

GBP 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 specific administrative services and deliverables to be performed in connection with the applicable benefit program, including those failed contractual requirements that may result in performance guarantee assessment(s) and/or liquidated damages. Account managers in the Group Benefits Division work closely with staff in the Office of Procurement and Contract Oversight to ensure vendor compliance with contract terms. When necessary, staff in the Office of General Counsel are consulted on any potential contract breach.

Certified Texas Contract Manager

Plan managers within the Group Benefits Division monitor the GBP vendor adherence to 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 contract requirements are satisfied, services are performed in a timely manner, and the financial interests of the agency are protected. The Guide defines the responsibilities the designated Contract Manager (plan manager).

Contract Monitoring Activities

A plan manager is responsible for monitoring the vendor's performance. 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 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 perform enhanced monitoring for high dollar and high-risk contracts. Enhanced monitoring includes an increased monitoring level, 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. 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)

The MAPR reflects contractual performance areas and includes all performance guarantee standards. In accordance with the Guide, the monitoring tool – the MAPR - is tailored to each contract’s requirements. The vendor must report their performance for each identified service or operational component. The monitoring tool captures criteria 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 procurement planning stage and at 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 describes the reporting frequency and the metrics for each listed business-critical service function.
- Section 2 identifies the assessed dollar amount(s) applicable to each 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 performance guarantee assessment amounts will vary by contract.

Level of Severity	Severity Definition	Critical Business Service Examples¹	Assessment Amount Calculation
Severity 1 – Emergency	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. In each situation, a workaround acceptable to ERS is not immediately available	<ul style="list-style-type: none"> • Eligibility file processing requirements • Load and process files and/or transactions • System availability requirements 	Calculated as: <ul style="list-style-type: none"> • 50% of the determined percentage of annualized administrative fees based on plan enrollment for each occurrence; or • 50% of the average monthly premiums paid based on plan enrollment for each occurrence.
Severity 2 – Critical	A major functionality is severely impaired. Operations can continue in a restricted fashion; however, client and/or member service(s) are adversely affected.	<ul style="list-style-type: none"> • Network access requirements • Resolution of transaction errors • Data to be restricted to the United States 	Calculated as: <ul style="list-style-type: none"> • 25% of the determined percentage of annualized administrative fees based on plan enrollment for each occurrence; or • 25% of the average monthly premiums paid based on plan enrollment for each occurrence
Severity 3 – Moderate	Business operations have been adversely impaired in a moderate manner. A temporary work-around that is acceptable to ERS is immediately available.	<ul style="list-style-type: none"> • Written notice of changes • Accurate claims processing requirements 	Occurrence 1 Calculated as: <ul style="list-style-type: none"> • 3% of the determined percentage of annualized administrative fees based on plan enrollment; or

¹ The listing of Business Critical Service Examples is illustrative only and not exhaustive.

		<ul style="list-style-type: none"> • Timely claims processing requirements • Claims adjudication requirements • Appeals processing requirements • Correspondence management 	<ul style="list-style-type: none"> • 3% of the average monthly premiums paid based on plan enrollment. <p>Occurrence 2 Calculated as:</p> <ul style="list-style-type: none"> • 5% of the determined percentage of annualized administrative fees based on plan enrollment; or • 5% of the average monthly premiums paid based on plan enrollment. <p>Occurrence 3 Calculated as:</p> <ul style="list-style-type: none"> • 6% of the determined percentage of annualized administrative fees based on plan enrollment; or • 6% of the average monthly premiums paid based on plan enrollment. <p>Occurrence 4 Calculated as:</p> <ul style="list-style-type: none"> • 9% of the determined percentage of annualized administrative fees based on plan enrollment; or • 9% of the average monthly premiums paid based on plan enrollment.
Severity 4 – Minor	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"> • Participant satisfaction rate • Website availability rate (plan-specific website) • ID cards • Call answer rate (also referred to as Interval Service Level rate) 	<p>Calculated as:</p> <ul style="list-style-type: none"> • 2% of the determined percentage of annualized administrative fees based on plan enrollment for each occurrence; or • 2% of the average monthly premiums paid based on plan enrollment for each occurrence

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.