

Health Savings Account & Employee Reimbursement Accounts

Items 4A, 4B & 6A – Group Insurance Board

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Office of Strategic Health Policy



Agenda

- Health Savings Account (HSA) & Employee Reimbursement Accounts (ERA) Introduction
- Delegation of Governing Board Oversight
- Third Party Administrator Performance
- Audit Activity and Findings
- Future Considerations

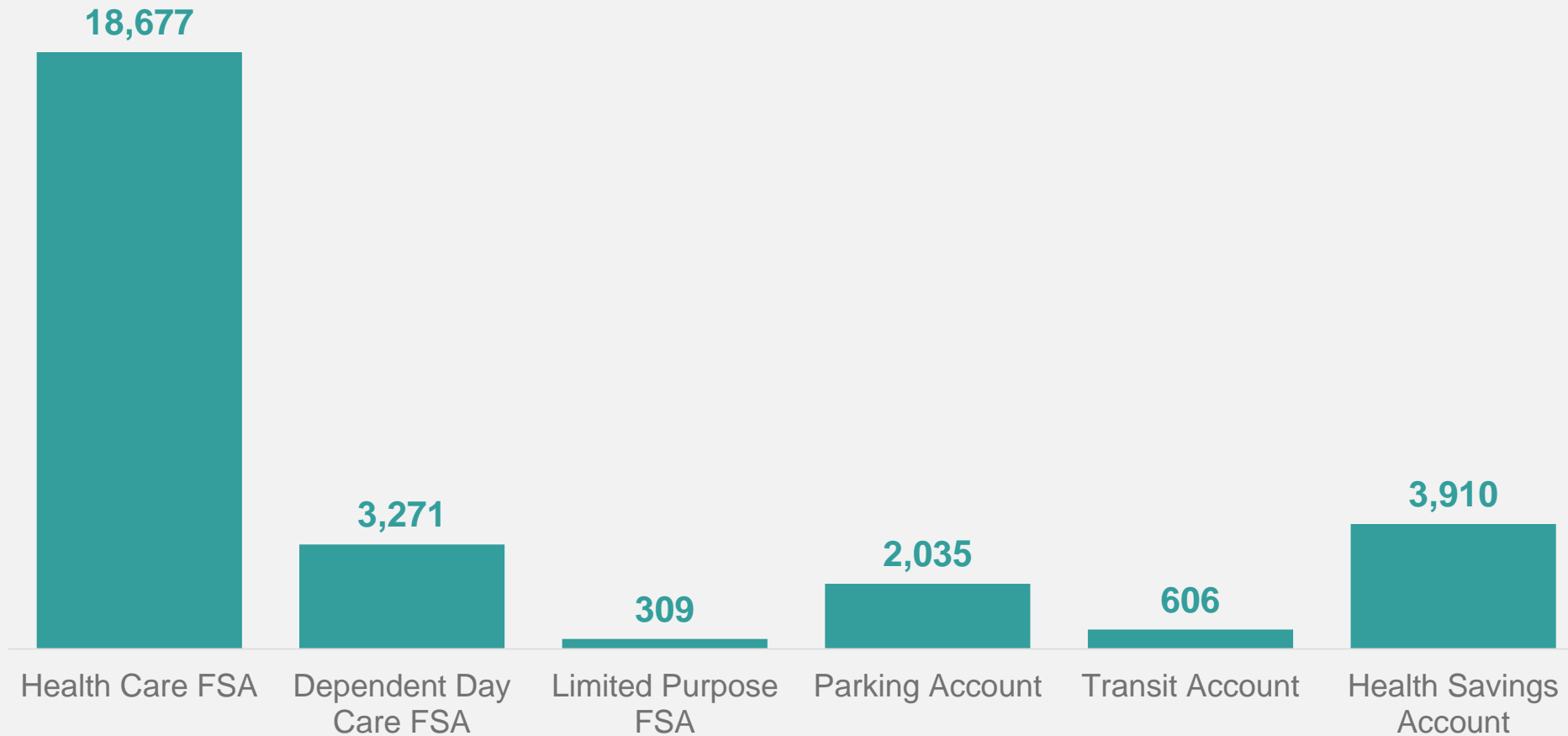
HSA & ERA Programs

Item 4A

HSA & ERA Programs

- Administered by Total Administrative Services Corporation (TASC)
- Authorized under Internal Revenue Code (IRC) Section 125, IRC Section 132 and Wis. Stats. § 40.85-40.875
- Pre-tax savings:
 - Employees: Contributions exempt from federal, state and Federal Insurance Contributions Act (FICA) taxes
 - State of Wisconsin: Participant contribution not subject to employer portion of the FICA tax

2017 Participants



Total
Participants:
28,808

Item 4A, Page 2, Table 1

ERA & HSA Programs – November 15, 2017

2017 Program Savings



Total Amount Contributed

\$47.5 M



Estimated Employee Savings

\$14.3 M



Employer FICA Savings

\$3.6 M

Item 4A, Page 2, Table 1

ERA & HSA Programs – November 15, 2017

Health Savings Account (HSA)

- Individually-owned, tax-advantaged account
- Eligible State employees can use an HSA to:
 - Pay for current or future health care expenses
 - Build savings for retirement through self-directed investment options



Dual-Enrollment Requirement

- Since January 1, 2015, State participants electing an IYC High Deductible Health Plan (HDHP) must also enroll in the state-sponsored HSA
 - Required by Wis. Stat. § 40.515 (1)
 - Intended to help participants successfully plan for health care expenses
- Wis. Stat. § 40.515 (1) also grants contractual authority for the HSA program to the Group Insurance Board (GIB)



Health Savings Account (HSA)

- Participants determine how much they contribute at the time of enrollment
 - Typically based on estimated expenses
 - Future medical expenses and investment options also considered
 - Contributions are deducted from paychecks pre-tax in equal amounts throughout the plan year



Annual HSA Limits

Limits	2018	2017
Individual HSA Contribution Limit	\$3,450	\$3,400
Family HSA Contribution Limit	\$6,900	\$6,750
HSA Catch-Up Contribution Limit	\$1,000	\$1,000
HSA Carryover Limit	Unlimited	Unlimited

Item 4A, Page 2, Table 2

Eligible active State participants may receive an annual employer contribution of up to \$750 individual / \$1,500 family.

ERA Programs

Employer owned, tax advantaged accounts

Flexible Spending Accounts (FSAs)



Health Care FSA



Limited Purpose FSA



Dependent Day Care FSA

Fringe Benefit Accounts



Parking Account



Transit Account

ERA Programs

- Eligible expenses, contribution limits, and carryover limits vary by account
- Participants determine how much they contribute at the time of enrollment
 - Typically based on estimated expenses for the upcoming plan year
 - Contributions are deducted from paychecks pre-tax in equal amounts throughout the plan year
- Account balances are not portable in the event of a job change

Health Care FSA



- Pays for eligible expenses not covered by insurance:
 - Medical
 - Dental
 - Vision
- Ineligible: HDHP and HSA participants

Annual Limits

	2018	2017
Contribution	\$2,600	\$2,550
Carryover	\$500	\$500

Limited Purpose FSA



- Pays for certain expenses not covered by insurance:
 - Dental
 - Vision
 - Post-deductible medical
- Only available to participants enrolled in HDHP and HSA

Annual Limits

	2018	2017
Contribution	\$2,600	\$2,550
Carryover	\$500	\$500

Dependent Day Care FSA



- Pays for eligible day care expenses for qualified dependents:
 - Child care
 - Dependent day care
 - Elder care
- Funds available as contributions are made

Annual Limits

	2018	2017
Contribution	\$5,000	\$5,000
Carryover	\$0	\$0

Parking Account



- Fringe benefit
- Set aside pre-tax funds to pay for eligible work-related parking expenses
- Funds available as contributions are made

Annual Limits

	2018	2017
Contribution	\$255/month	\$255/month
Carryover	Unlimited	Unlimited

Transit Account



- Fringe benefit
- Set aside pre-tax funds to pay for eligible mass transit expenses
- Funds available as contributions are made

Annual Limits

	2018	2017
Contribution	\$130/month	\$130/month
Carryover	Unlimited	Unlimited

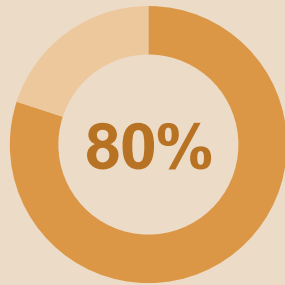
Delegation of Board Oversight

Item 4A

Board Oversight

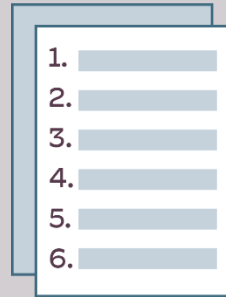
- On Sept. 21, 2017, ETF Board approved oversight of HSA and ERA programs to the GIB
- Similar to other supplemental benefit programs managed by the Office of Strategic Health Policy (OSHP)
- Closely aligned with ongoing total health management initiatives
- Directly impacted by changes to the Group Health Insurance Program

Reasons for GIB Oversight



Overall Health Benefit Management

80% of participants are enrolled in a health care pre-tax savings program.



Contract Structure

HSA & LPFSA programs are currently paired contractually.

- Not industry best practice
- Different IRS regulations
- Contract structure will change in future



Request for Proposal
Preliminary procurement activities: Fall 2017

Anticipated RFP release:
Summer 2018

Third Party Administrator Performance

Item 4A

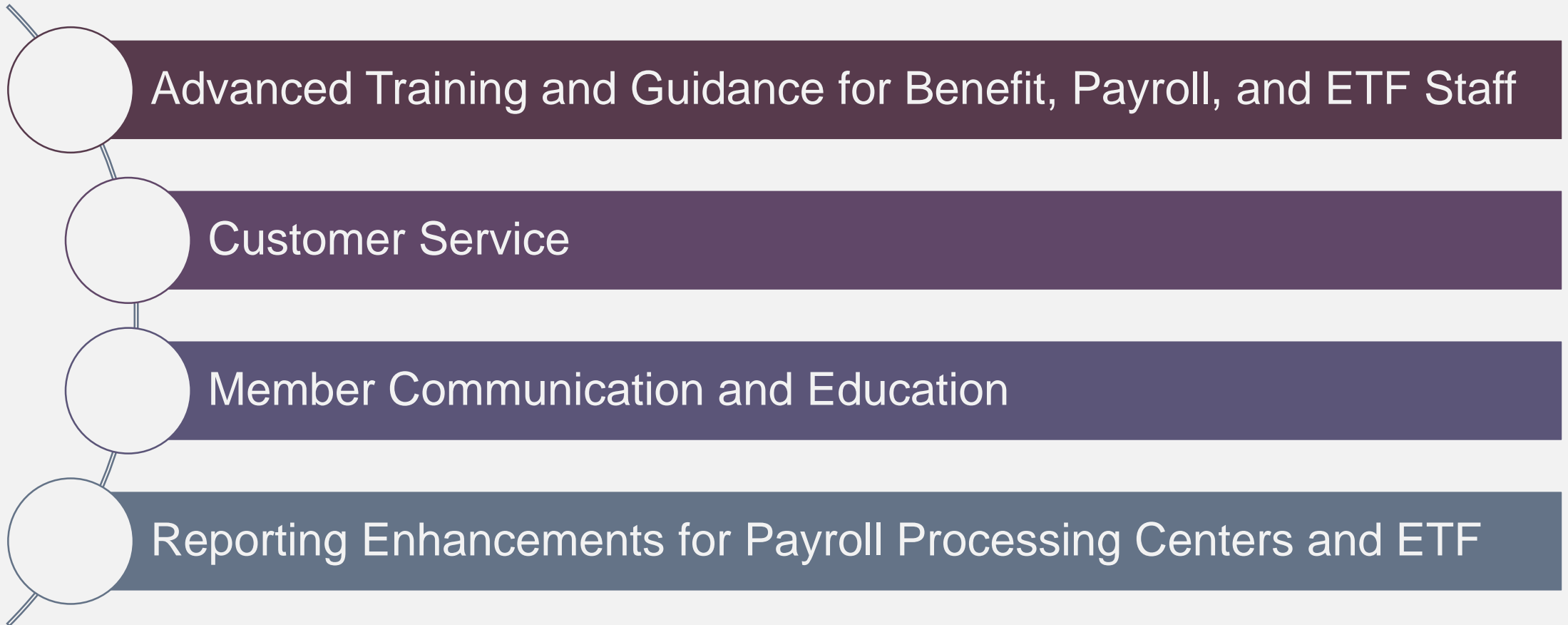
Contract Terms

Contract Terms	ERA and Commuter Benefits	HSA and LPFSA
Original Contract Term	October 1, 2014 - December 31, 2016	September 1, 2014 - December 31, 2016
First Extension <i>(Approved March 24, 2016)</i>	January 1, 2017 – December 31, 2017	January 1, 2017 – December 31, 2017
Second Extension <i>(Approved March 23, 2017)</i>	January 1, 2018 – December 31, 2018	January 1, 2018 – December 31, 2018
Potential Third Extension	<i>January 1, 2019 – December 31, 2019</i>	<i>January 1, 2019 – December 31, 2019</i>

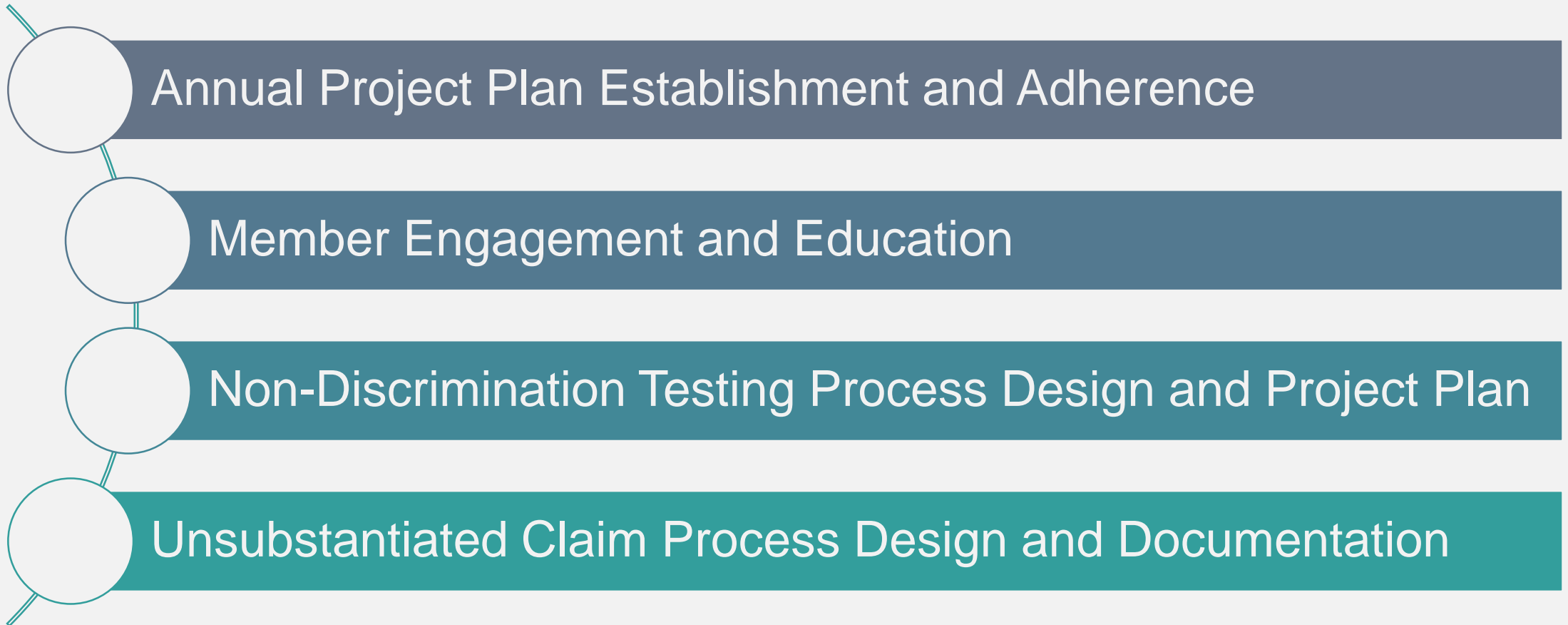
Item 4A, Page 5

ERA & HSA Programs – November 15, 2017

Performance Enhancements - 2017



Performance Enhancements - 2018



Audit Activity & Findings

Item 4B

Findings

- Presented to ETF Board: September 21, 2017
- Several control deficiencies identified
- Amelia Slaney (ETF) will provide an overview with Item 4B

Item 4B

ERA & HSA Programs – November 15, 2017

Audit of ERA and HSA Programs

- ETF contracted with Wipfli to conduct compliance procedures
- OIA worked with OSHP to develop a scope for the audit
- OIA and Wipfli co-sourced audit to maintain reasonable audit costs and address desired scope areas

Wipfli Scope and Findings

Scope Area	Findings
Participant Enrollment and Account Changes	No exceptions noted.
Billing ETF for Claims Paid	<ol style="list-style-type: none">1. Segregation of Duties2. Secondary Review of Billing for Claims5. Integrity of System Data
Transition Between Systems used by TASC	5. Integrity of System Data
Claim Substantiation and Payment	<ol style="list-style-type: none">1. Segregation of Duties3. Proper Documentation for Claim
Adjustments to Participant Accounts	<ol style="list-style-type: none">2. Secondary Review of Adjustments4. Report for Manual Adjustments
2015 Plan Finalization Report	No exceptions noted.

Key Findings from Wipfli Audit

2. Secondary Review of Billing for Claims and Adjustments

- Invoices to ETF for Claims
- Manual adjustments to accounts

5. Integrity of System Data

- Using SSNs as unique identifiers
- Level of Detail in Invoices to ETF
- Balances carried over properly from previous years

OIA Scope and Findings

Scope Area	Findings
Contribution Processing	<ol style="list-style-type: none">1. Accuracy of Contributions Posted2. Reconciliation of Contributions Withheld, Reported, and Paid3. Program Contributions Limits4. Review of Annual Plan Finalization Report
Billing ETF for Administrative Fees	<ol style="list-style-type: none">5. Administrative Billing

Findings from OIA Audit

1. Accuracy of Contributions Posted to Accounts
 - Contribution data from payroll centers posted accurately by TASC
2. Reconciliation of Contributions Withheld, Reported, and Paid
 - Payroll centers to reconcile amounts
3. Program Contribution Limits
 - Compliance should be monitored
4. Review of Annual Plan Finalization Report
 - ETF should review to help ensure consistent with program rules
5. Administrative Billing
 - Billing should be consistent with program rules
 - TASC should not bill ETF for terminated HSA participants

Audit Finding Next Steps

- OSHP plans to monitor progress on findings through regular contact with TASC and payroll centers
- OIA will obtain an update on the progress in addressing findings each quarter from OSHP
- OIA will report the progress to the Audit Committee each quarter at the Audit Committee meeting

Audit Finding Progress

- Several audit recommendations in the works for plan year 2018, including:
 - Uniform payroll deductions across all Payroll Centers

Payroll Schedule	Deductions
Bi-weekly	24
Monthly	12
Seasonal	9

- Standard reporting file format
- Staff will provide additional audit information at future meetings

Future Considerations

Items 4A & 6A

Contract Considerations

- No Board action required – informational only
- ETF staff will review TASC's 2017 performance:
 - Audit deliverables
 - Enhanced performance standards and guarantees
- Return with recommendations in February 2018:
 - 2019 TASC contract extension
 - 2018 TASC contract amendment

Item 6A, Page 2

ERA & HSA Programs – November 15, 2017

Performance Enhancements - 2019



Contract Retirement and Transfer of Administration Expectations



ETF Office of Internal Audit (OIA) Third Party Audit Recommendation Implementation



Wipfli Third Party Audit Recommendation Implementation

Future Considerations

February 2018

- 2019 TASC contract extension & 2018 TASC contract amendment recommendations
- Procurement activity update and request to release RFP

May 2018

- Procurement activity update in advance of RFP release

Ongoing

- Third party audit finding implementation updates – GIB and ETF Board
- HSA and ERA program updates

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Questions?

Thank you



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