



Finance Department

David P. Schmiedicke, Finance Director

City-County Building, Room 406
210 Martin Luther King, Jr. Boulevard
Madison, Wisconsin 53703
Phone: (608) 266-4521
Fax: (608) 266-5948

finance@cityofmadison.com
www.cityofmadison.com/finance/purchasing

Purchasing Services

Date: October 5, 2017

To: Mayor Soglin and Finance Committee Members
Common Council Members

From: Randy Whitehead, Principal Accountant
Finance Department

Subject: Flexible Spending Account Administration Contract Process and Award
Resolution ID # 48826

On September 25th, the Finance Committee referred the resolution authorizing award of the flexible spending administration (FSA) contract to ConnectYourCare LLC (CYC). City staff were instructed to reopen the selection process, solicit further clarification and request final cost proposals from the proposing vendors. Human Resources and Finance have completed the requested work effort. This memo describes the original selection process and the process used since this item was referred on September 25.

The City has contracted for the administration of the Flexible Spending Account since 2005. The most recent vendor to perform this service is TASC. The TASC contract started in October 2014 for the 2015 benefit year and will expire at the end of the 2017 benefit year. It is standard protocol for service contracts of this nature to be rebid after 3-5 years. This ensures competition so that the City receives the best value and most state-of-the art services. When the TASC contract was due to expire, HR staff contacted Purchasing to issued a Request for Proposals for these services (see Appendix A for the timeline for the Flexible Spending Account RFP).

City Standard RFP procedures

MGO 4.26 requires a competitive selection process for all procurements of services greater than \$25,000. This is done through a formal Request for Proposals (RFP) managed by the lead agency (in this instance HR) with guidance and assistance from City Purchasing. The lead agency prepares the specifications and criteria for the services, resulting in the "Technical Questionnaire" portion of the RFP. Purchasing staff create the RFP documents using standard city templates and forms. The RFP documents are published on multiple websites where proposers are able to view city solicitations. Purchasing staff works with the lead agency to create a scoring matrix, and convenes an evaluation panel comprised of knowledgeable staff, to determine the best provider for the required services. Once the RFP is published, proposers can submit questions about the RFP. Purchasing staff often publish addenda to answer any such questions and the addenda become part of the formal RFP.

Once the RFP due date has expired, Purchasing staff distributes each bidder's Technical Proposal to the evaluation panel, but withholds the price proposal in order to avoid affecting the judgment of the evaluation team when scoring the Technical Proposal. Once the evaluation team has scored the written technical proposals, purchasing staff adds the score for price to the technical scores evaluated by the committee, and

adds the local preference score for any vendors registered as a local vendor.

How the Local Preference works: Per resolution #05943, adopted in April 2007, a 5% scoring preference is given to non-public works proposals from vendors who are registered as local vendors via the City Finance Department website. The preference is awarded as 50 points out of the total 1,000 available on the written proposal. Registered local vendors receive the full 50 points and non-local vendors receive zero points.

Post-scoring evaluation: Once the final RFP scores have been computed, the evaluation team meets to discuss the results. In most cases, the top 2 to 3 scoring proposers will be invited to onsite interviews/demonstrations. The scoring system is used to guide the selection process. However, the use of a scoring system and reliance upon the scores is not mandatory. In fact, there are no laws that mandate *how* a municipality selects a service contractor. Nonetheless, the RFP scoring process established by City Purchasing reflects best practices in government purchasing and has shown to be a reliable way to narrow down the choices.

The next step is to request **in-person demonstrations/interviews**. The nature of this step varies depending on the type of services. Purchasing staff invites the finalists and provides each proposer ahead of time with a detailed agenda that lays out the panel's expectations of the proposer. After the interview/demonstration is complete, panel members discuss the presentations and the benefits/strengths of each one. When necessary, additional questions are sent to the proposers for clarification of questions that came up as a result of the discussion. At this time, a best and final offer is requested from the finalists. After the proposers provide responses to these questions and a best and final offer, the evaluation panel takes an informal vote to select the vendor they believe will provide the best services for the proposed cost on behalf of the City of Madison. Once the winner has been selected, purchasing staff prepares a bid summary and notifies the selected vendor of the City's intent to award the contract. The remaining proposers are also notified that another proposer has been selected. Purchasing staff assist the lead agency in the contract formulation and signature process. When Common Council approval is required, the lead agency will introduce the authorizing resolution.

Under MGO 4.26, Council authorization for service contracts is not required when the contractor is selected with a formal RFP, unless the contract will be for more than 3 years, or the average annual cost will exceed \$50,000 per year. This contract is before you because staff are seeking to contract for 2 years with the option of 3 one-year renewals. Additionally, the estimated cost for year one is \$50,000 and subsequent years are expected to be higher due to expected participation growth.

The selection of ConnectYourCare. The process described above was used in RFP # 8610-0-2017-BP to select ConnectYourCare LLC as the Flexible Spending contractor. See Appendix A for the timeline for this RFP process. The decision was unanimous among the six evaluation team members to award the next flexible spending contract to ConnectYourCare. The bid summary document for this RFP, which includes the initial scores for each proposer and a short summary of the interview process, was provided to you at the September 25 meeting.

Throughout the original selection process, multiple opportunities were given to all bidders to present their best services and pricing via written proposals, to respond to City questions, and to interview and give onsite presentations. CYC was selected through proven City procedures, and was done fairly and without prejudice. The decision was unanimous among the six evaluation team members to award the next flexible spending contract to CYC.

Post-selection activities. After the notice of intent to award to CYC was issued, TASC representatives contacted Purchasing staff and requested Common Council dates and asked procedurally how to protest the award of this contract.

On September 19, 2017, Purchasing, HR, and City Attorney staff met with a group from TASC to share feedback about the City's RFP evaluation and selection process. TASC was informed that because municipalities are not obligated to award service contracts through any specified process, there is no formal appeal process.

TASC representatives were candid during that meeting in stating that they did not "bring their A- Game" to the in-person interviews. Specifically, they did not clearly communicate whether they could offer additional customer services hours and reimbursement options, although they wished to discuss that now (after the RFP was closed).

After this meeting, Purchasing staff concluded the intent to award the contract to CYC was appropriate given the evaluation panel's results and that all procurement policies and processes were followed. Through this process, which has been used on all service contracts, proposers put forth their best efforts; City evaluation teams select a proposer based upon a determined scoring matrix, what is submitted in written form as well as on-site interviews; and purchasing staff provide guidance to help ensure an equitable process whereby no proposer is disadvantaged. Through this process, CYC was determined to be the best provider of services for City employees and staff.

TASC was a full participant in this process and had the same opportunities as the other competitors to fully describe their services. Another participant in the process (CYC) was found to have better services. It is for that reason that the City conducts RFP processes on a regular basis – to ensure the best level of service.

SEPTEMBER 25, 2017 FINANCE COMMITTEE

TASC representatives appeared before the Finance Committee on September 25, 2017 for public comment in regarding the resolution awarding the contract to CYC.

RESPONSE TO SPECIFIC CONCERNS OF THE FINANCE COMMITTEE:

- **24/7 Customer service hours.** The Committee asked whether this was in the original RFP and why it mattered. While the RFP set a minimum standard of 8 am to 5 pm for customer service, the evaluators found extended hours, with multiple languages (English and Spanish speaking personnel available) a better option and service benefit for City employees. TASC representatives were indeed asked about their customer service hours during the interview process, and failed to communicate that they could offer extended hours beyond 8 to 5.

It wasn't until the point of contesting the intent to award to CYC that TASC representatives stated they could extend their hours of availability to City of Madison employees from 7 am to 7 pm, and noted that their website and interactive voice response website is available during all other times.

- **Participant website usability** was extremely important to the evaluation team: CYC has multiple languages available on their account portal. CYC's website, when tested/used, seemed highly intuitive and user-friendly. By contrast, TASC's website requires City Payroll staff to click through layers of screens to locate plan management functions, making it much more time consuming.
- **"MyCash"** – This is TASC's default method of payment. It is an account that employee claims reimbursements can be deposited into, and then accessed through the TASC debit card. If employees wish for the funds to be transferred into their own personal checking accounts via ACH, an additional day is required, resulting in a delay between claims approval and the employee actually receiving their money. The evaluation team asked the TASC representative, during the interview process, if an alternative default method of reimbursement such as ACH could be selected by our employees, and were told by TASC staff that option was not available. In addition, if an employee's money is left in the "MyCash" account for an extended period of time, due to non-

activity, TASC’s software begins charging a monthly service fee against the employee account. CYC’s software utilizes an ACH method of disbursement to the employee resulting in a much quicker reimbursement to the employee. While contesting the intent to award, TASC representatives changed their response, and stated they can now offer that reimbursement option to city employees, but this information was provided after the RFP was closed and awarded to another company.

- CYC informed the evaluation team they would support online open enrollment for new participants (further assisting city staff to administer this benefit), while TASC recommended the City refrain from online open enrollments. The benefit of online enrollment is that employees submit their information directly to the provider. With paper enrollment, employee information has to be re-keyed by City staff, who compile all employee data and transfer it to the provider. City staff prefer the option having online enrollment.
- CYC’s software solution allows claims paid in error to employees to be repaid online via an online portal, whereas TASC requires an employee to remit a paper check.
- Under the current contract with TASC entered into on October 29, 2014, TASC must provide the City an assigned a dedicated customer service representative. However, during the contract period, TASC stopped providing a single dedicated customer service representative, and instead customer service was provided through a group of customer service staff called the “Grey Team”. This has led to an increase in response time and loss of knowledge transfer. Once the current RFP was released, TASC began to follow the contract and reverted back to a single dedicated representative. This raises questions about their commitment to customer service.

City staff also offers the following clarifications to comments made by TASC at the meeting:

- TASC representatives stated before the Finance Committee that they have doubled the enrollment in the City’s Flex Spending Program. It is accurate that enrollment has almost doubled during the time of the contract; however, this is attributable to the City changing to a health plan with coverage deductibles and/or co-pays rather than due to TASC related services.

Participation in FSA by Enrollment Year				
Vendor	2014	2015	2016*	2017
EBC	669			
TASC		737	1283	1530

* Health Ins Plan Design change to Deductibles

- TASC talked about the flex dollars staying within the community. This will happen no matter whom the City contracts with because the medical and day care service providers with whom our employees spend their money are generally from within the community.
- It may be true that the money paid to TASC will stay within the community. However, City staff estimates the amount is near \$40,000, not over \$1 million as TASC representatives communicated during public comment. City Purchasing staff believes that this matter is taken into consideration within the Local Vendor Preference as noted above.
- It wasn’t until TASC representatives spoke directly to Finance Committee members and/or other Common Council member(s), to protest the intent to award to CYC that they could now offer a 30% price reduction.

- Offering a price reduction *after* bids are closed presents fairness problems to the other bidders. The 3 finalists were given the chance to submit another cost proposal based upon TASC’s offer on September 25. The other two proposers offered modest reductions to their previously stated best and final offer in order to attempt to compete with TASC’s large reduction.

Actions since the September 25 Finance Committee meeting. As a result of the referral on September 25, staff have taken the following actions:

- An addendum (Addendum #2) was prepared which asked eight technical questions based on concerns raised at the Finance Committee, and also soliciting another “best and final” cost proposal, based on the fact that TASC made an unsolicited offer to reduce their pricing by 30% at the Finance Committee meeting, after bids were closed. (Attached as Appendix B).
- Addendum #2 was sent to the three finalists identified through the original RFP process with responses due on Monday, October 2, 2017. The other two proposers that did not pass the initial written proposal evaluation phase were not included, as their low scores during that phase did not merit reconsideration.
- The three finalists all provided responses to Addendum #2. On October 2, the evaluation panel reconvened and scored their responses on the 8 technical questions.
- Purchasing staff computed scores for the new pricing offers, and added the local preference percentage of 5%.

Results of Addendum #2. After reviewing the responses to Addendum #2, the panel determined that CYC remains the contractor that will provide the best service to the City and its employees. City Purchasing concurs with this recommendation. The evaluation panel utilized a scoring system for the responses to the 8 technical questions. The results of this technical scoring show CYC as the clear leader with 10% higher score than the other two finalists. As shown below, TASC scored highest on cost. **However - the panel strongly believes the improved experience that flexible spending account participants and City staff will have with CYC is a value that is worth the difference in cost.** CYC’s estimated cost is lower than TASC’s current cost, so there would be no increase in total costs assuming no increase in the number of participants.

	TASC - Current Benefit Year		ConnectYourCare - per Addendum #2	TASC - per Addendum #2
Proposed cost per participant	\$ 2.85		\$ 2.80	\$ 2.00
Extended Cost (1,359 participants in 2017)	\$ 46,477.80		\$ 45,662.40	\$ 32,616.00
Set-up Fee	\$ -		\$ 500.00	\$ -
Total Estimated Cost	\$ 46,477.80		\$ 46,162.40	\$ 32,616.00

Below are options Finance Committee members may choose to consider:

1. Award the contract to CYC as recommended by Purchasing and the evaluation team.
2. Reject the recommendation and award the contract to TASC. However, this action may lead to the City losing potential qualified proposers on future RFPs who do not wish to participate in an uncertain or politically subjective process. It also discounts the expertise of staff.
3. Offer TASC a contract extension for one year, and rebid to procure for flexible spending account administration services in 2019, presumably with different instructions to staff for how to select the next vendor.

Appendix A

FLEXIBLE SPENDING ACCOUNT ADMINISTRATION REQUEST FOR PROPOSALS 8610-0-2017-BP ISSUED MAY 1, 2017

Below is the timeline demonstrating the selection process used to select CYC:

- Early 2017 - HR approached Purchasing because current contract will expire at the end of 2017
- March/April 2017 - Creation of bid documents, including technical specifications
- May 1st – RFP published to multiple websites
- May 15th – RFP questions due from proposers
- May 18th – Responses to proposer’s questions published
- June 1st – Proposals due
- June 6th – Evaluation panel meeting to go over scoring responsibilities
- June 23rd – Evaluation team scores due to purchasing
- June 26th – Evaluation panel met to discuss results and determine finalists
- June 27th – Finalists were sent agendas for the interviews
- July 11th – Presentations and interviews were conducted
- July 13th – Follow-up questions and best and final offer notices were sent to the 3 finalist vendors participating in the presentation and interview process
- July 24th – Responses on best and final price offers were due
- July 25th – Evaluation panel decided on best proposer
- July 28th – Proposer notified of the intent to award a contract
- September 25th - FINANCE COMMITTEE
- October 9th – FINANCE COMMITTEE
- October 17th - COMMON COUNCIL

Appendix B



Finance Department

David P. Schmiedicke, Finance Director

City-County Building, Room 406
210 Martin Luther King, Jr. Boulevard
Madison, Wisconsin 53703
Phone: (608) 266-4521
Fax: (608) 266-5948
finance@cityofmadison.com
www.cityofmadison.com/finance/purchasing

Purchasing Services

DATE: September 27, 2017

RE: **ADDENDUM #2**
8610-0-2017-BP
Flexible Spending Account Administration

Notice to the finalists of RFP 8610-0-2017-BP:

Pursuant to standard City procedures, a resolution was introduced to award the contract to the selected winner, ConnectYourCare, LLC (CYC). All resolutions awarding contracts are reviewed by the City's Finance Committee and then put to a vote at the Common Council for final decision. The Finance Committee reviewed this resolution at their meeting of September 25, 2017. One of the vendors that was not selected, Total Administrative Services Corporation (TASC), appeared at this public meeting to dispute the award, offered a 30% price reduction, and elaborated upon their proposal. The meeting was recorded and can be viewed [here](#). The Finance Committee did not approve the award to CYC, instead instructed City staff to reopen this RFP and report back to the Finance Committee's meeting on October 9, 2017 at 4:30 pm.

As a result, and to ensure fairness and transparency, we are issuing this addendum to the three finalists. This Addendum offers the opportunity to make a Best and Final Offer and clarify the following points. Please complete these questions on a separate page:

1. Please make a best and final offer based on fee. This should be proposed as a cost per participant per month.
2. During what hours do you offer a live, in-person customer service telephone line to City of Madison employees? Is your live telephone service offered in more than one language? If so, what languages and is there any time restriction on when those languages are offered?
3. What are the key features of your website and mobile app? Are the website and mobile app synchronized in real-time? If not, how frequently are they updated?
4. What website customizations are you able to provide to both the employee and employer-facing websites?
5. Please describe transfer of funding options available to the City of Madison for Plan

Contributions and Plan Administrative fees. This should include payment method, frequency/timing and calculation of transfer amounts.

6. What options are offered for online open enrollment? What are your success rates for implementation and online open enrollment?
7. Will the City of Madison have a dedicated Account Manager for the duration of the contract? If so, please provide the resume of that person.
8. How do you measure your performance internally? Please describe at a minimum: frequency, areas of measurements (missed calls, time to resolution, etc), and corrective actions taken for improvements when issues occur. Do you survey your customers? If yes, can you please send a report used of a similar sized client as the City of Madison from within the past 12 months?
9. Please list the different methods of reimbursement available to employees based on the parameters in the chart below. Your chart should follow the same format:

Method	Time Taken for Reimbursement	Use/Non-Use Fees Associated

The deadline for questions to be answered is 9:00am (CST) on Monday, October 2, 2017. All documents should be submitted electronically to bids@cityofmadison.com. Late submissions will not be accepted.

Please contact the below purchasing representative with any further questions.

Brian Pittelli
City of Madison Purchasing Services
PH: (608) 267-4969
bpittelli@cityofmadison.com