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ADDENDUM # 2

RFP#7458378

RFP Title: Flexible Spending Account (FSA) Administration for State Employees

Bid Opening Date & Time: February 7, 2013 @ 10:00 AM (Eastern Time)

Notice to Vendors:

Attention all bidders, the original RFP # 7458378 - Flexible Spending Account (FSA) Administration for State Employees has been revised resulting in the following changes:

- Please be aware of the **correction** to the RFP # **7458378 page 14**. We have **revised** the requirement that 98% of Debit Cards be mailed "**at least ten business days prior to the effective date**" to now be "**mailed at least five days prior to the effective date.**" Correction is also noted in response to question 34 in the Question and Answers of this addendum.
- Also, in addition to the requirements set forth in the RFP # **7458378 page 8**, the **State will require the selected vendor to substantiate debit card claims in accordance with the IRS standards set forth in Revenue Ruling 2003-43 and Notice 2006-69**. Please note that this requirement will be included in the contract, and the vendor will be required to periodically provide reporting to the state on auto-adjudication rates, percentage of claims receiving documentation requests, and number of cards suspended, in order for the state to ensure that debit card substantiation is occurring. This requirement is also noted in response to question 1 in the Question and Answers of this addendum.

ATTACHED ARE VENDOR QUESTIONS WITH STATE RESPONSES.

NO FURTHER QUESTIONS WILL BE ANSWERED.

David J. Francis
Interdepartmental Project Manager

Interested parties should monitor this website, on a regular basis, for any additional information that may be posted.

Vendor Questions for RFP # 7458378 Flexible Spending Account (FSA)
Administration for State Employees

Question 1: The State's employee communication material regarding the debit card process reads as follows:

- **14. Do I have to do anything after I use my Card? Is paperwork required?**
Generally, you will not have to provide any additional substantiation after using your card. However, if you purchase items that cannot be automatically substantiated at the point of service you will receive a request from TASC for supporting documentation.
- **15. Why do I need to save all of my itemized receipts?**
You should always save itemized receipts for FSA purchases made with the Card. You may be asked to submit receipts to verify that your expenses comply with IRS guidelines.
Each receipt must show: the merchant or provider name, the service received or the item purchased, the date and the amount of the purchase.
- **16. How do Card purchases that are not electronically substantiated affect my account?**
If the Card purchase cannot be automatically substantiated at the point of service, TASC will send you a notice asking for supporting documentation for substantiation. If receipts are not submitted as requested to verify a charge made with the Card, then the Card may be suspended until receipts are received. You may be required to repay the amount charged. Submitting a receipt or repaying the amount in question will allow the Card to become active again.

Can you describe in specific detail under what circumstances documentation is requested? What percentage of the State's card transactions are auto-adjudicated and what percentage have received documentation requests? At any given time, what percentage of participants' cards are inactivated due to outstanding documentation requests.

It has been our experience in taking over accounts from the State's current administrator that their stance is that no card transactions require follow up documentation. This has led to significant customer service issues transitioning a FSA program from a non-compliant to a compliant program. How will the State support us in this role? Can we direct angry callers to the State employee benefits office? Will the State send out communications explaining the issue?

Answer to question 1:

The State will require the selected vendor to substantiate debit card claims in accordance with the IRS standards set forth in Revenue Ruling 2003-43 and Notice 2006-69. This will be specified in the contract, and the vendor will periodically provide reporting to the state on auto-adjudication rates, percentage of claims receiving documentation requests, and number of cards suspended, in order for the state to ensure that debit card substantiation is occurring.

The state would send out communication materials to the employees to support the selected vendor during the transition process and assist with employee issues.

Question 2: What were the results of employee satisfaction surveys related to the debit card service? Please provide as much specific detail as possible.

Answer to question 2: No survey addressed the debit card service.

Question 3: Please provide the current fee structure as this will help our company determine if we can submit a competitive bid.

Answer to question 3: \$3.50 per participant per month. If an employee has both an FSA and a DCA only one \$3.50 charge is assessed.

Question 4: What services are anticipated from the FSA provider during the open enrollment period each May/June? If meetings are needed, is attendance mandatory or can the State otherwise assure adequate attendance? If offered, how many meetings would be needed and how much time is allotted for a meeting? What locations would need meetings, and are the meeting days consecutive? Please provide as much information and specific detail as possible.

Answer to question 4:

The FSA provider will be asked to conduct approximately 10 to 25 on-site agency informational meetings – usually one hour is allotted for the presentation and Q and A. The attendance is not mandatory for employees and meetings are scheduled throughout the 4 week open enrollment period.

Question 5: Is the RFP available in MS Word?

Answer to question 5: No. You can copy the published PDF into a word document.

Question 6: In order to meet timeframes for card issuance, can the vendor offer/require online enrollment?

Answer to question 6: On-line enrollment is not an option at this time.
The state will provide an enrollment file at the end of the open enrollment period.

Question 7: What are the current fees charged by TASC for the FSA administration?

Answer to question 7: See the answer to question 3.

Question 8: Does TASC attend any of the open enrollment meetings or annual benefit fairs?

Answer to question 8: See the answer to question 4.

Question 9: Does the State currently offer the debit card for their health care FSA?

Answer to question 9: Yes

Question 10: If 'yes' to #3, can you confirm how TASC is handling the debit card substantiation?

(our experience is that TASC has a reputation for being somewhat relaxed on their substantiation requirements for debit card transactions. As a result, employees may never have been asked to provide documentation for debit card transactions and this is in clear conflict with the IRS regulations concerning debit card substantiation requirements. We've taken over several clients from TASC in the past few years and received this feedback from both participants and plan contacts)

Answer to question 10: See the answer to question 1.

Question 11: Have there been any service issues with the current TPA?

Answer to question 11: The overall administration has been very good.

Question 12: Is the current TPA performing any compliance services such as producing a plan document, SPD or performing nondiscrimination testing for the plan?

Answer to question 12: The current TPA provides a plan document and SPD. Non discrimination testing is not required.

Question 13: How long has the State been with TASC?

Answer to question 13: Since 7/1/08

Question 14: The current enrollment level seems somewhat low in comparison to our public sector clients. Any particular reason why the enrollment level seems to be around 10%. Our average enrollment level for public sector clients is 21%.

Answer to question 14: The medical plan for state employees does not include any deductibles and very few co-insurance charges for in-network care so employee out of pocket medical expenses are low. Medical plan document is available at www.employeebenefits.ri.gov.

Question 15: Will the new TPA be expected to administer the claims run-out period for the plan year ending 6/30/2013 or will TASC?

Answer to question 15: TASC

Question 16: What are the current guarantees and performance guarantees (with amounts at risk) for year one and ongoing years?

Answer to question 16: See charts below.

Ongoing Performance Guarantees (Years One, Two, and Three)

The selected offeror will be expected to maintain high levels of service throughout the duration of the contract. For each proposed performance standard, please indicate the dollar amount at risk. The amount at risk will be applicable for each year of the contract. The State suggests that a minimum of \$5,000 be placed at risk annually for on-going performance guarantees in years 1-3. The following standards will apply:

Standard	Guarantee	Amount at Risk	Measurement Frequency	Deviations
Customer Service				
Telephone Answer Time	<ul style="list-style-type: none"> 95% of all member service calls will be answered within 30 seconds (defined as the time that elapses between the time a call is received into the telephone system to the time it is responded by a representative) The result will express the sum of all waiting times for all calls answered by the queue divided by the number of incoming calls answered 	\$800	Monthly <i>The State suggests that a minimum of \$5,000 be placed at risk annually for on-going performance guarantees in years 1-3.</i>	
First Call Resolution	<ul style="list-style-type: none"> 90% of all telephone inquiries completely resolved at the time of the initial contact with the member service team servicing The State 	\$800	Monthly	
Closure Time for Open Inquiries	<ul style="list-style-type: none"> 95% of all open inquiries (callback, claim adjustment, etc.) placed by plan participants and providers to the service facility completely resolved within 7 calendar days 	\$800	Monthly	
Resolution/Response to Written Complaints and Appeals	<ul style="list-style-type: none"> 98% of all formal complaints and appeals resolved within 30 calendar days 	\$600	Monthly <i>The State suggests that a minimum of \$5,000 be placed at risk annually for on-going performance guarantees in years 1-3.</i>	
Claim Administration				
Claim Financial Accuracy	<ul style="list-style-type: none"> Financial accuracy (dollar value of claims paid correctly divided by total claim dollars paid) of 99.5% or better. Claim dollars paid correctly are calculated by subtracting gross, not net, payment errors from total claim dollars paid 	\$500	Monthly/Quarterly (Results will be illustrated to the degree to which they are available on a monthly basis)	

Standard	Guarantee	Amount at Risk	Measurement Frequency	Deviations
Claim Administration (continued)				
Claim Payment Accuracy	<ul style="list-style-type: none"> • Payment incidence rate (number of correct payments reviewed in the audit sample divided by the total number of claims reviewed in the audit sample) of 98% or better • A "correct claim" is free of any errors including, but not limited to, financial and non-financial error frequency (e.g. all errors of any type) 	\$500	Monthly/Quarterly (Results will be illustrated to the degree to which they are available on a monthly basis)	
Claim Turnaround Time	<ul style="list-style-type: none"> • Claim turnaround time meets or exceeds 90% of all claims processed within 7 calendar days of receipt (defined as the period from receipt of all information from external sources needed to process a claim until transaction is complete) • A claim shall be considered "processed" at the time benefit determination is completed by the examiner or system 	\$1000	Monthly Monthly/Quarterly (Results will be illustrated to the degree to which they are available on a monthly basis)	

Question 17: Has the current TPA ever failed to meet a performance guarantee?

Answer to question 17: Yes, in the first year of the contract.

Question 18: How is the current TPA meeting the 10% State goal of MBE's for the current contract?

Answer to question 18: The MBE Compliance Office granted a waiver of the requirements to TASC. Additional information on MBE regulations and waivers can be obtained by calling the MBE Office at 401-574-8570.

Question 19: How is the current FSA plan funded? Does the State remit payroll deductions to TASC or does the State reimburse TASC for the reimbursements issued?

Answer to question 19: The State remits payroll deductions to TASC.

Question 20: Is the State currently required to provide any type of deposit for the FSA plan or for the FSA debit card?

Answer to question 20: No

Question 21: Would the State be interested in using our online enrollment for the annual OE period or is the State committed to using a paper enrollment for the FSA plan?

Answer to question 21: The state requires paper enrollment at this time.

Question 22: Regarding Section H of the technical proposal, can we provide more than 3 references

Answer to question 22: Please list your 3 most applicable references.

Question 23: Regarding Section H of the technical proposal, we have never had a State or government agency that is similar in size to the State terminate services with us. Would the State like us to list our largest public sector client who has terminated services instead.

Answer to question 23: Yes

Question 24: Why is the FSA service being bid out at this time?

Answer to question 24: State regulations require going out to bid every five years.

Question 25: Is the State experiencing any service issues with their current vendor?

Answer to question 25: No

Question 26: Can you disclose what the current FSA fees are?

Answer to question 26: See the answer to question 3.

Question 27: On page 20, question D-27, please clarify what sort of benchmarking you are looking for with the debit card (i.e. performance, auto-adjudication rate, fraud protection, usage?)

Answer to question 27: No answer is required. This question is being removed from the RFP.

Question 28: On page 23, question #8, what do you mean by mature basis?

Answer to question 28: The pricing should include any costs for administering the run-out period at the end of the contract.

Question 29: Reference: RFP page 5, “FSA administration fees”:

- a. Please provide details concerning the current administrative fees paid by the State for FSA administration?
- b. Concerning the annual Open Enrollment period:
 - i. Is the FSA administrator required to attend any Open Enrollment meetings/Fairs?
 - ii. Please provide copies of, or describe any Open Enrollment materials the FSA administrator provides, how they are distributed and the volume of materials?

Answer to question 29:

- a) See the answer to question 3;
- b, i.) See the answer to question 4;
- b,ii) FSA materials are posted at www.employeebenefits.gov and the state distributes payroll stuffers before and during each open enrollment with information regarding the enrollment. Additionally, we send letters to all of the current participants with an enrollment form to assist them in their re-enrollment.

Question 30: Reference: RFP page 5, “paper enrollment process”:

- a. Has or will the State consider utilizing its own or subcontracted web-based enrollment system for its pre-tax benefits, or one offered by the FSA administrator?

- b. Please confirm whether the State will send paper elections to the FSA administrator for data entry into its system, or if the State will pass an enrollment data file to the FSA administrator?

Answer to question 30:

- a) See the answer to question 6
b) The State will submit an enrollment data file to the FSA administrator.

Question 31: Reference: RFP page 8, General Scope of Work

- a. Please specify the current frequency of reimbursements (on a scheduled basis)?
b. Please specify whether the incumbent or selected vendor will process run-out and grace-period claims for the 7/1/12-6/30/13 Plan Year?

Answer to question 31:

- a) Daily reimbursements.
b) Incumbent will process the run-out and grace period claims.

Question 32: Reference: RFP page 11, 4.1.1:

Regarding the member satisfaction survey, will the selected vendor's standard satisfaction survey instrument used for all clients be acceptable to the State?

Answer to question 32: Yes

Question 33: Reference: RFP page 13, 4.1.2 "FSA Performance Guarantees":

Please confirm whether all of the required FSA Performance Guarantees are in place with the current FSA Administrator?

Answer to question 33: Yes

Question 34: Reference: RFP page 14:

- a. “Readiness/Systems” – “eligibility system and the State structure will be operational and final by June 15, 2013”

Please confirm the date that the State will provide the FSA administrator with an electronic eligibility data file for the 7/1/2013 Plan Year?

- b. Debit Cards, “98% of FSA Debit Cards mailed at least 10 business days prior to effective date”:

Please confirm the date that the State will provide the FSA administrator with either paper election copies or an enrollment data file following the annual Open Enrollment period that runs from “mid-May to mid-June”?

Answer to question 34:

- a) The eligibility file for the 7/1/2013 implementation and enrollment planning can be provided at any time upon the vendor’s request.
- b) We are revising the requirement that 98% of Debit Cards are mailed at least ten business days prior to the effective date to least five days prior to the effective date. The state will provide the enrollment file to the vendor by June 17, 2013.

Question 35: Reference: RFP page 23, Cost Proposal. #7:

Please confirm whether proposers can include rate changes for the two one-year optional fee extension periods (years four and five)?

Answer to question 35: Yes