



## Correspondence Memorandum

**Date:** October 19, 2017

**To:** Group Insurance Board

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

**Subject:** Employee Reimbursement Accounts, Commuter Benefits, Limited Purpose Flexible Spending Account, and Health Savings Accounts Programs  
Contract Extension and Contract Amendment

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

ETF staff will provide an update and recommendation on the contract extension and amendment described below to the Group Insurance Board (Board) at the February 2018 meeting.

### Background

TASC is the third-party administrator of the ERA, Commuter Benefits, LPFSA, and HSA programs.

The original **ERA** and **Commuter Benefit** programs contract term with TASC ran from September 1, 2014, through December 31, 2016, with an option to extend the contract for three (3) additional one (1) year periods. The Employee Trust Funds (ETF) Board approved one-year contract extensions for the 2017 and 2018 plan years. A third and final contract extension remains for plan year 2019.

The administrative 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) additional one (1) year periods. The Employee Trust Funds (ETF) Board approved one-year contract extensions for the 2017 and 2018 plan years. A third and final contract extension remains for plan year 2019.

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

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The administrative rates for the 2015 and 2016 plan years for the HSA and LPFSA were approved at \$3.00 PPPM. For plan year 2017, the rates were approved at \$3.06 PPPM for the HSA and LPFSA programs.

The ETF Board previously approved a possible PPPM increase for plan year 2018 (Attachment A), which is not to exceed 3%, is subject to negotiations, and dependent upon TASC satisfying the Performance Standards and Guarantees outlined in the 2017 and 2018 plan year contracts. Areas of focus include:

- Advanced Training and Guidance for Benefit, Payroll, and ETF Staff
- Annual Project Plan Establishment and Adherence
- Customer Service
- Member Communication, Engagement, and Education
- Non-Discrimination Testing Process Design and Project Plan
- Reporting Enhancements for Payroll Processing Centers and ETF
- Unsubstantiated Claim Process Design and Implementation

ETF staff will review TASC's 2017 performance, including audit deliverables as well as the enhanced performance standards and guarantees, at the end of the year to determine if a PPPM increase is warranted. The fee increase would only apply to the HSA, ERA, and LPFSA programs. The Commuter Benefits program will remain at \$0.00 PPPM.

### **2019 Enhanced Performance Standards and Guarantees**

Additional areas of focus have been identified for 2018 in advance of the 2019 plan year and will be incorporated into the contract extension if approved by the Board. These additional enhanced performance standards and guarantees include:

- Office of Internal Audit (OIA) Audit Recommendation Implementation
- Wipfli Third Party Audit Recommendation Implementation
- Contract Retirement and Plan Run-Out Expectations

If the final contract extension is approved, TASC would be eligible for a maximum 3% PPPM increase for plan year 2019. The increase is subject to negotiations and dependent upon satisfying contractually required Performance Standards and Guarantees. A 3% increase would only apply to the ERA, LPFSA, and HSA programs. The Commuter Benefits rates would remain at \$0.00.

ETF will review TASC's performance in early 2019 to determine if a PPPM increase is warranted.

### **Conclusion**

TASC remains deeply engaged with ETF and the Payroll Processing Centers to remedy issues, especially those identified in audit findings and recommendations. TASC is also committed to maintaining earlier gains in relation to the performance standards and guarantees. At the February 2018 Board meeting, ETF staff will bring a

recommendation to the Board regarding the contract extension and the proposed revised enhanced performance standards and guarantees.

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

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



State of Wisconsin  
Department of Employee Trust Funds  
Robert J. Conlin  
SECRETARY

801 W Badger Road  
PO Box 7931  
Madison WI 53707-7931  
  
1-877-533-5020 (toll free)  
Fax 608-267-4549  
etf.wi.gov

### **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

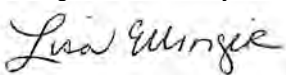
**ETF requests the Employee Trust Funds Board (Board) approve a one-year extension of the administrative services contract with Total Administrative Services Corporation (TASC), with the proposed fee increase, not to exceed 3%, for the Employee Reimbursement Accounts (ERA), Commuter Benefit, Limited 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)

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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 LPFSA were approved at \$3.00 PPPM. For plan year 2017, the rates were approved at \$3.06 PPPM for the HSA and LPFSA Programs.

TASC is eligible for a PPPM rate increase. PPPM 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% PPPM increase for plan year 2018, which is subject to negotiation. This would increase the cost for the ERA, LPFSA, and HSA Programs from the current \$3.06 PPPM to \$3.15 PPPM. The Commuter Benefits rates will remain \$0.00 PPPM.

Based on the ERA, LPFSA, 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.