

COUNCIL ACTION FORM

SUBJECT: **AWARD OF CONTRACT FOR FLEXIBLE SPENDING ACCOUNT
ADMINISTRATION**

BACKGROUND:

The City of Ames Human Resources Department manages our employee benefits. One of these benefits is the Health Care and Dependent Care Flexible Spending Accounts for City employees and their dependents. There have been a number of challenges with the level of services provided by the current vendor, so the Human Resources Department decided to evaluate the marketplace and determine if there are other vendors available which could improve the service experiences of our City employees and dependents. The City enlisted Gallagher, Inc. to assist in developing the scope of services and to provide guidance during the evaluation process.

On October 11, 2019, the City initiated a Request for Proposals (RFP) process for flexible spending account administration. Requested services included: Flexible spending account administration for both health care and dependent care. The contract is for a 3-year term with (2) additional 1-year terms.

The RFP was issued to 16 firms and four bid services. We received responses from eight firms. An evaluation committee comprised of City staff members from Human Resources, Finance, and the Employee Benefits Advisory Team (BAT). This evaluation committee ranked the proposals based on the matrix provided in the RFP. Each proposal was evaluated based on a combination of services provided, cost of services, references, and the availability to implement a program by January 1, 2020.

The score of each criterion was based on a scale of 1 to 5 and then assigned a corresponding weight factor. The maximum possible score, combining all evaluators, was 1,500. The following criteria represented 70% of the overall score: the tools available to employees to submit a claim and view their account information, including the ease of using such tools; the substantiation process for over the counter medications (OTC) and dual purpose services; method of compliance in administration; ability to complete non-discrimination testing; quality of services; company qualifications, expertise, and resources; and relevant references of similar public programs with proven success of FSA administration. The proposed costs accounted for the remaining 30%.

The initial ranking based on the review of the submitted proposals and costs are listed below:

Firms	Total Score	Rank	Fee Proposal for 5 Year Term
Ameriflex, Inc, Carrollton, TX	1400	1	\$39,600
24 Hour Flex, Denver, CO	1147	2	\$48,180
TASC, Madison, WI	1043	3	\$50,820
Flex Made Easy, Overland Park, KS	1029	4	\$61,400
Pay Flex Systems USA, Inc, Omaha, NE	896	5	\$52,140
Basic Benefits, Portage, MI	866	6	\$46,200
Medsurety (NIS), Minnetonka, MN	789	7	\$73,850
Wellmark, Des Moines, IA	0	8	Non-Responsive

The top three firms were invited in for a demonstration and interview. All three provided a brief presentation, which included introducing their team members and their roles, demonstrating their understanding of the scopes of services and providing response to a list of questions. Interviews were evaluated based on ease of use of their websites and apps for both employees and City administration, substantiation of claims that meet regulations and the City's expectations, ability to implement the program in a short time period, and what sets them apart from other firms. As with the proposal scoring, each criterion was weighted and given a score based on a scale of 1 to 5.

The scores based on the interview, with a maximum possible of 2000, are shown below.

Firms	Total Score	Rank	Fee Proposal for 5 Year Term
TASC, Madison, WI	1570	1	\$50,820
Ameriflex, Inc, Carrollton, TX	1490	2	\$39,600
24 Hour Flex, Denver, CO	1110	3	\$48,180

Based on a unanimous decision by the evaluation committee following the interviews, responses to follow up questions, and the determination of the best value to the City, the evaluation committee recommends TASC, Madison, WI as the top candidate.

The final three firms combined scores from the written proposal and presentation were ranked as follows:

Firm	Total Score	Rank	Fee Proposal for 5 Year Term
Ameriflex, Inc, Carrollton, TX	2890	1	\$39,600
TASC, Madison, WI	2613	2	\$50,820
24 Hour Flex, Denver, CO	2257	3	\$48,180

The evaluation committee members are recommending TASC, Madison, WI for these services because of their belief this firm provides the best value and aligns most thoroughly with the goals of the City of Ames flexible spending account administration, as demonstrated throughout the evaluation process. In particular,

during the presentation portion, TASC provided references from Iowa public employers utilizing their services that were not included in the initial written proposal.

With TASC, substantiation of claims would not require more medical information than a provider prescription for Over the Counter medications (OTC) and dual purpose services, reimbursements to members would not take longer than 48 hours, there is a local Iowa presence for customer service on the account, and invoicing occurs on an incurred claims basis and not on a pre-funded basis. While the combined scores ranked Ameriflex highest overall, Ameriflex did not demonstrate the ability to meet the City's service expectations during the interview portion of the evaluation process.

Overall, TASC is recommended based on the cohesiveness of their business team, expertise and success of their flexible spending account administration staff, and robust reporting capabilities that were an added value above what was requested in the RFP. Additionally, TASC has strong recommendations from all of their references and has demonstrated success in growing program participation and program impact in organizations who have similar goals and employee populations to the City of Ames in both the public and private sectors.

Funds for the services in this proposed contract will be paid from the City's Health Insurance Budget. The allocated FY 2019/20 Budget is \$11,000 for these services.

ALTERNATIVES:

1. Award a three-year contract with an option to renew for two additional one-year periods to TASC, Madison, WI for Flexible Spending Account Administration Services beginning January 1, 2020 to December 31, 2023, at a cost of \$10,395 per year. The cost of renewal for the final two years will be negotiated prior to the end of Year 3.
2. Direct staff to negotiate a contract for flexible spending account administration services with one of the other firms that submitted a proposal to the City.
3. Do not award a contract for the Flexible Spending Account Administration Services Contract.

CITY MANAGER'S RECOMMENDED ACTION:

TASC has an extensive record of providing flexible spending account administration services to city government and public organizations throughout Iowa as well as demonstrated success in the private sector in Flexible Spending Account Administration programs most similar to the City of Ames. Utilizing TASC's services will strengthen administration of City Flexible Spending Account programs by providing a more

reasonable substantiation process which would protect employee health information, while providing timely claim processing and reimbursement of funds back to employees.

While awarding this contract to TASC is \$11,220 more than the lowest cost proposal over a five-year term, staff believes TASC will provide the best value to the City by providing the necessary resources to enable the City to continue to improve the Flexible Spending Account program. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1 as described above.