



STATE OF WISCONSIN
Department of Employee Trust Funds
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CORRESPONDENCE MEMORANDUM

DATE: March 7, 2014

TO: Employee Trust Funds Board

FROM: Tara Pray, Manager, Employee Reimbursement Accounts Program
Mary Statz, Director, Health Benefits and Insurance Plans Bureau
Division of Insurance Services

SUBJECT: Administrative Services Contract for
Employee Reimbursement Accounts (ERA), Health Savings Accounts
(HSA), and Commuter Benefits Programs

Staff requests that the Employee Trust Funds Board (Board) approve the release of a Request for Proposal (RFP) for:

- the ERA Program, which will include services for Medical and Dependent Care Flexible Spending Accounts (FSA)
- the Commuter Benefits Program
- Health Savings Accounts (HSA) and Limited Flexible Spending Accounts (LFSA), covering dental and vision expenses only, for participants of the new High Deductible Health Plans (HDHP) with an HSA.

The proposer may complete all sections of the RFP for the programs listed above, but it is the Employee Trust Funds Board's discretion whether to award a contract for the administration of these programs as a result of this RFP, and if the award is to one or multiple vendors.

Discussion

The current contract period for third party administration of the ERA Program and Commuter Benefits is from January 1, 2014, to December 31, 2014. All contract extensions have been utilized at this time.

Staff developed a draft RFP that incorporates all of the current administrative services contract requirements for the ERA, Commuter Benefits programs, as well as the components of HSA and LFSA accounts. Selection of a third party administrator should be made by the end of June 2014 to ensure the chosen vendor will have time to design

Reviewed and approved by Lisa Ellinger, Administrator, Div. of Insurance Services.

Electronically Signed 3/13/14

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and implement a plan for the fall enrollment period and assist with HSA-related communication and education efforts.

Upon approval, staff will proceed with the RFP distribution as outlined in the tentative timetable below. Staff will present the results of the proposal evaluation process and a recommendation for awarding the contract at the June 26, 2014, ETF Board meeting.

Action	Date
1. Issue RFP	March 28, 2014
2. Proposals due	May 1, 2014
3. Employee Trust Funds Board vendor approval	June 26, 2014
4. Contract start date (estimated)	July 14, 2014

A draft of the RFP is available to any interested Board member for review. The Board may delay the issuance of the RFP if time is needed for further review.

Background – ERA and Commuter Benefits Programs

General Information

- The current contract for third-party administration of the ERA and Commuter Benefits programs is with WageWorks.
- Fringe Benefits Management Company (FBMC) had been the administrator of the ERA Program since its inception in 1989. In December, 2010, WageWorks purchased FBMC and assumed all responsibilities of the ERA contract with the State of Wisconsin.

Administrative Expenses

- The administrative expenses of the ERA program are funded through three sources: account forfeitures, interest income on the contributions and fees contributed by each state agency.
- The monthly fee paid by state agencies is based on the number of health insurance contracts with an employer-paid share that the agency reports to the Department of Employee Trust Funds. The employer share in 2014 is \$0.80/contract/month.
- The administrative expenses of the Commuter Benefits program are funded through interest income on the contributions and an annual charge to state agencies based on the number of employees who participate in the program.
- The fee per participant per month (PPPM) is \$4.95 for the ERA Program and \$5.28 for the Commuter Benefits Program.

Participation

- For 2014, 15,765 employees have enrolled in the ERA Program:
 - 13,176 employees elected medical expense accounts
 - 2,589 employees elected dependent care accounts
- Contributions will total more than \$16 million for medical expense accounts and more than \$10 million for dependent care accounts, resulting in a FICA tax savings of almost \$2 million to the State.
- As of February 1, 2014, there were 1,483 Commuter Benefits participants.
- Some customer service and financial reporting issues were noted at the March 2013 Board meeting and staff continue to work on these issues with WageWorks.

High Deductible Health Plan and HSA

Beginning on January 1, 2015, the Group Insurance Board will offer the option of an HDHP to state employees. Employees that enroll in the HDHP will be permitted to establish an HSA. The HDHP and HSA offerings are required by law, as a result of 2013 Wisconsin Act 20. This RFP will seek vendors with experience administering HSAs as well as LFSA. Persons participating in an HSA are not permitted to also participate in a traditional medical ERA/FSA account. Many employers offer an LFSA, which is permitted for HSA participants and covers only eligible vision and dental expenses. Having this type of account is beneficial to those who are either looking to maximize their tax savings and/or save the funds in their HSA for future use.

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