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**Correspondence Memorandum**

**Date:** February 10, 2019

**To:** Group Insurance Board

**From:** Xiong Vang, HSA & ERA Accounts Program Manager  
 Office of Strategic Health Policy

**Subject:** Health Savings Account, Section 125 Cafeteria Plan, Employee Reimbursement Accounts, and Commuter Fringe Benefits Account Program Overview (Supplemental Plans)

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

**Background**

Total Administrative Services Corporation (TASC) is the third-party administrator (TPA) of the Health Savings Account (HSA), Section 125 Cafeteria Plan, Employee Reimbursement Accounts (ERA), and Commuter Fringe Benefit Accounts programs and has been the TPA since 2015. The Board approved a one-year extension of the administrative services contract with TASC for the 2019 plan year, through December 31, 2019. TASC is currently on their third and final contract extension<sup>1</sup>.

**Request for Proposal Overview**

On February 21, 2018, the Group Insurance Board (Board) approved the development and release of three Requests for Proposals (RFP) to select an administrator(s) for the HSA, Section 125 Cafeteria Plan, ERA and Commuter Fringe Benefit Accounts programs to be effective for the 2020 plan year<sup>2</sup>.

The RFP contained three components:

1. ETH0052: HSA
2. ETH0053: Section 125 Cafeteria Plan and ERA
3. ETH0054: Commuter Fringe Benefit Accounts

<sup>1</sup> Contract Extension Request – TASC. Consideration of Open Minutes of February 21, 2018 Meeting. <http://etf.wi.gov/boards/agenda-items-2018/gib0321/agenda.pdf>.

<sup>2</sup> Request for Proposals – Section 125 Cafeteria Plan, Health Savings Account, Employee Reimbursement Account, and Fringe Benefit Account Programs. <http://etf.wi.gov/boards/agenda-items-2018/gib0221/item6c.pdf>.

Reviewed and approved by Eileen K Mallow, Director, Office of Strategic Health Policy

*Eileen K Mallow* Electronically Signed 2/12/19

Board	Mtg Date	Item #
GIB	2.20.19	10A

Possible Vendor Contracts and Key Considerations

Table 1 provides three possible outcomes from the vendor contract scenarios. Vendors had the potential to bid on one program, a combination of any programs, or all three components of the RFP. This means that the RFP components may also be awarded to three different vendors, a mix of vendors, or a single vendor.

**Table 1 – Possible Vendor Contract Scenarios**

1 Vendor	2 Vendors	3 Vendors
HSA Program	HSA Program	HSA Program
Cafeteria Plan and ERA	Cafeteria Plan and ERA	Cafeteria Plan and ERA
Commuter Fringe Benefit	Commuter Fringe Benefit	Commuter Fringe Benefit

Lessons learned from current vendor implementation and performance enhancements are the cornerstone of the RFP. The following are key considerations of the RFP<sup>3</sup>:

- Cost
- Marketing Materials
- Payroll Center and benefit Support Staff
- Performance Standards and Guarantees
- Debit Card Functionality
- Educational Materials
- Non-Discrimination Testing
- Project Management
- Standard Business Practices
- Section 125 Plan Documentation
- Section 125 Tax benefit Guidance

ET0052 - HSA

The HSA program is authorized under Sections 125 and 223 of the Internal Revenue Code (IRC). To be eligible for the state-sponsored HSA, a participant is required to enroll in High-Deductible Health Plan (HDHP) coverage. This dual-enrollment is a requirement by Wis. Stat. § 40.515 (1), intended to help participants successfully plan for health care expenses. The HSA program contract includes the administration of:

- **Health Savings Account:** An individually-owned, tax-advantaged account that can be used to pay for current or future eligible health care expenses.

ET0053 - Section 125 Cafeteria Plan and ERA

The Cafeteria Plan is established in accordance with IRC Section 125 and provides participants with the option to pay for certain qualified benefit premiums pre-tax, reducing their total taxable income and increasing their take-home pay. The Internal

<sup>3</sup> RFP Consideration. Request for Proposals – Section 125 Cafeteria Plan, Health Savings Account, Employee Reimbursement Account, and Fringe Benefit Account Programs.  
<http://etf.wi.gov/boards/agenda-items-2018/gib0221/item6c.pdf>.

Revenue Service (IRS) requires annual non-discrimination testing. A Plan Document and Summary Plan Description (SPD) are established for accurate and current plan documentation of a Cafeteria Plan to avoid compliance issues and any possible adverse tax consequences. The Section 125 Cafeteria Plan program contract includes the administration of:

- **Non-Discrimination Testing:** Testing benefit plans to ensure plans do not discriminate in favor of highly compensated employees.
- **Plan Document:** A document that provides a participant's rights and obligations under the plan.
- **Summary Plan Description:** A document that summarizes the basic features of the plan.

The ERA program was established by 1987 Wisconsin Act 399, as authorized under Sections 125, 105, and 129 of the IRC and Wis. Stat. § 40.85-40.875. The ERA program contract includes the administration of:

- **Health Care Flexible Spending Account (FSA):** A participant can set aside tax-free dollars each year for eligible health care expenses not covered by insurance. Participants in a Health Care FSA are not eligible for the HSA.
- **Limited Purpose FSA:** A participant can set aside additional money tax-free for certain dental, vision and post-deductible medical expenses. To be eligible for the Limited Purpose FSA, a participant must enroll in the HDHP and HSA program.
- **Dependent Day Care FSA:** A participant can set aside pre-tax dollars to be used for day care or elder care expenses for eligible dependents allowing the employee (or their spouse) to work, look for employment, or attend school full-time.

#### ET0054 - Commuter Fringe Benefit Accounts

The Commuter Fringe Benefit program is a qualified transportation benefit plan authorized under Section 132 of the IRS code and offers State employees the ability to elect pre-tax paycheck deductions for qualified parking expenses and/or mass transit expenses. The Commuter Fringe Benefit Accounts program contract includes the administration of:

- **Parking Account:** Allows a participant to pay for eligible work-related parking expenses with pre-tax dollars.
- **Transit Account:** Allows a participant to use pre-tax dollars to pay for eligible work-related transit expenses.

Program Participation

Most full-time and part-time State employees are eligible to participate in these pre-tax benefit programs if they meet individual program eligibility requirements. Table 2 below shows enrollment in each of the programs. Total participant enrollments have increased through the end of each plan year since 2015. Total enrollments for 2019 are based on the It's Your Choice (IYC) Open Enrollment period from October 1 – October 26, 2018 and post Open Enrollment elections for the 2019 plan year.

**Table 2 - HSA, ERA, and Commuter Fringe Benefit Enrollments**

	2015	2016	2017	2018	2019
<b>Health Savings Account</b>	790	3,236	4,158	5,709	7,109
<b>Health Care FSA</b>	14,540	17,266	18,570	19,541	19,237
<b>Limited Purpose FSA</b>	72	295	275	544	647
<b>Dependent Day Care FSA</b>	3,028	3,285	3,345	3,647	3,598
<b>Parking Account</b> **	495	1,853	2,037	2,248	2,005
<b>Transit Account</b> **	1,705	566	618	724	689
<b>Total</b>	<b>20,630</b>	<b>26,501</b>	<b>29,003</b>	<b>32,413</b>	<b>33,285</b>

\*\*UW System and UW Hospital and Clinics no longer participate in Commuter Fringe Benefits as of 2018 <sup>4</sup>

RFP Outcomes

The RFP approved by the Board in February 2018 was released on June 29, 2018. Final proposal submissions were due by August 29, 2018. The following number of proposals were received per RFP:

1. ETH0052 (HSA): 6 proposals received
2. ETH0053 (Section 125 Cafeteria and ERA): 5 proposals received
3. ETH0054 (Commuter Fringe Benefit Accounts): 5 proposals received

Upon completion of the evaluation and scoring process, finalists were identified for each RFP component. The finalists will present to the Board at the February 20, 2019 meeting (Ref. GIB | 2.20.19 | 7B). Staff will provide additional information during the assessment and deliberation period.

<sup>4</sup> Federal Tax Law Changes to Qualified Transportation Fringe Benefits. <http://etf.wi.gov/boards/agenda-items-2018/qib0516/item2.5.pdf>.

Federal Tax Law Changes to Qualified Transportation Fringe Benefits. <http://etf.wi.gov/boards/agenda-items-2018/qib0822/item5.pdf>.

Implementation Timeline

The following dates below are approximate timeline of next steps, including onboarding and implementation.

February 2019	Board selects vendor(s) for 2020 contract(s). Contract negotiations ensue.
May 2019	Onboarding of new vendor(s) begins (if applicable)
July 2019	Launch member education and communications plan
October 2019	Open Enrollment begins
January 2020	2020 Plan Year Go Live

Should the Board choose to select a new vendor for one, any, or all these programs, ETF staff have a communication plan prepared to communicate any changes to employers and members. ETF staff will work closely with the selected vendor(s) to ensure a seamless transition. Staff will provide regular updates to the Board regarding these programs.

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