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Correspondence Memorandum

Date: February 24, 2017

To: Employee Trust Funds Board

From: Jessica Rossner, Program Manager
Sara Brockman, Health Policy Advisor
Office of Strategic Health Policy

Subject: Employee Reimbursement Accounts, Commuter Benefit, Limited Flexible Spending Account, and Health Savings Account Programs Information, Contract Extension, and Contract Amendment

ETF requests the Employee Trust Funds Board (Board) approve a one-year extension of the administrative services contract with Total Administrative Services Corporation (TASC), with the proposed fee increase, not to exceed 3%, for the Employee Reimbursement Accounts (ERA), Commuter Benefit, Limited Purpose Flexible Spending Account (LPFSA), and Health Savings Account (HSA) programs for the 2018 plan year, January 1, 2018 through December 31, 2018. In addition, staff recommends the current contract with TASC be amended to include revised performance standards and guarantee enhancements that will be negotiated with TASC and attached to the contract.

Background

The contract for third party administration of the ERA, Commuter Benefit, LPFSA, and HSA Programs is with TASC.

The original **ERA and Commuter Benefit Programs** contract term with TASC ran from October 1, 2014 through December 31, 2016, with an option to extend the contract three (3) additional one (1) year periods. On March 24, 2016, the Board approved a one-year contract extension for the 2017 plan year, January 1, 2017 through December 31, 2017. The rates for the 2015 and 2016 plan years were approved at \$3.00 per-participant-per-month (PPPM) for the ERA Program and \$0.00 PPPM for the Commuter Benefits Program. For plan year 2017, the rates were approved at \$3.06 PPPM for the ERA program and \$0.00 PPPM for the Commuter Benefits Program.

The original **HSA and LPFSA** Program contract term with TASC ran from September 1, 2014 through December 31, 2016, with an option to extend the contract for three (3)

Reviewed and approved by Lisa Ellinger, Director, Office of Strategic Health Policy

Electronically Signed 3/10/17

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additional one (1) year periods. On March 24, 2016, the Board approved a one-year contract extension for the 2017 plan year, January 1, 2017 through December 31, 2017. The rates for the 2015 and 2016 plan years for the HSA and LPPFSA were approved at \$3.00 PPM. For plan year 2017, the rates were approved at \$3.06 PPM for the HSA and LPPFSA Programs.

TASC is eligible for a PPM rate increase. PPM rate increases can be provided annually by satisfying Performance Standards and Guarantees. For the remaining ERA Program contract term, the contract allows for a maximum fee increase up to three (3) percent to be determined by the Department.

ETF linked the 2017 plan year contract extension and rate increase to enhanced performance standards and guarantees, which TASC is expected to meet by the end of 2017. ETF and TASC continue to make great strides in meeting these enhanced performance standards and guarantees, as outlined in the November 17, 2016, memo, [Employee Reimbursement Accounts and Health Savings Account Benefit Program Update](#) (Ref. ETF | 12.15.16 | 4A).

The following items have been identified as areas of focus for continued improvement through the end of 2017:

- Advanced Training and Guidance for Benefit, Payroll, and ETF Staff
- Customer Service
- Member Communication and Education
- Reporting Enhancements for Payroll Processing Centers and ETF

2018 Enhanced Performance Standards and Guarantees

Additional areas of focus have been identified for 2017 in advance of the 2018 plan year and will be incorporated into the contract extension if approved by the Board. These additional enhanced performance standards and guarantees include:

- Annual Project Plan Establishment and Adherence
- Member Engagement and Education
- Non-Discrimination Testing Process Design and Project Plan
- Unsubstantiated Claim Process Design and Documentation

Contract Renewal and Fee Adjustment

If the contract extension is approved, TASC has proposed a 3% PPM increase for plan year 2018, which is subject to negotiation. This would increase the cost for the ERA, LPPFSA, and HSA Programs from the current \$3.06 PPM to \$3.15 PPM. The Commuter Benefits rates will remain \$0.00 PPM.

Based on the ERA, LPPFSA, and HSA Program participation of about 25,230 participants, a maximum increase of 3% would result in an approximate annual increase of \$27,250.

Conclusion

ETF recommends the Board approve the contract extension and the proposed revised enhanced performance standards and guarantees. While ETF acknowledges continued customer service issues with TASC, the number of customer service complaints has been significantly reduced in the past year. TASC has been deeply engaged with ETF and the Payroll Processing Centers to remedy these issues. As noted above, TASC has shown sufficient improvement in relation to the performance standards and guarantees.

Staff did conduct preliminary market research on current market capabilities in administering the ERA, Commuter Benefits, LPFSA, and HSA programs, and to evaluate any costs or benefits associated with rebidding this contract. Results showed that other comparable state-administered programs, contracted with different Third Party Administrators, experienced similar customer service, enrollment, communication and reporting issues.

Furthermore, the ongoing Benefit Administration System (BAS) implementation as well as the proposed self-insuring and regionalization of the State of Wisconsin Group Health Insurance Program already present additional workload and increased disruption to the Payroll Processing Centers. ETF feels that TASC's vested relationship with this agency and trend of continued improvements far outweigh the risks associated with rebidding the contract.

Staff feels it is warranted to give TASC a one-year contract extension, continue to work in partnership with TASC to enhance the administrative function of the program, and to revisit the performance standards and guarantees next year as part of the normal contract review.

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