

## **Texas Employees Group Benefits Program Vendor Contract Monitoring Overview**

The Employees Retirement System of Texas (ERS) contracts with vendors to perform administrative services for the various programs offered within the Texas Employees Group Benefits Program (GBP). Each contract defines the services and deliverables that are to be performed in the administration of the applicable benefit program and conditions where the vendor's failure to meet the contractual requirements may result in performance guarantee assessment(s) and/or liquidated damages.

### ***Certified Texas Contract Manager***

Plan managers within the Group Benefits Division monitor the GBP vendors' adherence to the contractual requirements. Each plan manager is a Certified Texas Contract Manager (CTCM) in compliance with Texas Government Code, § 2262.052 and the *State of Texas Procurement and Contract Management Guide* (Guide). The plan manager is responsible for ensuring that the contract requirements are satisfied, services are performed in a timely manner, and the financial interests of the agency are protected. The responsibilities of the plan manager, as the designated contract manager, are defined within the guide.

### ***Contract Monitoring Activities***

Monitoring the vendor's performance is a key function of the plan manager. The purpose of performance monitoring is to ensure that the contracted vendor is performing all obligations as defined by the contract. The level and frequency of performance monitoring may vary based on the critical nature of the contract.

The Group Benefits division has implemented a comprehensive contract monitoring strategy that includes well-defined actions to follow-up, prevent, minimize and resolve problems and potential disputes through effective performance management.

Statute requires ERS to perform enhanced monitoring for high dollar and high-risk contracts. Enhanced monitoring has an increased level of monitoring, which may include, but is not limited to: frequency of site visits, vendor meetings, and documentation requirements deemed necessary by ERS or the plan manager. As the contract manager, the plan manager uses the following monitoring activities as part of the overall monitoring strategy:

- Review and report adherence in meeting the delivery points and maintaining acceptable customer service levels;
- Initiate and track recommendations identified through formal compliance audits, strategic planning and contract monitoring activities;
- Review the vendor's adherence to performance guarantees as required through the Monthly Administrative Performance Report (MAPR) and report any instances of noncompliance to the Office of Procurement and Contract Oversight (OPCO);
- Review key metrics including adherence to specified service level expectations and performance standards;
- Identify opportunities to develop and deploy enhanced requirements (i.e. directives, strategic initiatives, plan design changes); and
- Coordinate the engagement of a vendor compliance audit by an independent auditing firm selected by ERS through a competitive procurement process, as appropriate.

The monitoring activities and overall strategy complies with the requirements set forth within Texas Gov't Code § 2261.254 and the Guide.

**Monitoring: Monthly Administrative Performance Report (MAPR) or Monthly Monitoring Report (MMR)<sup>1</sup>**

The MAPR/MMR reflects contractual performance areas and includes all performance guarantee standards. In accordance with the Guide, the monitoring tool – the MAPR or MMR, as applicable - is tailored to each contract’s requirements. The vendor must report their performance within each stipulated service or operational component. The monitoring tool captures criteria that are measured and reported on a monthly, quarterly, and/or annual basis.

**Performance Guarantees**

The Performance Guarantees specify the service performance expectations required of the GBP vendor throughout the contract period. Performance Guarantees are developed during the planning stage of the procurement process and upon contract renewal.

Core Performance Guarantees identify common contractual services. Additional Performance Guarantee metrics may be developed depending on the contracted services. Performance Guarantees are included as an appendix to the Contract and presented in two sections.

- Section 1 provides the comprehensive listing of performance expectations with a description of the business-critical service functions to be performed by the GBP vendor. This section also provides the reporting frequency and the metrics for each listed business-critical service function.
- Section 2 discloses the dollar amount(s) that will be assessed for a performance guarantee based on the severity level of the performance incident and for the specific service provided. The chart illustrates the four severity levels assigned to each business-critical service function listed in Section 1. It is important to note that the same severity level may not have the same weight across each Contract due to the varying levels of service across Contracts. The amount that each vendor puts at risk for a performance guarantee will also vary by contract.

Level of Severity	Severity Definition	Critical Business Service Examples <sup>2</sup>	Assessment Amount Calculation
<b>Severity 1 – Emergency</b>	<p>Mission critical systems are down; or a substantial portion of mission critical data is at risk; or a substantial loss of service; or business operations have been severely disrupted; or a major milestone has not been met.</p> <p>In each situation, a work-around acceptable to ERS is not immediately available.</p>	<ul style="list-style-type: none"> <li>• Eligibility file processing requirements</li> <li>• Load and process files and/or transactions</li> <li>• System availability requirements</li> </ul>	<p>Calculated as:</p> <ul style="list-style-type: none"> <li>• 50.00% of the determined percentage of annualized administrative fees based on plan enrollment for each occurrence; or</li> <li>• 50.00% of the average monthly premiums paid based on plan enrollment for each occurrence.</li> </ul>
<b>Severity 2 – Critical</b>	<p>A major functionality is severely impaired. Operations can continue in a restricted fashion; however, client and/or</p>	<ul style="list-style-type: none"> <li>• Network access requirements</li> <li>• Resolution of transaction errors</li> </ul>	<p>Calculated as:</p> <ul style="list-style-type: none"> <li>• 25.00% of the determined percentage of annualized administrative fees based on plan enrollment for each occurrence; or</li> </ul>

<sup>1</sup> The Texa\$aver<sup>SM</sup> Program uses the Monthly Monitoring Report (MMR) which is the equivalent of the GBP’s MAPR.

<sup>2</sup> The listing of Business Critical Service Examples is meant to be illustrative and not exhaustive.

	member service(s) are adversely affected.	<ul style="list-style-type: none"> <li>Data to be restricted to the United States</li> </ul>	<ul style="list-style-type: none"> <li>25.00% of the average monthly premiums paid based on plan enrollment for each occurrence.</li> </ul>
<b>Severity 3 – Moderate</b>	Business operations have been adversely impaired in a moderate manner. A temporary work-around acceptable to ERS is immediately available	<ul style="list-style-type: none"> <li>Written notice of changes</li> <li>Accurate claims processing requirements</li> <li>Timely claims processing requirements</li> <li>Claims adjudication requirements</li> <li>Appeals processing requirements</li> <li>Correspondence management</li> </ul>	<p><b>Occurrence 1</b> Calculated as:</p> <ul style="list-style-type: none"> <li>3.00% of the determined percentage of annualized administrative fees based on plan enrollment; or</li> <li>3.00% of the average monthly premiums paid based on plan enrollment.</li> </ul> <p><b>Occurrence 2</b> Calculated as:</p> <ul style="list-style-type: none"> <li>5.00% of the determined percentage of annualized administrative fees based on plan enrollment; or</li> <li>5.00% of the average monthly premiums paid based on plan enrollment.</li> </ul> <p><b>Occurrence 3</b> Calculated as:</p> <ul style="list-style-type: none"> <li>6.00% of the determined percentage of annualized administrative fees based on plan enrollment; or</li> <li>6.00% of the average monthly premiums paid based on plan enrollment.</li> </ul> <p><b>Occurrence 4</b> Calculated as:</p> <ul style="list-style-type: none"> <li>9.00% of the determined percentage of annualized administrative fees based on plan enrollment; or</li> <li>9.00% of the average monthly premiums paid based on plan enrollment.</li> </ul>
<b>Severity 4 – Minor</b>	Business operations have been adversely affected in a limited manner requiring a modification of current policies and/or processes.	<ul style="list-style-type: none"> <li>Participant satisfaction rate</li> <li>Website availability rate (plan-specific website)</li> <li>ID cards</li> <li>Call answer rate (also referred to as Interval Service Level rate)</li> </ul>	<p>Calculated as:</p> <ul style="list-style-type: none"> <li>2.00% of the determined percentage of annualized administrative fees based on plan enrollment for each occurrence; or</li> <li>2.00% of the average monthly premiums paid based on plan enrollment for each occurrence.</li> </ul>

### **Agency Management of Performance Assessments**

ERS policies include escalation protocols for any violations of a Severity 1 (Emergency) and Severity 2 (Critical) performance standard, as well as any assessment that would exceed a contract-specific threshold amount.

Escalation protocols require Executive Office notification and approval.