

June 18, 2010

Alderman Michael Murphy, Chairman
City of Milwaukee Common Council Finance and Personnel Committee
200 East Wells Street, Room 205
Milwaukee, WI 53202

File No: 100202 Contract with Flexible Spending Plan Administrator

Dear Alderman Murphy:

The City of Milwaukee Department of Employee Relations and the DER Review Team, after completing a Request for Proposal Process for Pre paid dental plans and a fee for service dental plan, is recommending that the City enter into a two year contract with the option of extending the contract for one year with the "eflexgroup." This is a new provider for the flexible spending plan..

The City allows employees to participate in a flexible spending medical, a flexible spending dependent care and a flexible spending parking plan. The City currently has over 1300 contracts for flexible spending plans.

There were four vendors who responded to the City's Request for Proposal. The "eflexgroup" had lower costs overall because they do not charge for a debit card and because they do not charge anything extra for a member who has more than one flexible spending plan. The "eflexgroup" also had higher scores on their qualitative ranking. There will be a run out fee the City will pay to the current vendor since members are allowed to encumber their 2010 funds through the end of March 2011. The avoided additional costs to the City by changing vendors after the run out is included is approximately \$25,000 over three years.

A resolution and a fiscal note are attached to the file. In addition a report prepared by Willis of Wisconsin regarding this file with two one-page appendices is attached to the file.

Please contact me at mbrady@milwaukee.gov or at 286-2317 if you have any questions or comments regarding this file.

Sincerely,
Michael Brady
Employee Benefits

CC: Maria Montegudo, DER
Troy Hamblin, DER

City Of Milwaukee

Selection Team Recommendation Regarding
Contract for Flexible Benefit Plan Administration

Willis of Wisconsin
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June 10, 2010

Table of Contents

Executive Summary 3

Background 3

Evaluation of Qualitative and Quantitative Responses 4

Appendices

- Appendix A Financial Analysis
- Appendix B Proposal Scoring Summary

EXECUTIVE SUMMARY

What is the recommendation of the Selection Team?

As a result of a request for proposal process and evaluations, the Selection Team recommends the City enter into the following:

Enter into a three-year contract with eflexgroup to administer the City's flexible spending account programs beginning January 1, 2011 through December 31, 2013.

The eflexgroup received the best quantitative, qualitative and overall score in the evaluation process.

Who was on the Selection Team?

The City staff members on the Selection Team were:

- **Michael Brady** – Director Employee Benefits, Department of Employee Relations
- **Aaron Cadle** – Legislative Fiscal Analyst, Common Council City Clerk, Fiscal Review Section
- **James Michalski, CPA**, – Auditing Manager, Office of the Comptroller
- **Renee Joos** – Special Assistant, Budget Office
- **Nicole Fleck** – Labor Relations Representative, Department of Employee Relations

Assisting the City team were the following individuals:

- **Douglas Ley**, Senior Vice President, Willis
- **Clete Anderson**, Vice President, Willis

BACKGROUND

The City of Milwaukee offers pretax spending account programs to employees; IRC Section 125 "flexible spending account medical" (FSAM), IRC Section 129 "flexible spending account dependent care" (FSAD) and IRC Section 132 "flexible spending parking" accounts.

Process Works of Brookfield, Wisconsin currently administers these programs.

Since the FSA administration contract expires at the end of 2010 the City decided to re-evaluate those plans.

A request for proposal including the critical selection factors was e-mailed to FSA administration firms. Responses were received from:

- Process Works
- Discovery Benefits
- eflexgroup
- PayFlex

EVALUATION OF QUANTITATIVE AND QUALITATIVE AND RESPONSES

The team decided prior to receiving responses that the scoring of the responses would put 50% weight on the quantitative analysis and 50% on the qualitative analysis.

Willis performed a quantitative analysis of the financial responses to the RFP. That analysis can be found in Appendix A. The vendor with the most favorable financial terms would be assigned a score of 7.0, with the other respondents' scores based on the ratio of their respective costs to the most favorable score. eflexgroup offered the most attractive three-year financial terms.

Note in the financial analysis that a "runout expense" was added in the first year for the non incumbent bidders. If a change were made to a new FSA administrator the incumbent will need to continue administer the current program for the first four months of 2011 while the new administrator will begin with administration of 2011 claims.

Based on financial responses it was decided that eflexgroup with the highest score, 7.0 and Process Works, the incumbent with the second highest score, 6.26, were deemed finalists and their qualitative responses would be scored.

The six RFP questionnaire categories responses were scored on a scale of 1.0 to 7.0, with 7.0 being the top score. The summary scoring results can be found in Appendix B. eflexgroup received a composite qualitative score of 5.33 versus 3.33 for Process Works.

Weighting the quantitative and qualitative scores 50% each, eflexgroup earned a total score of 6.17 versus 4.80 for Process Works.

It should be noted that when Process Works was chosen as the FSA plans administrator in 2000 it was a small, privately owned company. Several years ago Process Works was acquired by United Healthcare, one of the largest insurance companies in the U.S. Since then the level of attention and assistance to the City's plan has fallen off. In addition to earning a higher score, the expectation is that the City would receive the same kind of attention from eflexgroup, a small, privately held firm in Madison, Wisconsin, that it once received from Process Works.

For these reasons, the Selection Team recommends the City accept the three-year contract terms offered by eflexgroup.

Appendix A Quantitative Analysis (one page)

Appendix B Proposal Scoring (one page)

FSA Vendor Quotes Comparison

FSA and Dependent Care

	Process Works			Discovery Benefits			eflexgroup			PayFlex		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
Initial Set-Up Fee	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$1,000	N/A	N/A
Annual Fee	\$1,500	\$1,500	\$1,500	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$500	\$500
Monthly Administration Fee	\$3.50 FSA \$.75 debit card	\$3.50 FSA \$.75 debit card	\$3.50 FSA \$.75 debit card	\$3.90 ppm Debit card included	\$3.90 ppm Debit card included	\$3.90 ppm Debit card included	\$3.50 ppm Debit card included	\$3.50 ppm Debit card included	\$3.50 ppm Debit card included	\$3.50 FSA \$1.00 debit card	\$3.50 FSA \$1.00 debit card	\$3.50 FSA \$1.00 debit card
Document Preparation	Included - Master Plan Document and SPO	Included - Master Plan Document and SPD	Included - Master Plan Document and SPD	Included	Included	Included	Included	Included	Included	Included	Included	Included
Communications Materials Included												
Generic	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Custom	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No
Annual Report Filing	\$150/filing	\$150/filing	\$150/filing	Included	Included	Included	Included	Included	Included	Included	Included	Included
Document Amendments	\$100	\$100	\$100	Included	Included	Included	Included	Included	Included	Included	Included	Included
Annual Participant Statements	\$.25/ statement plus postage	\$.25/ statement plus postage	\$.25/ statement plus postage	Included	Included	Included	Included	Included	Included	Included	Included	Included
Annual Three-Year Total	\$59,109	\$59,109 \$177,327	\$59,109	\$54,241	\$54,241 \$162,724	\$54,241	\$48,678	\$48,678 \$146,034	\$48,678	\$63,596	\$63,086 \$189,758	\$63,086

Parking Reimbursement Plan

	Process Works			Discovery Benefits			eflexgroup			PayFlex		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
Initial Set-Up Fee	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Annual Fee	\$1,500	\$1,500	\$1,500	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Monthly Administration Fee	\$3.50 FSA \$1.75 w/FSA	\$3.50 FSA \$1.75 w/FSA	\$3.50 FSA \$1.75 w/FSA	\$3.90 ppm	\$3.90 ppm	\$3.90 ppm	\$3.50 ppm	\$3.50 ppm	\$3.50 ppm	\$3.50 ppm	\$3.50 ppm	\$3.50 ppm
Document Preparation	Included - Master Plan Document and SPD	Included - Master Plan Document and SPD	Included - Master Plan Document and SPD	Included	Included	Included	Included	Included	Included	Included	Included	Included
Communications Materials Included												
Generic	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Custom	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No
Annual Report Filing	\$150/filing	\$150/filing	\$150/filing	Included	Included	Included	Included	Included	Included	Included	Included	Included
Document Amendments	\$100	\$100	\$100	Included	Included	Included	Included	Included	Included	Included	Included	Included
Annual Participant Statements	\$.25/ statement plus postage	\$.25/ statement plus postage	\$.25/ statement plus postage	Included	Included	Included	Included	Included	Included	Included	Included	Included
Annual Three-Year Total	\$11,907	\$11,907 \$35,721	\$11,907	\$17,082	\$17,082 \$51,246	\$17,082	\$8,484	\$8,484 \$25,452	\$8,484	\$15,330	\$15,330 \$45,990	\$15,330
Grand Totals												
Annual	\$71,016	\$71,016	\$71,016	\$71,323	\$71,323	\$71,323	\$57,162	\$57,162	\$57,162	\$78,916	\$78,416	\$79,416
Run Out Expense	\$0	\$0	\$0	\$19,054	\$0	\$0	\$19,054	\$0	\$0	\$19,054	\$0	\$0
Three-Year Total		\$213,048			\$233,024			\$190,540			\$254,802	

Comments

Rates guaranteed for 4 years

Enrollment

# with Flex med	862
# with Flex dep care	79
# with Flex parking	202
# with Flex Med, Flex Dept and Flex Parking	10
# with Flex Med and flex Depent care	55
# with Flex Med or Dept care and parking	
# with FSAD and FSAP	14
# with FSAM and FSAP	139

FSA Vendor
Proposal Scoring

COMPOSITE SCORES

QUANTITATIVE	Process Works	Discovery Benefits	eflexgroup	PayFlex	Weight
TOTAL	6.26	5.72	7.00	5.23	100.0%

QUALITATIVE	Process Works	Discovery Benefits	eflexgroup	PayFlex	Weight
Staffing	3.00	#DIV/0!	6.00	#DIV/0!	16.7%
Claim System	4.00	#DIV/0!	6.00	#DIV/0!	16.7%
Claim Payment & Invoicing Process	4.00	#DIV/0!	6.00	#DIV/0!	16.7%
Service to City and Plan Members	3.00	#DIV/0!	6.00	#DIV/0!	16.7%
On Site Program Communications	3.00	#DIV/0!	5.00	#DIV/0!	16.7%
Performance Guarantees	3.00	#DIV/0!	3.00	#DIV/0!	16.7%
COMPOSITE QUALITATIVE SCORE	3.33	#DIV/0!	5.33	#DIV/0!	100.0%

TOTAL COMPOSITE SCORE

SUMMARY RESULTS	Process Works	Discovery Benefits	eflexgroup	PayFlex	Weight
QUALITATIVE	3.33	#DIV/0!	5.33	#DIV/0!	50.0%
QUANTITATIVE	6.26	5.72	7.00	5.23	50.0%
TOTAL COMPOSITE SCORE	4.80	#DIV/0!	6.17	#DIV/0!	100.0%