

## **SUMMARY STATEMENT**

**ITEM NO.: DRPA-17-077**

**SUBJECT: Benefits Administration  
Third Party Administrator DRPA/PATCO**

**COMMITTEE:**

**Finance**

**COMMITTEE MEETING DATE:**

**October 4, 2017**

**BOARD ACTION DATE:**

**October 18, 2017**

### **PROPOSAL:**

Staff seeks Board authorization to enter into a minimum three-year agreement and two separate one (1) year extensions at the sole discretion of DRPA for a total maximum of three, four or five years at the sole discretion of DRPA 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, Flexible Spending Account (FSA) Program administration; Parking & Transit Program administration; ACA reporting; billing reconciliation services; call center services; and web-based services.

### **PURPOSE:**

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

### **BACKGROUND:**

Employee benefit plan administration is a highly regulated field. Since 2000, the DRPA and PATCO have contracted with a Third Party Administrator (TPA) to assist in the administration of various benefit and billing services. The Authority's TPA, Benefit Harbor, works closely with our broker to ensure 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 same service team and to establish a local office in Pennsylvania, which is currently located in Wayne, PA. The contract expired on December 31, 2011. After another competitive process, Benefit Harbor was selected again to serve as the Authority's Third Party Administrator. The contract expired on December 31, 2014. Once again, after another competitive process, Benefit Harbor was selected again to serve as the Authority's Third Party Administrator. The contract will expire on December 31, 2017.**

**At our direction, on August 9, 2017, our broker issued a Request for Proposal (RFP) for a Third Party Benefits Administrator. The broker marketed the proposal to 7 vendors. The marketing summary follows:**

**Benefit Allocation System – Declined to quote**  
**Benefit Focus – Declined to quote**  
**Benefit Harbor (Incumbent) – \$378,540 (3 year quote)**  
**bswift – Declined to quote**  
**BusinessSolver - Declined to quote**  
**Empyrean – \$525,296 (3 year quote)**  
**PlanSource – \$665,919 (3 year quote)**

**The incumbent, Benefit Harbor, proposed to provide the current services: open enrollment support; ongoing employee and retiree benefits administration; vendor output processing, eligibility reviews, retiree billing; COBRA and FSA administration; Parking and Transit Program Administration; call center services; ACA reporting, billing reconciliation services; web-based services; quarterly and other reports, as necessary. Benefit Harbor proposes to continue to partner with HRSimplified for purposes of administering the FSA and Parking & Transit benefit programs, retiree billing, and COBRA administration. For these services, Benefit Harbor submitted a flat cost proposal of \$9.92 per member per month, which will be approximately \$126,180 annually, and \$378,540 over a three-year term, with the same fee continuing if DRPA elects to enter into two additional separate one-year extensions. This represents a \$7,000 annual decrease from current. The annual and three-year fee is based on the monthly census at the time of the billing.**

After careful review, our broker and staff have determined that the proposal submitted by Benefit Harbor was most responsive to the RFP and to the needs of the Authority's employees and retirees. Benefit Harbor continues to maintain a fully-staffed local office in Wayne, Pennsylvania. They have agreed that our account will continue to be serviced by the same dedicated team of professionals. We are well pleased with the professional service, dedicated resources, and the exceptional customer service call center provided by Benefit Harbor.

Therefore, it is staff's recommendation that the Board authorize staff to enter into an agreement with Benefit Harbor for a a minimum three-year agreement commencing on January 1, 2018 through December 31, 2020, and two separate one (1) year extensions through December 31, 2021 and December 31, 2022 at the sole discretion of DRPA for a total maximum of three, four or five years at the sole discretion of DRPA.

If approved, the annual fee would be approximately \$126,180 and approximately \$378,540 over a three-year term. The rate, \$9.92 per member per month, is based on the monthly census at the time of billing.

Our broker, Gallagher Benefit Services, will receive no earned commission for marketing this service.

**SUMMARY STATEMENT**  
**Finance 10/4/2017**

**Benefits Administration Third Party**  
**Administrator (DRPA/PATCO)**

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<b>SUMMARY:</b>	<b>Amount:</b>	<b>Approximately \$126,180 /per year \$378,540 for three years (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.) Revenue Fund, General Fund</b>
	<b>Source of Funds:</b>	<b>Revenue Fund, General Fund</b>
	<b>Capital Project #:</b>	<b>N/A</b>
	<b>Operating Budget:</b>	<b>Benefits Administration</b>
	<b>Master Plan Status:</b>	<b>N/A</b>
	<b>Other Fund Sources:</b>	<b>N/A</b>
	<b>Duration of Contract:</b>	<b>A minimum three-year agreement commencing on January 1, 2018 through December 31, 2020, and two separate one (1) year extensions through December 31, 2021 and December 31, 2022 at the sole discretion of DRPA for a total maximum of three, four or five years at the sole discretion of DRPA.</b>
	<b>Other Parties Involved:</b>	<b>Benefit Harbor</b>

**RESOLUTION**

- RESOLVED:** That staff is hereby authorized to enter into an agreement with Benefit Harbor for a minimum three-year term and two separate one (1) year extensions at the sole discretion of DRPA for a total maximum of three, four or five years at the sole discretion of DRPA, 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, Transit and Parking administration, ACA reporting, billing reconciliation services, and quarterly and other reports, as necessary, at a fixed cost of \$9.92 per member per month; and be it further
- RESOLVED:** That the Board recognizes that Benefit Harbor will continue to partner with HRSimplified for purposes of administering the FSA and Parking & Transit benefit programs, retiree billing, and COBRA administration; and be it further
- RESOLVED:** That staff is hereby authorized to enter into an agreement with Benefit Harbor A minimum three-year agreement commencing on January 1, 2018 through December 31, 2020, and two separate one (1) year extensions through December 31, 2021 and December 31, 2022 at the sole discretion of DRPA for a total maximum of three, four or five years at the sole discretion of DRPA; and be it further
- RESOLVED:** That the Board authorizes staff to exercise the fourth and fifth year options without Board action, provided staff and the CEO continue to be satisfied with the service team, as well as the quality of the professional service provided by Benefit Harbor; and be it further
- RESOLVED:** That the fee for the benefit administration services will be approximately \$126,180 annually, and approximately \$378,540 over a three-year term. The Board recognized that the annual fee is based on a rate of \$9.92 per member per month, and be it further

**RESOLVED:** That the Board recognizes that the monthly bills will be based upon the current monthly census, which is subject to change as our monthly census changes and these changes will necessarily impact the annual estimated fee of \$126,180 and estimated three-year fee of \$378,540; and be it further

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

**RESOLVED:** That should travel be necessary, such travel must be approved first by DRPA, and the expenses related to same 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.

**SUMMARY:**

**Amount:** Approximately \$126,180 /per year  
\$378,540 for three years  
(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:** A minimum three-year  
Agreement commencing on  
January 1, 2018 through  
December 31, 2020, and two  
separate one (1) year extensions  
through December 31, 2021 and  
December 31, 2022 at the sole  
discretion of DRPA for a total  
maximum of three, four or five  
years at the sole discretion of  
DRPA.  
**Other Parties Involved:** Benefit Harbor