



CITY OF HOUSTON

Annise D. Parker

Mayor

P.O. Box 1562
Houston, Texas 77251-1562

Telephone – Dial 311
www.houstontx.gov
<https://purchasing.houstontx.gov>

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SUBJECT: Letter of Clarification No. **3** City of Houston Human Resources Department “Flexible Spending Accounts Program Administration” RFP

REFERENCE: Request for Proposal No. S66-T25539

TO: All Prospective Proposers

When issued, Letter(s) of Clarification shall automatically become a part of the proposal documents and shall supersede any previous specification(s) and/or provision(s) in conflict with the Letter(s) of Clarification. All revisions, responses, and answers incorporated into the Letter(s) of Clarification are collaboratively from both the Strategic Purchasing Division and the applicable City Department(s). It is the responsibility of the proposers to ensure that they have obtained all such letter(s). By submitting a proposal on this project, proposers shall be deemed to have received all Letter(s) of Clarification and to have incorporated them into this proposal.

QUESTION #1: Why is the City bidding out for these services at this time (Fees, service issues, standard due diligence, etc.), please elaborate?

ANSWER: The current TPA contract for the FSAS will expire April 30, 2016.

QUESTION #2: Are the administrative fees for the FSA program subsidized by AFLAC?

ANSWER: AFLAC was the selected vendor for the Supplemental Insurance Plans effective May 1, 2011. In their proposal, AFLAC added the free administration of the FSA program as a value-add to their proposal, which was accepted.

QUESTION #2.a: If not, what are the administrative fees the City is paying for its FSA program?

ANSWER: Not applicable.

QUESTION #2.b: Can you elaborate if these fees are inclusive of printing and mailing fees associated with member outreach?

ANSWER: Fees are not applicable to current TPA services. However, AFLAC covers all printing and mailing fees associated with member outreach.

QUESTION #2.c: Are these said fees inclusive of benefit fair sessions?

ANSWER: Not applicable. However, AFLAC covers any cost for their participation in benefit fair sessions.

QUESTION #3: How many Open Enrollment sessions does the City require?

ANSWER: The City of Houston conducts Open Enrollment meetings from mid-March through mid-April each year. To date, the number and locations of these meetings, if any, have not been determined for the 2016-2017 plan year.

QUESTION #3.a: Are these meetings coordinated within a consolidated timeframe or spread out over several weeks/months?

ANSWER: Open Enrollment is held mid-March to mid-April each year. Any scheduled meetings are held during this time frame.

QUESTION #3.b: What is the City's preferred method to communicate Open Enrollment Benefits – Benefit Fairs, Open Enrollment Sessions, electronically?

ANSWER: The City is looking for the most effective and efficient mediums of communication to reach all of its employees/participants.

QUESTION #3.c: Is the City interested in marketing this benefit to their employees, through the use of paycheck stuffers, posters, flyers, etc.?

ANSWER: The City is looking for the most successful methods to market the FSA benefit to its employees. However, paycheck stuffers are not an option because direct deposit is the primary method by which employees are paid.

QUESTION #4: Please explain your current funding process and banking arrangements for the FSA program.

ANSWER: The City of Houston Finance Department coordinates with FSA vendor the appropriate vendor bank routing and account information. Payroll coordinates with Controller's Office to wire transfer or ACH participants' bi-weekly payroll deductions to the vendor on a bi-weekly basis.

QUESTION #5: Working within the existing program's service framework, in what ways would the City desire to enhance the program?

ANSWER: The City is looking to increase employee level of awareness and understanding of the FSA program in order to lead to higher enrollment, improved employee utilization, and satisfaction; and to provide tools and resources to its employees that will empower them to make educated decisions when utilizing the FSA program.

QUESTION #6: What are the City's long-term operational and human resources-related objectives regarding its FSA Benefit program?

ANSWER: See response to Question #5 above.

QUESTION #7: Can the City provide copies of its communication & education collateral/material for its current FSA program?

ANSWER: Please see link below:

<http://www.houstontx.gov/oe/includes/files/2013/HFSA%20fact%20sheet.pdf>

QUESTION #8: What resources will be available from the City?

ANSWER: The City will work collaboratively with the vendor and provide reasonable resources (e.g., distribution of information via internal City communication mediums) to educate employees about the FSA programs.

QUESTION #9: The City offers a debit card with their FSA plan, what are the percentage of claims that are auto-adjudicated?

ANSWER: The City does not offer the Debit Card. The Debit Card is issued and managed by the FSA vendor. Most claims are auto-adjudicated when the debit card is presented on the date and point of transaction if it is for an eligible FSA expense.

QUESTION #10: Does the City use a Broker for Health & Welfare Benefits If so, who?

ANSWER: No. The City does not use a Broker for Health & Welfare benefits.

QUESTION #11: Are voluntary insurance products marketed with the FSA?

ANSWER: No. Each product is marketed individually.

QUESTION #12: Under Section I A. This section indicates that employees pay the full cost of the program. Assuming this is the administrative fee, what is the cost employees pay each payday?

ANSWER: There are no administrative fees. See response to Question #2. Employees are only responsible for their elected bi-weekly salary deductions.

QUESTION #13: How many of the 23,000 employees are benefit-eligible?

ANSWER: FSAS are made available to active full-time employees (approx. 21,000). See 1.1.A. General Information.

QUESTION #14: Under Section II B.13. Please confirm this is not required for the FSA program.

ANSWER: The W-2P Form is not required for the FSA program as this form no longer applies. Employee FSA program deductions are reported on the W-2 form issued by the employer.

QUESTION #15: Under Section II B.16. How many printed booklets are needed? Is the "booklet" considered the employee summary? Are these provided to the City for dissemination?

ANSWER: To date, the numbers of printed booklets, if any, have not been determined for the 2016-2017 plan year. The booklet is the summary of the FSA program. The booklets are provided to the City and are disseminated by the vendor and the City.

QUESTION #16: Under Section II C.3.a. Access is provided to account statements 24/7. Is this sufficient? II C.3.b. Can these reports be provided electronically via the Internet?

ANSWER: The City requires monthly written statements in addition to 24/7 access via a website. Access to the account statements may be provided electronically via the internet but they should also be made available via a monthly mailed paper copy.

QUESTION #17: P10 - VI D.2.f. Is M/WBE required?

ANSWER: No. There is a 0% M/WBE goal.

QUESTION #18: P13 - V C.F. Please describe in detail the number of open enrollment events, format (meeting presentation/fair setting), locations, if on consecutive days, duration of events and number of attendees at each location. A schedule of the prior year events would be helpful.

ANSWER: The City of Houston conducts Open Enrollment meetings from mid-March through mid-April each year. Last year, there were over 100 Open Enrollment meetings. To date, the number and locations of these meetings, if any, have not been determined for the 2016-2017 plan year. Vendor onsite support was required for the open enrollment informational meetings. Multiple meetings per day were scheduled for up to one (1) hour to cover all shifts five days a week. Number of attendees varied per meeting location. The vendor representatives answered employee questions.

QUESTION #19: P14 - V C.R. Is this required if our company is not rated by A.M. Best?

ANSWER: Proposers must have a financial strength of an A.M. Best or equivalent rating of B+ or better with another financial rating company. Proposers must

submit a current Financial Statement with their proposal. The City reserves the right to award to a company with a Best or equivalent rating of less than a B+.

QUESTION #20: P 23 - VIII-Ex. A 1.1.1 and 1.3.3. Please confirm if the 5,000 is eligible employees or FSA participants?

ANSWER: The City is requesting current references from proposers who have administered or are currently administering an FSA program to a client with 5,000 or more employees.

QUESTION #21: P 17 - VIII-Ex. A 1.4.3.c. What languages must be supported?

ANSWER: English is the required language. Preferences are other languages prevalent in the Houston and 13 contiguous county areas (i.e., Spanish, Vietnamese, etc.).

QUESTION #22: P 17 - VIII-Ex. A 1.4.2.g. Is IVR required?

ANSWER: Interactive Voice Response (IVR) is not required.

QUESTION #23: P 18 - VIII-Ex. A 1.6.8. What is expected by the City to ensure the plan complies with ACA?

ANSWER: The City expects notifications and implementation of any FSA program adjustments necessary by the vendor and/or City to ensure compliance with ACA requirements.

QUESTION #24: P 19 - VIII Ex. A 1.6.20.a and b.; P 30 1.6.29 May we assume these questions are related to debit card transactions?

ANSWER: These questions are related to debit card and any other claim transactions, including submission receipt/form.

QUESTION #25: P31 - VIII Ex. A 1.6.32. We do not understand the question regarding automatic enrollment for those who elect to continue?

ANSWER: During annual Open Enrollment Employees must use the City's Employee Self-Serv (ESS) System to annually enroll or re-enroll in the HFSA. During December, Employees must use the ESS to enroll or re-enroll in the Dependent Care Reimbursement Account.

QUESTION #26: P 31 - VIII Ex. A 1.6.34.a and b. Are these questions related to dependent care only? To health care only? Or to both dependent care and health care?

ANSWER: These questions are related to both Dependent Care and Health Care.

QUESTION #27: P 34 - VIII Ex. A 1.10.5 The answer to this question does not seem to be a Yes or No, but rather a choice between 1. Card only, 2 card or hard copy claims.

ANSWER: To clarify, do you require all reimbursements to be via a debit card? Yes or No. If yes, you will only administer reimbursements via a debit card. If no, you will also accept hard copy claim submissions from participants.

QUESTION #28: P 37 - VIII Ex. C What topics must be included in the Administration Manual? Can you provide a table of contents?

ANSWER: All topics covered in your guidelines for administering an FSA program for clients' participants should be included in the administrative manual. No. A table of contents will not be provided.

QUESTION #29: P8 - F. Please explain the discrepancy between FSA eligibility in the first bullet of May 1, 2016 and the DCAP effective date of calendar-year-basis. Does the DCAP have a different plan year than the health care FSA? Is the enrollment period for the DCAP other than March?

ANSWER: Yes. The Dependent Care FSA is on a calendar plan-year-basis from January to December. Enrollment for this program starts in November. The Health Care FSA is on a program year; program year starts on May 1.

QUESTION #30: P28 - 1.5.1 Does the current provider sell voluntary products to employees on City property?

ANSWER: Vendor representatives attend Open Enrollment informational meetings, answer employee questions as needed. However, during the new employee orientation, information is disseminated on the FSA program and other voluntary products and employees are referred to the vendors' website to get program information. New employee information sessions are given daily Monday-Thursday. Vendors do not attend new employee orientation. For the FSA program, all enrollments are via the City's ESS System. This information is on the City's HR-Benefits website

QUESTION #31: P30 - 1.6.28 What is an ineligible plan member?

ANSWER: Ineligible plan members are those who are ineligible to receive reimbursement due to termination, lack of funds, or not properly enrolled in the program.

QUESTION #32: P31 - 1.6.33 Please explain deposits via participants' elections.

ANSWER: To clarify, how are deposits to Participants' accounts entered into the Vendor's systems?

QUESTION #33: P 32 - 1.10.2 Does this question mean what types of payments cannot be made by debit card or what types of card payments cannot be automatically adjudicated?

Exhibit C No company can pay 100% of all claims within any finite time period. If 1 claim were missed out of 1,000,000, the company would fail. Is there a reasonable approximation of 100% allowed?

ANSWER: To clarify, what expenses cannot be administered with the use of a debit card? Exhibit C, *Performance Guarantee* relates to correctly paying 100% of all clean reimbursement requests within ten (10) work days after receipt of reimbursement request. The percentage is negotiable.

QUESTION #34: Has the City considered or reviewed any communication strategies to increase dependent care enrollments?

ANSWER: Yes.

QUESTION #35: Are the payroll contributions coming to the vendor or remaining within city funds?

ANSWER: See response to Question #4 above.

QUESTION #36: Is there a “pull” or a “push” per dollars used per participant? What is the current process today for reimbursement of the debit card?

ANSWER: See response to Question #4 above.

QUESTION #37: What extent and at what frequency will audit support be required by the vendor?

ANSWER: For an overall program administrative audit, the extent of the audit support is based on the scope of the audit; frequency may not occur more than one time per two to five years. Audit support for claims/reimbursement/funding issues incurred by the Participants or City will be required to the extent and frequency needed to resolve the issue.

QUESTION #38: Can the City of Houston provide samples and/or templates of all reports being sent to City of Houston?

ANSWER: The City accesses the vendor’s website for needed reports, which include the appropriate fields to report relevant information such as:

- Account Activity Report to monitor balances and remaining contributions.
- Enrollment Changes Report to monitor enrollment changes and determine changes to payroll deductions.
- Qualified Changes Report to monitor qualified changes.
- Status Changes Report to determine whether or not to begin or discontinue payroll deductions and contributions.

QUESTION #39: Will the incumbent or the new vendor be responsible for the \$500 rollover for 2016 plan year?

ANSWER: The new vendor. The incumbent vendor will send a file with the status and funds to the new vendor to administer any rollover amounts.

QUESTION #40: What is the average number of new enrollees and live changes/per month?

ANSWER: Less than five (5).

QUESTION #41: What is the termination process used today by the incumbent and the city to terminate employees on the debit card?

ANSWER: The City provides a file of eligible participants to the vendor bi-weekly that coordinates with the bi-weekly payroll deductions. Participants not appearing on the file of eligible participants are terminated.

QUESTION #42: In the event an ineligible person, unqualified charge, or overpayment is paid; does the city or the incumbent issue a 1099 form to the participant?

ANSWER: The vendor issues the 1099 form to the participant.

QUESTION #43: In the event an unqualified purchase or ineligible participant has not paid for an unsubstantiated purchase, is it practice to suspend the debit card until payment is received?

ANSWER: Yes.

QUESTION #44: What is the process used today by the incumbent or the city to obtain and/or update participant records to include terminations?

ANSWER: See response to Question #41.

QUESTION #45: How much communication and participation is required during Open Enrollment?

ANSWER: Vendor communication and participation for Open Enrollment is mutually agreed upon with the City.

QUESTION #46: During Open Enrollment, is the expectation that communication to the participant be provided by the City or the Vendor?

ANSWER: The City and the Vendor. The communication materials are provided to the City and are disseminated by the vendor and the City.

QUESTION #47: What is the current approval process, including length of time, in the event changes to communications take place?

ANSWER: The approval protocol is established and mutually agreed upon by the City and the vendor. In general, the City designee receives and reviews communications and returns to the vendor with edits and/or approval in a timely manner, usually within 1 to 3 business days.

QUESTION #48: Please be specific as to what is the expectation of educating employees on the benefits of the FSA program and their respective responsibilities? Is this education to be delivered verbally, visually, or other?

ANSWER: See responses to Questions #3b, #3c and #5 above.

Sincerely,

Gerri R. Walker

Gerri R. Walker
Assistant Director, Human Resources

END OF LETTER OF CLARIFICATION 3