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Flexible Spending and Health Reimbursement Arrangement Administrator RFP Evaluation and Selection Process

September 10, 2020



BACKGROUND

The City of Milwaukee currently provides an IRS Section 125 Flexible Spending Arrangement (FSA) program and an IRS Section 105 Health Reimbursement Arrangement (HRA) for the Healthy Rewards portion of the Wellness Program. A Flexible Spending Arrangement allows employees to be reimbursed for medical, dependent care and parking expenses from an account funded through employee salary deductions. A Health Reimbursement Arrangement is an IRS approved, employer funded, tax advantaged benefit plan that reimburses employees for out of pocket medical expenses.

The City worked with its benefits consultant, Gallagher Benefits Services, to execute a Request for Proposal (RFP) process for FSA/HRA administrators. The City was seeking proposals from administrators that have experience and a record of proven success at administering the aforementioned FSA/HRA programs along with excellent customer service. In addition, the City wants an administrator that can inform, educate, and provide tailored communication to City employees about the benefits of Section 125, Section 132 and Section 105 arrangements.

The Flexible Spending and Health Reimbursement Account Administration RFP was a collaborative effort facilitated by Gallagher Benefits Services, with the below considerations as critical importance:

- Review marketplace leaders including vendors who have the ability to handle large customer accounts preferably with public sector experience
- Ability of the selected administrator to assist in a prompt transfer of the account from the present administrator to the new administrator prior to December 2020
- Assist with promptly enrolling employees in the plan and troubleshooting any issues with the process as well as providing a single point-of-contact for account management and resolving member issues and questions
- Provide customized education, support and communications for each type of FSA account offered and for the HRA as well
- Electronic submission of requests for reimbursement, debit card access to account balances for accounts eligible for reimbursement and the ability for participants to view account balances which are promptly updated to reflect deposits
- Ability to prepare customized reports for the City including monthly deposit and claims reports, forfeitures, and periodic reports on benefit utilization, reimbursement and other requested metrics



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- Ability to perform all periodic government reporting, filing and amendments as required by law
- Provide an online member portal/website and mobile app for the employer and employee to view and manage accounts and provide claim submissions
- Attend onsite fall open enrollment fairs at numerous locations in the City of Milwaukee and have a different enrollment process or virtual options as necessary depending on the circumstances (i.e. ongoing pandemic)
- Ability to administer benefits without using member social security numbers

The City staff members of the review and selection committee included:

- Renee Joos, Department of Employee Relations, Benefits
- Jennifer Zillmer, Department of Employee Relations, Benefits
- Nicholas Sinram, Department of Administration, Budget
- Nicole Fleck, Department of Employee Relations, Labor & Compliance
- Therese Biernat, Department of Employee Relations, Budget

Assisting the City team were the following Arthur J. Gallagher associates:

- Scott Schultz, Area Vice President
- Keegan Hays, Business Development Specialist
- Dawn Seifert, Client Service Leader

EVALUATION PROCESS

The City and Gallagher Benefits Services collaboratively drafted a best in class Request for Proposal which was sent to the below firms and included the aforementioned critical selection factors. The RFP clearly indicated all of the City’s requirements, contractual terms, timeline and responsibilities. The following table provides a summary of the 15 carriers contacted and their response:

Carrier	Status
Ameriflex	Quoted
Discovery Benefits	Quoted
Employee Benefits Corporation	Quoted
Health Equity	Quoted
HSA Bank	Quoted
MetLife	Quoted
Payflex	Quoted
Voya	Quoted
BASIC	Declined
CieloStar	Declined
Diversified Benefit Services	Declined
Flores and Associates	Declined
Infinisource	Declined
Lively	Declined
UnitedHealthcare	Declined

Eight of the fifteen carriers provided a quote as well as a comprehensive response to the RFP questions. Based on the responses received, Gallagher presented the key findings to the City’s review and selection committee. The City and Gallagher collaboratively discussed each response and collectively narrowed the eight bidders down to three finalists, Ameriflex, Discovery Benefits and Payflex.

The review and selection committee along with Gallagher Benefits Services interviewed the three finalists and ranked each finalist on the following key areas:

- Quantitative (Cost)
- Technology, design and service
- Administration and customer service
- Marketing, communications and enrollment
- Interviews

After the three finalists presented to the selection committee, Payflex notified Gallagher Benefit Services that they were withdrawing from consideration after fully understanding the City's program and determining they could not administer all aspects of the program and meet the City's requirements.

The selection committee then conducted a second round of interviews with Discovery Benefits and Ameriflex and asked each entity to present the onboarding and implementation process focusing on the specific process and service expectations the City of Milwaukee could expect to experience. The finalists also detailed the timeframes for the transition process and further emphasized education and communication efforts that would be provided to City employees.

Once the interviews were completed, additional collaboration ensued between the City and Gallagher to review a number of follow-up factors, including final scores, before selecting the new flexible spending and health reimbursement vendor partner.

FLEXIBLE SPENDING AND HEALTH REIMBURSEMENT ANALYSIS

Below is an overview of several key data points the review and selection committee considered when conducting the interviews and final evaluation process. The tables include background information about the finalists as well as total annual cost bids (including Best and Final Offers), performance and rate guarantees and any implementation credits the proposers were offering to offset the City's administration costs to implement and provide a completely new benefit program.

Carrier Overview – BAFO

	Ameriflex	Discovery Benefits	Payflex
Years in business	22	33	33
HQ Location	Carrollton, TX	Fargo, ND	Omaha, NE
Number of FSA Clients	5,000	8,004	2,205
Number of HRA Clients	2,000	865	564
FSA Lives	1.3M	750,000	627,218
HRA Lives	374,774	206,400	562,311
Average FSA and HRA Client Size	Ranges from 1-21,000	5,000	2,000
Account Management Approach	Primary Point of Contact Plus Team Backup	Primary Point of Contact	Primary Point of Contact
Performance Guarantee Included	Yes, 40% of Administrative Fees at Risk	Yes, 40% of Administrative Fees at Risk	Yes, 20% of Administrative Fees at Risk



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Marketing Results



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Section 125 Plan - FSA & Commuter	Benefit Advantage (TASC) - Current		Ameriflex		Discovery Benefits		Payflex	
Maximum Contribution (30 Day Run-Out¹)								
Healthcare Reimbursement	\$2,750 ² (Mandated Limits)		\$2,750 ² (Mandated Limits)		\$2,750 ² (Mandated Limits)		\$2,750 ² (Mandated Limits)	
Healthcare Reimbursement Carryover	\$500		\$500		\$500		\$500	
Dependent Care Reimbursement	\$5,000		\$5,000		\$5,000		\$5,000	
Transportation Benefit	\$270 ² (Mandated Limits)		\$270 ² (Mandated Limits)		\$270 ² (Mandated Limits)		\$270 ² (Mandated Limits)	
Section 105 Plan (Open Ended Run-Out Period)								
Tier Based on Healthy Rewards Balance	75 Points = \$125 100 Points = \$250 125 Points = \$350		75 Points = \$125 100 Points = \$250 125 Points = \$350		75 Points = \$125 100 Points = \$250 125 Points = \$350		75 Points = \$125 100 Points = \$250 125 Points = \$350	
Enrollment (as of 6/2020)								
DCA	23		23		23		23	
DCA/MED	176		176		176		176	
DCA/MED - Rollover	4		4		4		4	
DCA/MED/Parking	13		13		13		13	
DCA/Parking	2		2		2		2	
MED	1,977		1,977		1,977		1,977	
MED - Rollover	283		283		283		283	
MED/Parking	156		156		156		156	
MED/Parking - Rollover	33		33		33		33	
Parking	17		17		17		17	
Parking - Rollover	9		9		9		9	
HRA	1,658		1,658		1,658		1,658	
HRA - Run-Off	38		38		38		38	
HRA - Term Run-Off	211		211		211		211	
Both FSA & HRA	-		-1,134		-		-	
Total Current Enrollment	4,600		4,600		4,600		4,600	
FSA	Benefit Advantage (TASC) - Current		Ameriflex		Discovery Benefits		Payflex	
Annual Plan Renewal	\$1,000	Original Included	BAFO Included	Original Included	BAFO Included	Original Included	BAFO Included	
Monthly Administrative Fee (PPPM)	\$2.50	\$2.50 (\$70 Min)	\$1.75 (\$70 Min)	\$2.30	\$2.25	\$2.30	\$2.25	
First Year Setup Fee	N/A	Included	Included	N/A	N/A	\$1,000 (Takeover Administration)	\$1,000 (Takeover Administration)	
Parking								
Annual Plan Renewal	Included	Included	Included	Included	Included	\$350.00	\$350.00	
Monthly Administrative Fee (PPPM)	Included	\$1.50 (\$70 Min)	No Charge	\$1.00 (\$25 Min)	\$1.00 (\$25 Min)	\$5.75	\$3.50	
First Year Setup Fee	N/A	Included	Included	Included	Included	Included	Included	
FSA & Parking Bundle	-	\$3.50	\$1.75	-	-	-	-	
HRA⁴								
Annual Plan Renewal	\$1,000	Included	Included	Included	Included	Included	Included	
Monthly Administrative Fee (PPPM)	\$2.50	\$4.25 (\$70.00 Min)	\$3.00 (\$70 Min)	\$2.30 (\$50 Min)	\$2.00	\$2.95	\$2.55	
First Year Setup Fee	N/A	Included	Included	Included	Included	Included	\$1,000 (Takeover Administration)	
Total Annual Costs	\$139,220	\$164,127	\$125,205	\$129,002	\$120,537	\$158,337	\$140,023	
\$ Increase / Decrease		\$24,907	-\$14,015	-\$10,218	-\$18,683	\$19,117	\$803	
% Increase / Decrease		17.89%	-10.07%	-7.34%	-13.42%	13.73%	0.58%	
Rate Guarantee	12/1/2022³	1/1/2026	1/1/2026	1/1/2026	1/1/2026	1/1/2024	1/1/2024	

After a comprehensive and thorough consideration of all key factors, the City's review and selection committee in partnership with Gallagher Benefits Services collectively recommends the City enter into a contract with Ameriflex to provide flexible spending and health reimbursement account administration benefits to eligible employees.

The primary reasons supporting the Ameriflex recommendation are:

- Competitive rate quote that is guaranteed for five years
- Commitment to service as evidenced by performance guarantees of 40% of administrative fees at risk in the event of poor performance
- Ability to accommodate the nuances of the City's current FSA/HRA accounts
- Straight forward online employer/employee portal to view and manage accounts and provide claim submissions
- Excellent customer service model with a dedicated in-house customer service team
- Customized education, support and communication materials for both FSA/HRA