

City Of Milwaukee

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Selection Team Recommendation Regarding  
Contract for Flexible Benefit Plan Administration

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Willis of Wisconsin  
400 N. Executive Drive  
Suite 300  
Brookfield, WI 53005

July 9, 2013

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## 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 following:

Enter into a six-year contract with the incumbent administrator, eflexgroup, to administer the City's flexible spending account programs beginning January 1, 2014 through December 31, 2019.

The eflexgroup has a competitive cost, guaranteed their fees for six years, can provide all of the needed services, and is doing an excellent job administering the plans today.

### ***Who was on the Selection Team?***

The City staff members on the Selection Team were:

- **Michael Brady** - Director, Department of Employee Relations
- **Renee Joos** – Fiscal & Risk Manager, Department of Employee Relations
- **Dennis Yaccarino** – City Economist, Budget Office, Department of Administration

Assisting the City team were the following individuals:

- **Clete Anderson**, Vice President, Willis of Wisconsin
- **Daniel Hennig**, Assistant Placement Specialist, Willis of Wisconsin

## 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. eflexgroup currently administers these programs.

Since the FSA administration contract expires at the end of 2013 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:

<b>Firm</b>	<b>Status</b>
Benefit Advantage	Quote Received
Conexis	Quote Received
Discovery Benefits	Quote Received
Diversified Benefit Services	Quote Received
eflexgroup	Quote Received
Employee Benefits Corp. (EBC)	Quote Received
Infinisource	Quote Received
PayFlex	Quote Received
Total Administrative Services Corporation (TASC)	Quote Received
UnitedHealthcare	Quote Received
WageWorks	Quote Received

## **EVALUATION OF QUANTITATIVE AND QUALITATIVE AND RESPONSES**

All of the firms to which the RFP was sent specialize in the administration of these programs except for UnitedHealthcare. UHC administers the City's health plans and might provide an FSA/health plan integration that would be more advantageous than separate FSA and health firms.

Attached is an exhibit that summarizes the financial terms of these bidders. The annual estimated fee to provide the FSA plans administration ran from \$64,819 at the low end to \$111,420. The estimated annual fees mostly fell between \$78,000 and \$85,000. In addition to per employee fees, there are additional fees for services for which the number can be unpredictable, such as replacing lost debit cards, so the actual total for each bidder cannot be calculated precisely. eflexgroup's estimated annual total is \$84,000.

All the bidders guaranteed their fees for at least three years. Two bidders offered five-year fee guarantees. eflexgroup offered a six-year fee guarantee.

When eflexgroup was chosen three years ago, the prior administrator was being replaced because their service had deteriorated. This time around eflexgroup is doing an excellent job so there is no need to make a change for service issues.

As an adjunct to the FSA services, we asked each bidder if they could administer a Health Reimbursement Account (HRA) should the City decide to add one, and what would be the fee to perform the administration. All bidders can provide this administration and each would charge no more per employee to provide this service. In other words, if the fee for the FSA administration is \$3.50/employee per month, the fee for also administering the HRA would still be \$3.50/employee/month, so the only administration cost to the City of adding an HRA would be for additional employees covered under the HRA plan.

UHC was considered because of their ability to integrate the FSA and health plan administration. However, UHC has the highest fees with the shortest guarantee period, one year, and does not specialize in this administration like the other firms, so UHC was not recommended.

The team appreciates that eflexgroup does not have the lowest fees. However, there can be hidden costs to replacing any vendor and one can run the risk of replacing a vendor that is doing an excellent job with one that does not. Poor service is not a bargain at any price.

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