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Department of Employee Trust Funds
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Correspondence Memorandum

Date: February 12, 2018

To: Group Insurance Board

From: Jessica Rossner, Program Manager
Sara Brockman, Health Program Manager
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

ETF requests the Group Insurance Board (Board) approve a one-year extension of the administrative services contract with Total Administrative Services Corporation (TASC), with a 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 2019 plan year, January 1, 2019, through December 31, 2019. In addition, ETF 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

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 October 1, 2014, through December 31, 2016, with an option to extend the contract for three additional one 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, which staff requests the Board approve at the February 21, 2018 meeting.

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.

Reviewed and approved by John Voelker, Deputy Secretary

Electronically Signed 2/6/18

Board	Mtg Date	Item #
GIB	2.21.18	6B

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 additional one year periods. The 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, which staff requests the Board approve at the February 21, 2018 meeting.

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.

2018 Fee Adjustment and Contract Amendment

The ETF Board previously approved a possible PPPM increase for plan year 2018, which is not to exceed 3%, 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 included:

- 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

As outlined in Attachment A of the memo, Third Party Audit of TASC Update (Ref. GIB | 2.21.18 | 6A), ETF and TASC are in the process of implementing the recommended audit finding to bill on a per-participant-per-benefit-per-month (PPPBPM) basis, rather than PPPM. ETF will provide the Board with an update regarding final administrative fees for 2018 at the May Board meeting.

Additional areas of focus have been identified for 2018 in advance of the 2019 plan year and will be incorporated into the 2018 contract as an amendment, 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

2019 Contract Considerations

If the third and final contract extension is approved, TASC would be eligible for a possible 3% PPPM increase for plan year 2019. This potential PPPM increase is subject to negotiations and dependent upon TASC satisfying the Performance Standards and Guarantees outlined in the 2017 and 2018 plan year contracts. A 3% increase would only apply to the ERA, LPFSA, and HSA programs. The Commuter Benefits rates would remain at \$0.00.

ERA and HSA Programs Contract Extension

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Based on an estimated participation increase of 1% in the ERA, LPFSA, and HSA Programs, a maximum increase of 3% would result in an approximate annual increase of \$24,060 for the 2019 plan year.

Plan Year	PMPM Base Rate	PMPM Rate Increase Percentage	PMPM Rate Increase Amount	PMPM Base Rate Plus Increase	Annual PMPM Rate Increase Amount	Annual PMPM Total
2015	\$3.00	0%	\$0.00	\$3.00	\$0.00	\$592,935
2016	\$3.00	0%	\$0.00	\$3.00	\$0.00	\$747,261
2017	\$3.00	2%	\$0.06	\$3.06	\$15,721.92	\$801,818
2018	\$3.06	Up to 3%	Up to \$0.09	Up to \$3.15	Up to \$23,820*	\$833,660*
2019	Up to \$3.15	Up to 3%	Up to \$0.09	Up to \$3.24	Up to \$24,060*	\$866,060*

*Based on an estimated participation increase of 1% and maximum 3% PMPM rate increase.

ETF will review TASC's performance in early 2019 to determine if a PMPM increase is warranted. The Board will receive an update regarding TASC's performance and the potential PMPM increase in February 2019 in advance of any contract amendments.

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

- Contract Retirement and Transfer of Administration Expectations
- 2018 Contract Amendments Pertaining to Audit Findings

Conclusion

ETF recommends the Board approve the third and final contract extension for plan year 2019 with the proposed revised enhanced performance standards and guarantees. TASC remains 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.

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