SUMMARY STATEMENT

ITEM NO.: DRPA-11-066     SUBJECT: Benefits Administration Contract

COMMITTEE: Finance

COMMITTEE MEETING DATE: August 3, 2011

BOARD ACTION DATE: August 17, 2011

PROPOSAL: Staff seeks Board authorization to enter into a three-year agreement with Benefit Harbor to continue providing benefit administration services, which would include, but not be limited to: open enrollment support; ongoing employee and retiree benefits administration; vendor output processing, eligibility reviews, retiree billing; COBRA and FSA administration; call center services; and web-based services.

PURPOSE: To provide the DRPA, its benefit-eligible employees, and retirees with a broad range of benefit support services, effective cost control initiatives, and program administration services.

BACKGROUND: Since 2000, the DRPA and PATCO have contracted with a Third Party Administrator to assist in the administration of various benefit and billing services. Employee benefit plan administration is a highly regulated field and Benefit Harbor, working with our broker, assists the Authority in ensuring compliance with a complex series of laws, regulations, and statutes.

By way of background, on June 19, 2006, staff issued an RFP for providers of professional benefit administrative services. We received proposals from The Benefit Headquarters and ADP. Shortly thereafter, ADP withdrew its proposal, stating that it could not provide some of the services provided in the RFP. After careful review, staff determined that the proposal submitted by The Benefit Headquarters was entirely responsive to the RFP.

On September 19, 2007, staff sought Board authorization to enter into a professional service agreement with The Benefit Headquarters for a three-year term. The Board approved same, and the contract was to expire on December 31, 2010.

In June 2008, The Benefit Headquarters sold its Third Party Benefits Administration Division to Benefit Harbor, a firm headquartered in Dallas, Texas. Staff, accompanied by our broker, met with Benefit Harbor management team to outline the Authority’s requirements and expectations. At our request, Benefit Harbor team agreed to maintain
The Benefit Headquarters office in Radnor, and also agreed to keep the team from Benefit Headquarters that had serviced the Authority’s account. After that meeting, and a review of client references, we determined that Benefit Harbor would be a valuable solution for the Authority. The Benefit Harbor management team agreed to honor the contract that had been in place with The Benefit Headquarters. Specifically, Benefit Harbor agreed to honor the terms, conditions, and pricing previously negotiated as part of the contract with The Benefit Headquarters. In addition, Benefit Harbor agreed to extend the contract an additional year, at the existing rate. On recommendation from staff, the Board approved the assumption of the BHQ contract by Benefit Harbor. The current contract expires on December 31, 2011.

At our direction, our broker issued a Request for Information (RFI) on April 25, 2011 for a Benefits Enrollment & Administration Provider. The proposal deadline was May 13, 2011. Willis received responses from the following five (5) vendors: (1) Benefit Harbor; (2) Bswift; (3) Impact Benefit Management Services; (4) Morneau Shepell; and Vantagen, LLC.

The original three-year pricing estimates were as follows:

Benefit Harbor - $432,915  
Bswift - $437,837  
Impact Benefit Management Service - $350,806  
Morneau Shepell - $395,208  
Vantagen, LLC - $247,006

Bswift submitted the most expensive proposal, and therefore was not invited for an interview. Impact Benefit Management Services proposed to outsource the technology solution to one vendor and the call center function to yet another vendor. Our broker did not find this to be an appropriate solution for the Authority, and, therefore, we did not invite this vendor for an interview.

Based on the overall strength of services to be provided as outlined in the proposals, as well as the proposed costs for delivering same, we scheduled interviews with Morneau Shepell and Vantagen, LLC. Those interviews took place on June 21, 2011. During the interviews, we spent a considerable amount of time discussing the needs of the Authority as it relates to the employees and retirees, and also outlined many of the manual interventions that are required to administer our program, as well as the Call Center demands.

Throughout the interviews, it became apparent to staff and our broker that both vendors (Morneau Shepell and Vantagen, LLC) were offering
a largely automated web-based platform. In fact, Morneau Shepell’s original cost estimate proposed charging the Authority an additional fee ($12 per call) over an annual call volume of 1,100. Morneau Shepell also proposed incorporating an increased “per member per month” rate after the first year if we did not agree to transition to an automated web-based platform. As a result of the information shared at the interviews, both vendors submitted revised pricing proposals.

Morneau Shepell increased its three-year pricing by $31,000 based on the expected call center volume. Vantagen increased its three-year pricing by $873 when it learned about the manual interventions that would be required to administer our program.

The Benefit Harbor’s original cost estimate assumed no change in the current platform that has been in place (partially automated and partially manual). As a result, in order to ensure a level playing field for all of the vendors, our broker asked the incumbent to submit revised pricing for a program that would include some web-based and more automated services. The Benefit Harbor submitted a Process Improvement Proposal, which included among other recommendations, an employee self-service portal to be used during open enrollment as well as year-round. The Benefit Harbor offered to populate the self-service portal with answers to questions that are frequently asked of call center representatives. Under the proposal, in addition to enrolling and renewing their benefits annually on the portal, employees would have access to information 24/7 throughout the year. These enhancements would improve the employee/retiree service experience, and, at the same, relieve some of the pressure on Benefit Harbor’s Call Center. The Benefit Harbor also suggested an aggressive push to begin communicating with employees via email. They also recommended FSA claim reimbursements be paid to participants via direct deposit rather than mailing reimbursement checks on a weekly basis. The Benefit Harbor also suggested that we partner with it to increase awareness to our retirees of direct debit as a means to pay their quarterly premium contributions. The Benefit Harbor recommended ways to streamline the manual payment reconciliation process between Benefit Harbor and the Authority. Collectively, the proposed enhancements resulted in Benefit Harbor reducing its per member per month rate from $12.50 to $6.50.

While we waited to receive the revised pricing proposal from Benefit Harbor, the Vantagen proposal remained the lowest in terms of cost. Therefore, at our request, our broker conducted a site visit at Vantagen’s headquarters on July 5, 2011. After that visit, our broker prepared a report noting the following concerns:
Currently Vantagen’s call center employees and service staff use a system called SEEDS to help facilitate employee customer service calls. This system is used to track the calls and they use another system to view benefit information/eligibility. The Vantagen representative who conducted the tour, and attended the interview on behalf of Vantagen, noted that the company is not happy with the current set up because of the need to use two separate information systems. Beginning mid-August, the representative advised our broker that Vantagen will start to transition their current clients/accounts onto a new platform called SUGAR. Our broker is concerned that the transition may lead to a disruption in the level of services provided to employees and retirees.

During the site visit, the Vantagen representative also advised our broker that Vantagen is considering changing its FSA vendor. Our broker advised that the Authority should be cautious of this, as the FSA vendor could change mid-contract and this would have a direct impact on our FSA participants.

The Vantagen representative further advised our broker that for several years the company has been considering changing its whole benefit administration system. Vantagen is considering using a blend of off-the-shelf and internally created products. It is likely that Vantagen’s final decision (whether or not to upgrade) will be contingent on the direction of Health Care Reform. Our broker has advised that the Authority should be aware of this as a system change of this magnitude would have a direct impact on our employees and retirees.

During the site visit, our broker observed no signs of call center activity. In fact, it was reported that Vantagen’s “call center” was simply a grouping of cubicles. Our broker saw no central/obvious system to post number of calls open, number of calls in queue, number of missed calls, etc. Moreover, the Vantagen representative noted that there is no back up facility if the Clarks Summit phone lines are down.

The mail room was in the basement and there were three employees working. Two were stuffing envelopes and one was working the postal machine. Our broker noted that the mail room did not appear to be organized, and is concerned that there is opportunity for mistakes within the mailings. This is an important observation, as we rely on our third party administrator to accurately mail quarterly billing invoices to our retirees and COBRA participants.
A summary of the updated pricing estimates follows:

Benefit Harbor - $241,956 (a decrease over the original estimate)
Bswift - $437,837
Impact Benefit Management Service - $350,806
Morneau Shepell - $426,208 (an increase over the original estimate)
Vantagen, LLC - $247,879 (an increase over the original estimate)

After careful review, staff determined that the proposal submitted by Benefit Harbor is responsive to the RFI and to the needs of the Authority’s employees and retirees. Benefit Harbor maintains a fully-staffed local office in Radnor, Pennsylvania. We are well pleased with the professional service, dedicated resources, and the exceptional customer service call center provided by the vendor.

As a result of negotiations, and Benefit Harbor’s continued willingness to partner with the Authority, Benefit Harbor offered a significant reduction in the per member per month rate from $12.50 to $6.50. Benefit Harbor's pricing proved to be the most competitive in comparison to pricing received from the other proposers.

Therefore, it is staff’s recommendation that we renew the contract with Benefit Harbor for the three year period (January 1, 2012-December 31, 2015). Willis will receive no earned commission for placing this contract.

SUMMARY:

Amount: Approximately $80,652 /per year - $241,956
(The annual rate covers DRPA/PATCO, and is based upon the current DRPA/PATCO census, but is subject to change as our census changes. The rate does not include the cost of postage, printing, and travel, as necessary.)

Source of Funds: Revenue Fund, General Fund
Capital Project #: N/A
Operating Budget: Benefits Administration
Master Plan Status: N/A
Other Fund Sources: N/A
Duration of Contract: Three (3) Years
Other Parties Involved: Benefit Harbor
RESOLUTION

RESOLVED: Staff is hereby authorized to enter into an agreement with Benefit Harbor for a three-year term to provide the Authority with benefit administration services, which would include open enrollment support, ongoing employee benefits administration, retiree benefits administration and billing, COBRA and FSA administration, at a fixed cost of $6.50 per member per month; and be it further

RESOLVED: The annual rate is based upon the current monthly census, and is subject to change as our monthly census changes; and be it further

RESOLVED: The annual rate does not include the cost of postage for mailings, printing if necessary, and travel if necessary; and be it further

RESOLVED: That should travel be necessary, such travel must be approved first by DRPA, and expense must be consistent with the guidelines provided in the Authority’s Expense Report Policy at Series 400; and be it further

RESOLVED: The Chairman, Vice Chairman and the Chief Executive Officer must approve and are hereby authorized to approve and execute all necessary agreements, contracts, or other documents on behalf of the DRPA. If such agreements, contracts, or other documents have been approved by the Chairman, Vice Chairman and Chief Executive Officer and if thereafter either the Chairman or Vice Chairman is absent or unavailable, the remaining Officer may execute the said document(s) on behalf of the DRPA, along with the Chief Executive Officer. If both the Chairman and Vice Chairman are absent or unavailable, and if it is necessary to execute the said document(s) while they are absent or unavailable, then the Chief Executive Officer shall execute such document(s) on behalf of the DRPA.
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