

AGENDA ITEM DETAILS

Subject: Review, Discussion and Consideration of Contract Award Recommendations for the TexFlex Flexible Spending Account Plan and TexFlex Commuter Spending Account Plan and/or Health Savings Account Benefits Plan under the Texas Employees Group Benefits Program – (ACTION)

RECOMMENDED ACTION:

TexFlexSM Flexible Spending Account Plan and Commuter Spending Account Plan

Move that the Board of Trustees of the Employees Retirement System of Texas authorizes the Executive Director to negotiate and execute a contract with [RESPONDENT NAME] with terms that are fully acceptable to ERS, and to authorize the Executive Director to thereafter administer the contract agreed to by the parties. In the event that ERS is not able to timely negotiate a satisfactory contract with [RESPONDENT NAME], or if [RESPONDENT NAME] will not be capable of providing the required **TexFlex Flexible Spending Account Plan and Commuter Spending Account Plan** administrative services to ERS' satisfaction during the contract term, then the Board authorizes the Executive Director to resume any necessary due diligence processes and contract negotiations with the next top-ranked qualified Respondent and to negotiate and execute contract terms that are fully acceptable to ERS and thereafter administer the contract.

Background:

The Texas Employees Group Benefits Program (GBP) offers a TexFlexSM flexible spending account plan which includes the TexFlexSM health-care FSA, TexFlexSM dependent care FSA, and TexFlexSM limited FSA benefit plans (collectively, TexFlex FSA); a TexFlexSM commuter spending account (CSA) plan for parking and/or transit CSA benefits; and a Health Savings Account Plan (HSA). TexFlex FSA is governed by Title 34, Part IV, Chapter 85 of the Texas Administrative Code. Per Title 34, Part IV, Chapter 85 of the Texas Administrative Code, the CSA is governed by the plan document. The HSA is administered under Chapter 1551, Subchapter J of the Texas Insurance Code.

Current Contracts

- **TexFlex FSA and CSA.** ERS contracted with ADP, LLC (ADP) to provide Administrative Services for the TexFlex FSA and CSA Plans for an original contract term of four years, ending August 31, 2019. With contract extensions and WageWorks, Inc.'s acquisition of ADP's Consumer Health Spending Account and Consolidated Omnibus Reconciliation Act businesses, the current TexFlex FSA and CSA contract terminates on August 31, 2021.
- **HSA.** ERS contracted with OptumHealth Financial Services, Inc., Optum Bank, Inc. and United HealthCare Insurance Company to provide Administrative Services for HSA for an original contract term of four years, ending December 31, 2021.

Issuance of Solicitation

ERS competitively resolicits these contracts periodically to ensure the GBP continues to provide quality benefits to its participants at the best value. On August 12, 2020, ERS issued a RFP seeking qualified entity/ies to provide administrative services for the TexFlex FSA and CSA and/or HSA under the Texas Employees Group Benefits Program.

ERS is still in the process of evaluating proposals received from the HSA vendors so this agenda item will focus on the TexFlex FSA/CSA process.

The solicitation provided that the TexFlex FSA and CSA administrative services contract would be for approximately six years, which begins upon execution of the contract by ERS and, after the implementation period, extends through August 31, 2027, subject to the terms of the contract.

RESPONSES TO SOLICITATION AND EVALUATION

As described in Article II of the RFP, ERS evaluated Respondent proposals in four phases: (1) Minimum Requirements Phase; (2) Preliminary Review Phase; (3) Proposal Review Phase and (4) Finalists Review Phase.

1. Minimum Requirements Phase

ERS received Minimum Requirements Questionnaires from 10 entities proposing to offer TexFlex FSA/CSA administrative services:

1. Alight Solutions LLC;
2. American Fidelity Assurance;
3. ConnectYourCare LLC;
4. Fidelity Management and Research LLC;
5. HSA Bank, a Division of Webster Bank NA;
6. Navia Benefit Solutions, Inc.;
7. OptumHealth Financial Services, Inc.;
8. PayFlex Systems USA, Inc.;
9. Total Administrative Services Corporation; and
10. WageWorks, a wholly-owned subsidiary of HealthEquity, Inc.

After review of the Minimum Requirements Questionnaires from the 10 entities, the following five entities passed the Minimum Requirements Phase for TexFlex FSA and CSA:

1. Alight Solutions LLC;
2. Navia Benefit Solutions, Inc.;
3. OptumHealth Financial Services, Inc.;
4. PayFlex Systems USA, Inc.; and
5. WageWorks, a wholly-owned subsidiary of HealthEquity, Inc.

2. Preliminary Review Phase

The Preliminary Review Phase included an initial evaluation of compliance with the RFP, an initial responsiveness review, and evaluation of certain required vendor checks.

ERS received proposals from nine of the 10 entities that submitted Minimum Requirements Questionnaires (the Respondents). Navia Benefit Solutions, Inc. did not submit a proposal. ERS evaluated only those proposals that passed the Minimum Requirements Phase; each of these proposals also passed the Preliminary Review Phase. Thus, the following four entities were passed through to the Proposal Review Phase:

1. Alight Solutions LLC;
2. OptumHealth Financial Services, Inc.;
3. PayFlex Systems USA, Inc.; and
4. WageWorks, a wholly-owned subsidiary of HealthEquity, Inc.

3. Proposal Review Phase

For the Proposal Review Phase, ERS conducted a substantive review of the Respondents' proposals. The RFP evaluation team, which included subject matter experts (SMEs) in multiple ERS divisions including Group Benefits, Customer Benefits, Benefits Communications, Enterprise Planning Office, Finance, Information Systems, Internal Audit and the Office of the General Counsel, reviewed the Operational Capabilities and Administrative Services portions of the proposals. The evaluation included the various types of additional services offered by each Respondent.

Operational and administrative service capabilities scores represented 60% of each Respondent's final score. Price Proposals accounted for 40% of the total score in the Proposal Review Phase based on the Pricing Methodology.

Certain pass/fail items may be preliminarily reviewed or evaluated in full during the Proposal Review Phase. These items include: the SOC-2 or equivalent reports, financial stability, contractibility, and legal requirements and regulatory compliance.

Based on the Proposal Review Phase of the evaluation, ERS selected PayFlex Systems USA, Inc. and WageWorks, a wholly-owned subsidiary of HealthEquity, Inc., as TexFlex FSA and CSA finalists (the "TexFlex FSA and CSA Finalists").

4. Finalists Review Phase

During the Finalists Review Phase, ERS scored proposals using the same criteria and weights used in the Proposal Review Phase. SMEs updated their Operation Capabilities and Administrative Services scores based on new information gathered through clarification questions, site visits, and video-conference interviews. Price scores were updated based on price best and final offers. ERS also finally evaluated any outstanding pass/fail items from the Proposal Review Phase and also scored past performance and site visits on a pass/fail basis.

ERS conducted operational site visits (remote) with TexFlex FSA and CSA Finalists on November 17 and 18, 2020. ERS conducted data center and security operations center site visits (remote) with Finalists on December 10 and 16, 2020. The TexFlex FSA and CSA Finalists video conference interviews were held on January 13 and 14, 2021, and included a prepared presentation by each TexFlex FSA and CSA Finalist and further questions posed by SMEs.

ERS Recommendations

TexFlex FSA and CSA. Based on the evaluation process outlined above, ERS recommends awarding a contract to the TexFlex Flexible Spending Account Plan and Commuter Spending Account Plan entity offering the best value to ERS.

ATTACHMENTS:

1. Slides – Contract Award for TexFlex