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Correspondence Memorandum

Date: April 22, 2022

To: Group Insurance Board

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

Subject: Optum Contract Extension (2024 and 2025 Plan Year)

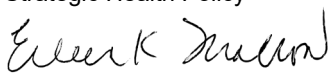
The Department of Employee Trust Funds (ETF) requests the Group Insurance Board (Board) approve a second two-year extension for the following ETF contracts: Third-Party Administration of Health Savings Accounts (HSA), Third-Party Administration of Section 125 Cafeteria Plan and Employee Reimbursement Accounts (ERA), and Third-Party Administration of Commuter Fringe Benefit Accounts with Optum Financial (formerly known as ConnectYourCare (CYC)), for the period January 1, 2024, through December 31, 2025. In the event the Board decides against extending the contract, ETF requests approval to prepare RFPs for the three contracts.

Background

On May 7, 2019, the Board entered into contracts with CYC as the third-party administrator for the HSA, Section 125 Cafeteria Plan and ERA, and commuter fringe benefit programs for the period starting May 7, 2019, through December 31, 2021. The contracts included provisions that allow for two, two-year extensions. The first extension of the contracts was approved by the Board on February 16, 2021 and allows Optum to continue administering the contracts through December 31, 2023. The request in this memo is for the second two-year extension period extending the contracts from January 1, 2024, through December 31, 2025.

HSA, Health Care Flexible Spending Account (FSA), Limited Purpose FSA, Dependent Day Care Account, Parking, Account, and Transit Account are referred to as pre-tax saving accounts. These pre-tax savings accounts are offered as part of the pre-tax benefit programs, managed by Optum, and allows participants to use pre-tax dollars to pay for certain qualified expenses such as medical, pharmaceutical, vision, dental, dependent day care, transportation, and parking. By using pre-tax dollars to pay these types of expenses, employees reduce their taxable gross income, which can significantly reduce their state and federal tax liabilities and increase their take-home salaries.

Reviewed and approved by Eileen K Mallow, Director, Office of Strategic Health Policy
 Electronically Signed 05/03/2022



Board	Mtg Date	Item #
GIB	5.18.22	7C

Current State of Pre-tax Saving Accounts Program

Over the 2020 and 2021 plan years, Optum continued to be a partner with ETF in improving the pre-tax benefit programs. ETF and Optum meet on a weekly basis to discuss operational tasks and performance. Optum is proactive in meeting the needs of ETF and employer group business areas. Since 2020, Optum leadership has met with ETF leadership to discuss on-going deliverables and plans to improve the programs. Communication has been a key aspect to the improvements in and quality of the pre-tax benefit programs.

CYC was acquired by Optum in November 2020. At the end of 2021, ETF saw a drop in the level of customer service. ETF and Optum's Customer Care Director discussed improvements to Optum's customer service call center early in January 2022. To improve customer service, Optum is reviewing the customer service call logs and the chat feature on a monthly basis and reporting results and any issues to ETF.

During the 2021 runout period (January 1, 2022 through March 31, 2022), where members can continue to resolve or submit their prior year claims, stakeholders -- including employers -- reported fewer issues related to FSA unsubstantiated claims in comparison to previous years. In addition, members were able to continue resolving their 2021 claims through Optum's online portal and mobile application, and Optum provided training and materials to employers and members to educate them on these electronic platforms.

2021 Deliverables

Some of the major deliverables completed by Optum in 2021 are described below.

Non-Discrimination Testing (NDT)

Optum gathered required data from employers and completed NDT on ETF's pre-tax benefit programs by June 2021. The programs successfully passed NDT. NDT is an Internal Revenue Service (IRS) requirement and in order for an employer or plan administrator (such as ETF) to offer pre-tax benefits, the IRS requires the employer or plan administrator to conduct an NDT to demonstrate their plans are not discriminating in favor of highly compensated employees for benefits. The success of ETF's NDT means that ETF can continue offering Section 125 Cafeteria Plans such as health, vision, dental, life, and pre-tax savings accounts through pre-tax deductions.

Reporting Deliverables

Optum developed several reports for ETF such as the Over/Under Contribution Report and FSA Unsubstantiated Claims Report. These reports provide additional information to the employers to assist in resolving enrollment and contribution discrepancies and notifying members of outstanding FSA claims.

Employer Training

Optum led pre-tax benefit program overview trainings for employer staff related to FSA and Dependent Day Care Account temporary provision changes, FSA unsubstantiated claims process, and the Over/Under Contribution Report.

Educational Campaigns

Optum sent targeted educational communications to help members understand the benefits they are enrolled in. Information included types of eligible expenses, utilizing the payment card, how HSA investment works, spending down balances before the end of the year, and adding a designated beneficiary.

Claims Education

Optum created guidance materials for members and employers on the fields required within a receipt or other documentation for submitting a claim.

New Enrollment Brochures

Optum created three enrollment brochures for the 2022 Open Enrollment Period. The detailed brochures assisted members in making better decisions about their pre-tax benefit program options.

ETF Five (5) Step FSA Unsubstantiated Claims Recovery Process

Optum and ETF co-developed a five step FSA unsubstantiated claims process guidance document. The document explains the steps of an outstanding FSA claim throughout a plan year. The IRS requires all FSA claims to include documentation if the claim is not auto-adjudicated by the payment card. Members who do not resolve their FSA claims by the end of the runout period may be subject to debt collection initiated by ETF.

Performance Standard and Guarantees

Optum met most performance standards and guarantees in 2021. Attachment A details Optum's performance related to claims process, customer service, data management, enrollment, other performances, and reporting requirements. Optum fell short of the customer service performance in the third and fourth quarters. A penalty was assessed and applied to Optum for not meeting the performances.

After the merger between CYC and Optum, a series of events affected Optum's customer service call answer timeliness and call abandonment rate. Optum experienced issues related to attracting new employees during the pandemic and staff turnover contributed to the longer call answering time and increased number of abandoned calls.

ETF shared the concerns with Optum in November 2021. Optum was able to hire new staff in late 2021 to backfill open positions and increase overall staffing at the end of 2021 and for the 2022 Open Enrollment Period. ETF has seen Optum's customer service statistics revert back to pre-pandemic numbers to be in line with the stated performance guarantees in 2022.

Participant Enrollment

Member enrollment was consistent during the 2020 and 2021 plan years. Table 1 shows the participant enrollment by the end of each plan year. HSA participation has seen an increase between 2020 and 2021. Health Care FSA and Dependent Day Care Account decreased slightly in 2021 due to the pandemic and members not utilizing these expenses as much.

Table 1. Participant Enrollment

Benefit Types	2020	2021
Health Care FSA	19,276	19,051
Limited Purpose FSA	1,080	1,085
Dependent Day Care Account	3,927	3,416
Parking Account	1,963	1,988
Transit Account	718	717
HSA	10,011	11,518
TOTALS	36,975	37,775

2021 Participation and Program Savings

The total amount contributed in 2021 to pre-tax saving accounts was \$71.9 million, with an estimated employer FICA tax savings accounting for \$5.5 million (see Table 2). The total HSA amount contributed at \$33.6 million. Of that amount, \$12.3 million was from employer HSA contributions and \$21.3 million was through employee contributions.

Table 2. Participant and Program Savings

Benefit Types	Number of Participants	Amount Contributed	Estimated Employee Savings¹	Estimated Employer FICA Savings²
Health Care FSA	19,051	\$20,567,444.22	\$6,170,233.27	\$1,573,409.48
Limited Purpose FSA	1,085	\$ 499,443.07	\$149,832.92	\$38,207.39
Dependent Day Care Account	3,416	\$16,613,384.03	\$4,984,015.21	\$1,270,923.88
Parking Account	1,988	\$560,444.96	\$168,133.49	\$42,874.04
Transit Account	717	\$34,475.43	\$10,342.63	\$2,637.37
HSA	11,518	\$33,636,820.92 ³	\$10,091,046.28	\$2,573,216.80
TOTAL	37,775	\$71,912,012.63	\$21,573,603.79	\$5,501,268.97

¹ The estimated employee tax savings amounts are based on an estimate of a 30% tax rate (federal, state, and FICA combined).

² For 2021, the FICA tax rate for employers was 7.65%.

³ HSA Amount Contributed includes employee and employer contributions.

Member Survey

Optum surveyed members throughout the 2021 plan year. A total of 11,285 members were invited to complete a survey of which 1,830 (16%) responded. The survey was provided to members who participated in the pre-tax saving accounts and utilized their accounts and made calls to Optum customer service.

The member survey results are provided in Attachment B and are summarized as follows:

- 79% of participants are satisfied or very satisfied with Optum's claims process (see Figure 1.2 Clams Satisfaction %);
- 81% of participants feel satisfied or very satisfied with Optum services (see Figure 2.2 Overall Satisfaction %);
- 85% and 94% of participants find Optum technology, including the online portal and mobile application, easy to use (see Figure 4.1 and Figure 5.1); and
- 74% would recommend Optum to another co-worker (see Figure 6.2 Members Recommendation of Optum).

Within Optum's book of business and other clients, the average participant satisfaction rate was 86%. Clients of Optum had an average of 85% in the likelihood of recommending the vendor to another person or client.

Members complaint with Optum continues to be related with FSAs and Dependent Day Care Account claims not having the appropriate documentation to meet the requirements regulated by IRS (see [Substantiation Requirements](#)). The confusion that members have with the substantiation requirement is across the industries. From the survey results, Optum has been responsive in taking additional measures internally to improve ETF's member experience for the future with webinars and educational materials.

Employer Survey

Between March 28, 2022 and April 8, 2022, ETF surveyed the employers on their experience with Optum. ETF's Office of Communication assisted with the development of the employer survey questions and sent the survey to employers. The survey was provided to ETF internal staff, human resources, benefits administrators, and managers at nine employers.

The employer survey results are depicted in Attachment C and summarized as follows:

- 33 employer staff members received the survey; there was a 48% completion rate,
- 76% of the employers are satisfied with Optum's services overall,
- 67% and 71% find the materials for employers and members easy to understand, respectively, and
- Submitting FSA claims and requirements continues to be a challenge for members.

Employers suggested the following ways to improve the pre-tax benefit programs: Optum call center providing accurate information to members, make materials easier to link to employer sites, and make more reporting tools available on the dashboard.

BenefitFocus

Optum has been engaged in ETF's new Insurance Administration System (IAS) discussions. Planning for the future state of how pre-tax saving account benefits will work between the stakeholders is under way.

Conclusion

Optum continues to have a strong, dedicated account management team that is committed to the growth of the benefit programs. In light of a major 2020 business change from CYC to Optum, Optum favorably delivered 2021 benefit administration enhancements and quickly responded to improve customer service performance. ETF staff is confident that Optum's continued partnership will allow for continued improvement of the benefit programs.

Customer service was an area that employers and members expressed concerns about within the surveys. ETF has shared this concern with Optum leadership and have seen improvement in their call center customer service in 2022. Optum has taken additional steps to hire and train staff and channel additional accurate information back to members.

For these reasons, ETF is recommending the Board approve a second, two-year extension of the Optum contracts. The extension would start January 1, 2024 and run through December 31, 2025. If the Board chooses not to approve an extension of Optum's contract, ETF will need the Board's approval to begin the Request for Proposal process for third party administration of HSA, ERA, and commuter fringe benefit accounts with a contract (or contracts) to commence on January 1, 2024.

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

[Attachment A: 2021 Optum Financial Performance Standards](#)

[Attachment B: 2021 Member Survey Results](#)

[Attachment C: 2021 Employer Survey Results](#)