



STATE OF WISCONSIN  
Department of Employee Trust Funds  
Robert J. Conlin  
SECRETARY

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## CORRESPONDENCE MEMORANDUM

**DATE:** February 7, 2013  
**TO:** Employee Trust Funds Board  
**FROM:** Bill Kox, Deputy Administrator  
**SUBJECT:** Employee Reimbursement Accounts (ERA) and Commuter Benefit Program Information contract extension and contract amendment

**Staff recommends the Employee Trust Funds Board (Board) approve a one-year extension of the administrative services contract with WageWorks, with the proposed fee increase for the Employee Reimbursement Accounts (ERA) program and Commuter Benefits program for the 2014 plan year, January 1, through December 31, 2014. In addition, staff recommends the current contract with WageWorks be amended to include the revised Service Delivery Standards, as well as the approval for use of the Xerox Call Center in El Paso as a subcontractor.**

### Background

The contract for third-party administration of the ERA and Commuter Benefits programs is with WageWorks. The original contract term was from January 1, 2010 through December 31, 2012, with an option to extend the contract for two additional one-year periods. The Board approved a one-year extension of the contract through December 2013 at the March 2012 meeting. The rates for the 2013 plan year were approved at \$4.85 per participant per month (PPPM) for the ERA program and \$5.18 PPPM for the Commuter Benefits program. For the remaining contract term, the contract allows for a maximum percentage increase for a renewal to be limited to the increase in the Consumer Price Index (CPI) for all urban consumers (CPI-U).

### Contract Renewal and Fee Adjustment

The contract with WageWorks allows for one more one-year extension. If the contract extension is approved, WageWorks has proposed a per participant fee increase of 2.0%. The CPI-U for 2012 is 2.1%. That will increase the cost for the ERA program from \$4.85 PPPM to \$4.95 PPPM and the Commuter Benefits rates will increase from

Reviewed and approved by Robert J. Marchant, Deputy Secretary

Electronically Signed 2/13/13

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\$5.18 PPPM to \$5.28 PPPM. Based on ERA program participation of about 12,440 participants, the new rate will result in an approximate annual increase of \$14,928. The rate increase for the Commuter Benefits program will result in an approximate \$1,536 annual increase, based on a participation rate of 1,280 per month.

### **Revised Service Delivery Standards**

WageWorks acquired the flexible spending account business from Fringe Benefits Management Company in 2010. WageWorks has proposed a contract amendment to the performance standards and penalties. The new Service Delivery Standards document mirrors the current performance standards and penalties in key areas such as customer service response time, claim processing turnaround time, disaster recovery and enrollment processes. Some reporting standards have been eliminated because they are no longer relevant with the implementation of the new WageWorks system. The penalties have changed from a flat cost per unmet performance standard to a penalty based on a percentage of the quarterly fees. The Service Delivery Standards apply to the ERA and the Commuter Benefits programs. WageWorks will tie a portion of quarterly administrative fees to each category which will be measured quarterly. Each item is valued at 1% of the quarterly service fees, with the aggregate of all items subject to a maximum of 10% annually. Amounts of adjustment shall be credited to the client's invoice in the month following the quarterly measurement. Staff believes the revised standards are appropriate to the contract.

### **Call Center Subcontract**

Administrative functions are currently split between the WageWorks offices in Tallahassee, Florida; San Mateo, California; Mequon, Wisconsin; and Tempe, Arizona. Much of the claims processing function remains in the Tallahassee office. In mid-2012, WageWorks implemented on-line enhancements to improve claims processing and account information services to employees. While these changes have improved functionality for users, there have been a few issues regarding WageWorks responsiveness to customer service calls. In addition, WageWorks has been addressing the customer service issues with increased training for its call center staff and implementation of a process to elevate problem calls to a problem solving staff.

However, to better serve participants during high call volume periods, WageWorks has also requested approval to use a subcontracted Xerox call center in El Paso. The El Paso office has been one of their primary sites for call handling since late 2009 and depending on the time of year, they handle roughly 15-20% of their overall call volume. Under our current contract, the use of a new subcontractor requires approval of the Board.

## **Conclusion**

Staff recommends approval of the contract extension, revised service delivery standards and call center overflow subcontract. While staff acknowledges there have been some customer service issues with the transition to WageWorks, these have not been sufficient to warrant a re-bid at this time. Staff feels it is warranted to give WageWorks an extension of the contract and to revisit these issues next year as part of the normal re-bid schedule.

Staff will be at the Board meeting to answer any questions.

Attachment: A) Service Delivery Standards  
B) 1/16/13 Letter from Fringe Benefits Management Company

## State of Wisconsin

### Service Delivery Standards

The Service Delivery Standards apply to the Flexible Spending Account and and/or Commuter services. WageWorks is willing to tie a portion of quarterly administrative fees\* to each category which will be measured quarterly. Each item is valued at 1% of the quarterly service fees, with the aggregate of all items subject to a maximum of 10% annually. Amounts of adjustment shall be credited to the Client's invoice in the month following the quarterly measurement. Failure to meet any metric shall exclude items caused by the force majeure events, such as: acts of nature (earthquake, fire, floods); acts of terrorism or a public enemy; war (whether declared or not); acts of the Government in either its sovereign or contractual capacity, degradation or loss of public utilities (such as telecommunication services not under WageWorks' direct control; widespread loss of electrical power); or congestion, failure or other inability to access the Internet, and other items beyond the reasonable WageWorks' control.

The service delivery guarantees WageWorks provides are delineated below:

<b>Customer Service &amp; Inquiry (Client Specific)</b>	Guarantee
<b>Customer Service Call Response Time</b>	80% answered within 30 seconds
<b>Call Abandonment Rate</b>	<= 5%
<b>1<sup>st</sup> Call resolution</b>	>= 80%

<b>Claim Processing &amp; Reimbursement and Card Fulfillment</b>	Guarantee
<b>Claims Processing (Client Specific)</b>	99% of claims processed within two (2) business days for visibility on website, upon receipt of a complete claim.
<b>Claims Accuracy</b>	99% for payment (financial) accuracy.
<b>Claims Reimbursement (Client Specific)</b>	90% of approved claims paid out within five (5) business days from processing, upon receipt of a complete claim.
<b>Card Fulfillment</b>	95% of cards are mailed within five (5) business days upon transmission of the clean enrollment file to the card production vendor

<b>Technology (Client Specific)</b>	Guarantee
<b>System Uptime</b>	99% or higher
<b>File Processing</b>	99% of files loaded within 48 business hours and balances updated within 72 business hours

<b>Legal/Compliance</b>	Guarantee
129 and 105 Plan Documents	Provide the Client with applicable 129 and 105 Plan Documents updates, as necessary, complying with the Client's expressed needs and applicable Law prior to the Plan Effective Date.
132 Plan Document	Provide the Client with applicable 132 Plan Document updates, as necessary, complying with the Client's expressed needs and applicable Law by the date agreed upon with the State of Wisconsin.

<b>Disaster Recovery</b>	Guarantee
<b>Disaster Recovery Plan</b>	The Administrator will develop and maintain a disaster recovery plan.
<b>Disaster Recovery</b>	The Administrator guarantees to initiate its disaster recovery plan within 36 hours of any event that causes a disruption of the services provided to the State of Wisconsin to enable the critical business functions.
<b>Disaster Recovery Testing</b>	The Administrator will provide an annual report of the regular updates and results of simulation testing for the disaster recovery plan. The Report will be provided to The State of Wisconsin no later than January 30 <sup>th</sup> of each year.

<b>Annual Open Enrollment (FSA)</b>	Guarantee
<b>Enrollment Planning</b>	<p>Conduct initial planning meeting as designated by the Client. Produce a written enrollment plan and enrollment schedule:</p> <ul style="list-style-type: none"> <li>■ Conduct initial planning meeting and define open enrollment date by July 15<sup>th</sup> of each year.</li> <li>■ Make initial contacts with agency staff to schedule benefit information sessions before August 1 of each year.</li> <li>■ Complete draft enrollment schedule for inclusion in client review of enrollment book.</li> </ul>
<b>Internet Enrollment</b>	Provide the State of Wisconsin with an Internet enrollment system, accessible 95% of each day during the open enrollment period.

<b>Performance Standard and Guarantee</b>	Guarantee
Quarterly Report	The Administrator will provide the State of Wisconsin with a quarterly report of The Administrator's performance for the quarter just ended no later than the last day of the month after the end of the quarter.

\*Administrative fees shall include only FSA and Commuter.

# Fringe Benefits Management Company

A Division of WageWorks



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Tallahassee, FL 32303

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TOLL-FREE: 800-847-8286  
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January 16, 2013

Ms. Marcia Blumer, Program Manager  
State of Wisconsin  
Department of Employee Trust Funds  
Division of Insurance Services  
801 West Badger Road  
Madison, Wisconsin 53713-2526

Re: Contract Renewal for the Employee Reimbursement Accounts (ERA) and Commuter Benefits Program.

Dear Marcia:

In accordance with renewal terms as outlined in Request for Proposal (RFP) ETI0022, Item 1.9 Contract Term and Funding, I am writing this letter to confirm our desire to renew our existing contract for administration of the ERA Program and the Commuter Benefits Program effective January 1<sup>st</sup>, 2014.

In accordance with Item 1.9, Contract Term and Funding and the National (U. S. City Average) Consumer Price Index, we are requesting an increase of 2% to the ERA and the Commuter Benefits Program fees. The Commuter Benefits Program fee would be 5.28 per participant per month (pppm) and the ERA Program fee would be 4.95 ppm effective January 1<sup>st</sup>, 2014.

In addition, I have attached a copy of the Service Delivery Standards that will replace Exhibit A- Performance Standards and Guarantees of our contract. All other existing terms and conditions will remain the same.

The State of Wisconsin is a valued client and we look forward to our continued future and another great enrollment in the year 2013. If you have any questions with the issue as stated above, please contact me at (800) 872-0345, extension 2115.

Sincerely,

Robert S. Mixon  
Assistant Vice President, Client Services  
Fringe Benefits Management Company, A Division of WageWorks

- c. Darryl Beacher, Vice President, Business Development
- Ling Chong, Major Account Service Consultant
- Kim Farris, Senior Director, Business Development

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**State of Wisconsin**

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