider’s contract is terminated or the FMS provider becomes financially



insolvent, the Department will work with Clients and/or Authorized Representatives and the remaining FMS providers to ensure attendant payroll is processed and paid. The timing of payment is dependent on the timely completion of attendant paperwork and timesheet submittal.

The National Resource Center for Participant-Directed Services has published the following related to this topic:

*What happens if my Fiscal/Employer Agent (FMS provider) goes out of business and there are unpaid taxes? Would I be liable then?*

The IRS has stated publicly that they would go after the funding source, that is, the Medicaid program, for unpaid taxes. If a Fiscal/Employer Agent in a Medicaid-funded program went out of business with unpaid taxes, the IRS policy would be to recover the amount due from the state Medicaid program, **NOT** from participants.

**3. Q: What happens if an attendant is injured?**

**A:** The FMS providers ensure worker’s compensation insurance is in place in the event an attendant is injured when “clocked in” and working with a Client. Each FMS provider has a process for reporting a work place injury.

It is important to note that Clients and Authorized Representatives play a key role and have a responsibility for creating a safe work environment. See Question #4 for additional information on worker’s compensation insurance.

**4. Q: What insurances are FMS providers required to have?**

**A:** Important insurance contract requirements related to CDASS FMS providers include:

Insurance	Contract Language
Worker’s Compensation Insurance – The FMS providers ensure Worker’s	Contract language states – FMS provider Contract Amendment NO. 03 - page 2  F. Exhibit A, Statement of Work, Section 2



Insurance	Contract Language
<p>Compensation Insurance is in place in the event an attendant is injured when “clocked in” and working with a Client. Each FMS provider has a process for reporting a work place injury.</p>	<p>2.6.2. The Contractor shall provide required worker’s compensation insurance for Attendants and process worker’s compensation claims.</p> <p>2.6.6.2. For worker’s compensation, the Contractor shall:</p> <p>2.6.6.2.1. Maintain and track worker’s compensation policies for all Clients.</p>
<p>General liability</p>	<p>Contract language states – page 11</p> <p>13. Insurance B. ii. Commercial General Liability Insurance written on ISO occurrence form CG 00 01 10/93 or equivalent, covering premises operations, fire damage, independent contractors, products and completed operations, blanket contractual liability, personal injury, and advertising liability within minimum limits as follows:</p> <ul style="list-style-type: none"> <li>a. \$1,000,000 each occurrence;</li> <li>b. \$1,000,000 general aggregate;</li> <li>c. \$1,000,000 products and completed operations aggregate; and</li> <li>d. \$50,000 any one fine.</li> </ul> <p>If any aggregate limit is reduced below \$1,000,000 because of claims made or paid, Subcontractor shall immediately obtain additional insurance to restore the full aggregate limit and furnish to Contractor a certificate or other documentation satisfactory to Contractor showing compliance with this provision.</p>
<p>Protected Health Information Insurance</p>	<p>Contract language states – page 11</p> <p>iii. Protected Health Insurance</p> <p>Liability insurance covering all loss of Protected Health Information data and claims based upon alleged violations of privacy rights through improper use or disclosure of Protected Health Information with minimum limits as follows:</p> <ul style="list-style-type: none"> <li>a. \$1,000,000 each occurrence; and</li> </ul>



Insurance	Contract Language
	b. \$2,000,000 general aggregate
Crime Insurance	Contract language states – page 12  v. Crime Insurance  Crime insurance including Employee Dishonesty coverage with minimum limits as follows: a. \$1,000,000 each occurrence; and b. \$1,000,000 general aggregate

**5. Q: How do FMS providers demonstrate they have the required insurance?**

**A:** Contract holders with the state must provide copies of insurance certificates, similar to providing proof of car insurance, to the Department. Below is the specific contract requirement related to proof of insurance.

Insurance	Contract Language
Insurance Certificates	Contract language states – page 12 C. Certificates  Contractor and all Subcontractors shall provide certificates showing insurance coverage required hereunder to the State within seven (7) business days of the Effective Date of this Contract. No later than fifteen (15) days prior to the expiration date of any such coverage, Contractor and each Subcontractor shall deliver to the State or Contractor certificates of insurance evidencing renewals thereof. In addition, upon request by the State at any other time during the term of this Contract or any subcontract, Contractor and each Subcontractor shall, within ten (10) days of such request, supply to the State evidence satisfactory to the State of compliance with the provisions of this §13.

**6. Q: What happens if a FMS provider’s insurance is cancelled?**

**A:** Contract language indicates the FMS provider must notify the Department.



Insurance	Contract Language
Insurance Cancellations	<p>Contract language states – page 12 B. viii. Cancellation</p> <p>The above insurance policies shall include provision preventing cancellation or non-renewal without at least 30 days prior notice to Contractor and Contract shall forward such notice to the State in accordance with §16 (Notices and Representatives) within seven days of Contractor’s receipt of such notice.</p>

**7. Q: Is it possible that an attendant is exempt from Federal Income Taxes?**

**A:** Per IRS 2014-7 an attendant could be exempt if the requirements of IRS 2014-7 are met. <https://www.irs.gov/Individuals/Certain-Medicaid-Waiver-Payments-May-Be-Excludable-From-Income>.

If an attendant believes they meet this exemption, they may notify the FMS provider. The attendant should check with the FMS provider regarding their process for 2014-7.

It is important to note that attendants should seek advice from a tax professional if they have questions.

**8. Q: How is a family member’s social security and possible eligibility for unemployment impacted?**

**A:** Per IRS Publication 15, <https://www.irs.gov/publications/p15>, if an attendant is in one of the following relationships with the Federal Employer Identification Number (FEIN) holder, the attendant is exempt from the employee’s portion of Federal Insurance Contributions Act (FICA or Social Security and Medicare) and the employer or budget is exempt from the employer’s portion of FICA and Federal Unemployment Tax Act (FUTA) and State Unemployment Tax (SUTA).



<b>Relationship to FEIN Holder:</b>	<b>FICA</b>	<b>FUTA</b>	<b>SUTA</b>
Child employed by Parent	Exempt (18 – 21 years of age)	Exempt (18 – 21 years of age)	Exempt (18-20 years of age)
Parent employed by Adult Child	Exempt	Exempt	Not Exempt
Spouse employed by Spouse	Exempt	Exempt	Exempt
Adoptive and/or Stepparent employed by Adult Child	Exempt	Exempt	Not Exempt

Per the IRS, the attendant or employer cannot opt out of these exemptions. It is true that the attendant would not be earning social security credits and since the employer is exempt from paying into FUTA and SUTA, the attendant could not collect unemployment.

The attendant should check with the FMS provider regarding their process for identifying family relationships.

It is important to note that attendants should seek advice from a tax professional if they have questions.

Publication 15 applies to all businesses and isn't specific to the Home Care Service Recipient (HCSR), which is the designation the IRS has given to an EIN holder in an F/EA situation.

**Questions from FMS provider Questionnaire – Original: 12/2014; Updated 11/2015**

**9. Q: What does the FMS provider consider a substantial period of time for hospitalization (for example) after which they will consider the participant a financial risk and say to the member that they will not carry them as a Client? In such cases, would a CDASS participant be terminated from CDASS?**

**A:** There is no financial risk to the FMS provider if the Client becomes ill. The FMS provider vendor cannot terminate services to a CDASS Client. Additionally, a CDASS Client can only be terminated in accordance with 10



CCR 2505-10 Sections 8.510.12 and 8.510.13.

**10. Q: In the F/EA model, as far as attendants are concerned, if a CDASS member ended up in the hospital for an extended period of time, and the CDASS member loses their employees, could the CDASS member go to Consumer Direct for help finding new employees when they get back home, or is the CDASS member on their own in such cases? In other words, what support is available?**

**UPDATE (10/2016):** Consumer Direct hosts an Attendant Directory on their website as a tool to help connect potential Attendants with Clients. You can access this directory at <http://consumerdirectco.com/> and click on “Directory”

**11. Q: What liability does a Client have when being an employer?**

**A:** Clients face the same liabilities that any other employer will face. Details can be found on the IRS website at [www.irs.gov](http://www.irs.gov).

**12. Q: Under the F/EA model, how do I get a Tax/Employer ID Number (EIN)?**

**A:** The FMS provider vendor will assist Clients/ARs in obtaining the FEIN.

**UPDATE (11/ 2015):** The following forms are required to be completed by the Client or AR and returned to the FMS provider to appoint the FMS provider as the agent. The FMS provider will then assist with obtaining the Federal Employer Identification Number (FEIN) and the State of Colorado unemployment and withholding accounts.

- IRS Form SS-4: Application for Employer Identification Number – Form SS-4 is used to obtain the FEIN
- IRS Form 2678: Employer/Payroll Appointment of Agent – Form 2678 authorizes the FMS provider to act as the agent with the IRS
- IRS Form 8821: Tax Information Authorization – Form 8821 indicates the type of taxes and corresponding forms the Agent may file on behalf of the Client or AR
- Colorado DR 0145: Colorado Department of Revenue – Form DR 0145 authorizes the FMS provider to act as the agent with the State of Colorado





- Colorado UITL-100: Application for Unemployment Insurance Account and Determination of Employer Liability – Form UITL-100 is used to register the FEIN holder with the Department of Labor and Employment and create an unemployment account.
- Colorado CR 0100AP – Colorado Sales Tax Withholding Account Application – Form CR 0100 is used to apply for a tax withholding account with the Colorado Department of Revenue

It is important to note that the IRS assigns Clients a Home Care Service Recipient (HCSR) designation when the FMS provider applies for a Federal Employer Identification Number (FEIN). This designation indicates the Client is an employer receiving Medicaid funds and the FEIN is for the purpose of filing employer related payroll taxes. The FEIN assignment is not a business that will earn a profit or recognize a loss.

### 13. Q: Who can hold the FEIN, the Client or the AR?

**A:** The FEIN should be held by whoever is directing and managing the services. In most cases this will be the Client. In cases where an AR is directing and managing the services, the AR should hold the FEIN.

**UPDATE (11/ 2015):** Per the National Resource Center for Participant-Directed Services: In self-direction programs, the individual receiving services is usually registered as the employer. But when the individual receiving services cannot perform employer duties or prefers not to do them, he/she can authorize a representative to serve as the employer and make employer decisions on his/her behalf.

A best practice is to register the person who is actually performing the majority of employer duties as the employer. Employer duties include:

- Hiring and firing workers
- Training workers
- Managing and scheduling workers
- Deciding how much workers are paid



**14. Q: If I change vendors, do my attendants need to complete new employment applications?**

**A:** You are considered the Employer of Record and therefore your attendants work directly for you regardless of which vendor you use as your fiscal agent. There might be additional paperwork to enroll with the new vendor, but a new employment application is not required.

**UPDATE (11/2015):** New paperwork is required. Contact the FMS provider for the specific paperwork.

**15. Q: In F/EA who is responsible for hiring, dismissing, supervising, and training attendants?**

**UPDATE (11/2015):** The previous answer referred to when there was choice of two FMS provider Employer Models in CDASS, which is no longer applicable.

**A:** In the F/EA model, the Client or AR has the sole responsibility for day to day management of attendants. This includes; interviewing, hiring, training, and scheduling, supervising and terminating attendants. As an employer, the Client or AR is responsible for ensuring employment laws are followed, such as using proper interview techniques or creating a harassment free workplace. For additional information see the Being an Employer section of the CDASS manual. <http://consumerdirectco.com/forms>

**16. Q: Will the Client need to purchase employer liability insurance?**

**A:** No. The FMS provider will carry the liability insurance.

**UPDATE (11/2015):** See #4 above