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Department of Employee Trust Funds  
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**CORRESPONDENCE MEMORANDUM**

**DATE:** February 25, 2010  
**TO:** Employee Trust Funds Board  
**FROM:** Jon Kranz, Director  
Office of Budget and Trust Finance  
**SUBJECT:** Employee Reimbursement Account and Commuter Benefit Third Party Administrator Contract Update

**This memo is for informational purposes only. No Board action is required.**

This is an update on the status of the contract with the third party administrator (TPA) responsible for the day-to-day administration of the Employee Reimbursement Account (ERA) and Commuter Benefits programs offered to state employees. The contract was finalized in December 2009 and effective January 1, 2010. The initial contract runs through December 21, 2011, and allows for two one-year extensions subject to approval by the Employee Trust Funds Board and the TPA.

The Employee Trust Funds Board approved contracting with Fringe Benefits Management Company (FBMC), the current administrator, at the June 18, 2009, meeting. The most notable changes for the new contract period are the addition of a payment card benefit for Medical Expense Accounts and modifications to the administrative fee schedule.

Payment cards have been sent to each participant who has elected a medical expense account in 2010. The card is loaded with a participant's annual election amount and allows access to medical expense account funds at the time of purchase, reducing the need to fill out claim forms for reimbursement of eligible expenses. Participants are not required to use the card and may still submit all claims via paper if they wish.

The administrative fees for the ERA program, guaranteed for the next three years, will be \$4.77 per participant per month (PPPM). The fees are all inclusive with no added costs for payment card administration or enrollment processing. The PPPM fee replaces the previous fee structure that was based on an annual administration fee, plus a PPPM charge and an additional annual enrollment fee. After keeping the administrative costs unchanged since 2001, the new fees represent an approximate 8.5% increase.

Reviewed and approved by Robert J. Conlin, Deputy Secretary.

Signature

Date

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The administrative fees for the Commuter Benefits program will be \$5.10 PPPM. These fees supplant the former fee structure that included an annual administration fee plus a monthly PPPM charge. The annual cost associated with the new fee structure represents a steady or slight increase in fees, depending on the number of participants per month.

As you will recall, the Business Associate Agreement and contract with FBMC were revised in 2008 to strengthen the privacy and unauthorized disclosure provisions. These requirements remain in the contract to provide strong and effective privacy, security, and misuse mitigation provisions to protect the participants.

I will attend the March 18<sup>th</sup> meeting to answer any questions you may have.