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Correspondence Memorandum

Date: April 25, 2023

To: Group Insurance Board

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

Subject: Pre-Tax Savings Account Programs Update

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

Background

The pre-tax savings accounts, which include the Health Savings Account (HSA), Health Care Flexible Spending Account (FSA), Limited Purpose FSA, Dependent Day Care Account, Parking Account, and Transit Account, are administered by the third-party administrator, Optum Financial (Optum). These savings accounts allow 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 reduce their state and federal tax liabilities and increase their take-home salaries.

On May 7, 2019, the Board entered into contracts with ConnectYourCare (CYC) as the third-party administrator for the HSA, Section 125 Cafeteria Plan and Employee Reimbursement Account (ERA), and commuter fringe benefit programs for the period starting May 7, 2019–December 31, 2021. CYC was acquired by Optum in November 2020. 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 allowed Optum to continue administering the contracts through December 31, 2023. The second extension of the contracts was approved on May 18, 2022, and extended the contracts through December 31, 2025.

Participant Enrollment

During the 2022 plan year, member participation in the pre-tax savings account programs increased overall to 40,805 enrollments. Table 1 reflects the enrollments in each of the benefit accounts between 2020 and 2022. Health Care FSA continues to have the largest participant enrollment, while the Transit Account has the lowest participant enrollment. The HSA had an 18% increase in participant enrollment, increasing to 13,577 participants.

Eileen K Mallow

Reviewed and approved by Eileen Mallow, Director, Office of Strategic Health Policy
 Electronically Signed 04/28/2023

Board	Mtg Date	Item #
GIB	05.17.23	5

Table 1. 2020-2022 Participant Enrollments

Benefit Account	2020 Plan Year	2021 Plan Year	2022 Plan Year
Health Care FSA	19,276	19,051	19,535
Limited Purpose FSA	1,080	1,085	1,160
Dependent Day Care Account	3,927	3,416	3,493
Parking Account	1,963	1,988	2,293
Transit Account	718	717	747
Health Savings Account	10,011	11,518	13,577
TOTAL	36,975	37,775	40,805

2022 Participation and Program Savings

In 2022, the overall contributions to the pre-tax saving accounts totaled \$74.2 million. The HSA amount contribution equaled \$38 million. Of that amount, \$13.4 million was from employer HSA contributions, and \$24.6 million was from employee contributions. An estimated employee saving was \$22.2 million, and employer Federal Insurance Contributions Act (FICA) tax savings totaled \$5.6 million (see Table 2).

Table 2. Participant and Program Savings

Benefit Account	Number of Participants	Amount Contributed	Estimated Employee Savings	Estimated Employer FICA Savings
Health Care FSA	19,535	\$20,856,311	\$6,248,034	\$1,595,508
Limited Purpose FSA	1,160	\$538,012	\$161,404	\$41,158
Dependent Day Care Account	3,493	\$14,004,620	\$4,197,837	\$1,071,353
Parking Account	2,293	\$769,266	\$230,348	\$58,849
Transit Account	747	\$63,185	\$18,956	\$4,834
Health Savings Account	13,577	\$38,065,994	\$11,410,318	\$2,912,049
TOTAL	40,805	\$74,297,388	\$22,266,897	\$5,683,751

Quarterly Performance and Guarantees

Attachment A provides Optum's performance related to the claims process, customer service, data management, enrollment, other performances, and reporting requirements. In 2022, Optum fell short of the call answer timeliness service-level performance standard in the first and second quarters. A penalty was assessed to Optum for not meeting the performance standards. ETF has seen an improvement in Optum customer service performance in the last two quarters of 2022.

99% of the claims are processed within three business days by Optum's claims team. 73% of the claims are processed within two business days, and 17% of the claims are processed within one business day. Optum continues to adhere to the claims processing performance standard for all claims to be processed within three business days.

In the pre-tax savings account programs, FSA unsubstantiated claims requirements, such as documentation, continue to be a challenge for members. During the rebranding of their microsite in September 2022, Optum created an online Claims Resource Center that includes Frequently Asked Questions to help members understand items related to their claims. ETF and Optum will continue to share the resources available on claims substantiation with employers and members, while also providing direct communication throughout the plan year regarding the FSA unsubstantiated claims process.

Member Survey

Approximately 600 members completed a survey by Optum between April 2022 and December 2022. The survey was provided to members who utilized the pre-tax savings accounts and called Optum customer service. In Attachment B, members reported 88% satisfaction with the level of service they received from Optum. The survey also reflects an 87% satisfaction rate regarding Optum's customer service response to the member's questions.

Pre-Tax Savings Account Programs Audit Update

The Board requested an update on the pre-tax saving accounts program audit during the February meeting ([Ref. GIB | 02.22.23 | 12](#)). Optum and ETF have been meeting bi-weekly to ensure the deliverables are accounted for on the audit recommendations. Attachment C provides the current status of each finding and action item. Progress has been made in the following areas of focus:

- Reporting Concerns – Plan Finalization Report and Unsubstantiated Claims Business Debt Report
- Quarterly Performance Standards Reporting
- ERA and CB Claims Substantiation.

In the claims performance standard, Optum has included all claims (including manual claims) in reporting of the quarterly performance in 2023. ETF has assessed further penalties under the "Performance Standards Penalties" area of focus to also improve reporting performance. Optum also completed the action items related to "Optum Secure File Transfer Protocol Access."

ETF anticipates several additional action items to be completed by Optum. Optum has been cooperative throughout this post-audit and continues to look for solutions to improve the programs. ETF will provide another audit status update report to the Board at the August meeting.

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Attachment A: [2022 Optum Financial Performance Standards Scorecard](#)

Attachment B: [2022 Annual Member Survey Results](#)

Attachment C: [Follow-up Report on TPA Contract Compliance Audit of Optum Financial for the ERA, HSA, and CB Programs](#)