

## 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 noncompliant contractual requirements that may result in performance guarantee assessment(s) and/or liquidated damages. Group Benefits Division Plan managers work closely with the Office of Procurement and Contract Oversight (OPCO) to ensure vendor contract compliance. When necessary, consultation with the Office of General Counsel may occur.

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

Group Benefits division plan managers monitor 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 of the designated Contract Manager (plan manager).

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

Plan managers monitor vendor performance to ensure the contracted vendor performs contract obligations. 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***

The Monthly Administrative Performance Report (MAPR) reflects contractual performance areas and includes all performance guarantee standards. In accordance with the Guide, the MAPR is a performance monitoring tool that is specific to each vendor's contractual requirements. The MAPR captures criteria measured and reported on a monthly, quarterly, and/or annual basis.

## Performance Guarantees

Developed during the procurement planning stage, Performance Guarantees specify the service performance expectations required of the GBP vendor throughout the contract period.

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 Examples <sup>1</sup>	Assessment Amount Calculation
<b>Severity 1 – Emergency</b>	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"> <li>• Eligibility file processing requirements</li> <li>• System Availability</li> </ul>	<p>Calculated as:</p> <ul style="list-style-type: none"> <li>• 50% of the determined percentage of annualized administrative fees based on plan enrollment for each occurrence; or</li> <li>• 50% of the average monthly premiums paid based on plan enrollment for each occurrence.</li> </ul>
<b>Severity 2 – Critical</b>	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"> <li>• Network access requirements</li> <li>• Resolution of transaction errors</li> <li>• Data restricted to the United States</li> </ul>	<p>Calculated as:</p> <ul style="list-style-type: none"> <li>• 25% of the determined percentage of annualized administrative fees based on plan enrollment for each occurrence; or</li> <li>• 25% 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 that is 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> </ul>	<p><b>Occurrence 1</b> Calculated as:</p> <ul style="list-style-type: none"> <li>• 3% of the determined percentage of annualized administrative fees based on plan enrollment; or</li> <li>• 3% 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% of the determined percentage of annualized administrative fees based on plan enrollment; or</li> </ul>

<sup>1</sup>The listing of Business Critical Service Examples is meant to be illustrative and not exhaustive.

		<ul style="list-style-type: none"> <li>• Appeals processing requirements</li> <li>• Correspondence management</li> </ul>	<ul style="list-style-type: none"> <li>• 5% 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% of the determined percentage of annualized administrative fees based on plan enrollment; or</li> <li>• 6% of the average monthly premiums paid based on plan enrollment.</li> </ul> <p><b>Occurrence 4 and greater</b> Calculated as:</p> <ul style="list-style-type: none"> <li>• 9% of the determined percentage of annualized administrative fees based on plan enrollment; or</li> <li>• 9% 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>• Interval service level</li> </ul>	<p>Calculated as:</p> <ul style="list-style-type: none"> <li>• 2% of the determined percentage of annualized administrative fees based on plan enrollment for each occurrence; or</li> <li>• 2% of the average monthly premiums paid based on plan enrollment for each occurrence</li> </ul>

***Agency Management of Performance Assessments***

To ensure consistency in managing instances of PG noncompliance, ERS has a formal process for the review, oversight, and enforcement of performance guarantees. This formal process includes escalation protocols for any violations of a Severity 1 (Emergency) and Severity 2 (Critical) performance standard, as well as any assessment exceeding a contract-specific threshold amount.

Escalation protocols require Executive Office notification and approval. The escalation process is an additional measure to ensure the Executive Office approves the final enforcement of contractual performance issues.