



# County of Monterey

Board of Supervisors  
Chambers  
168 W. Alisal St., 1st Floor  
Salinas, CA 93901

## Board Report

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**File #: 13-1203, Version: 1**

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- a. Approve and Authorize the Contracts and Purchasing Officer to sign an Agreement with Flexible Benefit Administrators (FBA), for Third Party Administrator (TPA) Services for the County's Dependent Care Program (DCAP), Alternative Benefit Option (ABO) program, Voluntary Benefit Administration (VBA) and Flexible Spending Accounts (FSA) per Request for Proposal (RFP) #10372, with the initial Agreement term commencing with the signing of the agreement through December 31, 2018, including the option to extend the Agreement for up to three (3) additional one (1) year periods (see Attachment A) and a total expenditure over the term of the contract of \$700,000; and
- b. Authorize the Contracts and Purchasing Officer to sign future Amendments to the Agreement where the Amendments do not significantly change the scope of work or cause an increase in the Agreement rates of more than ten percent (10%).

### RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Approve and Authorize the Contracts and Purchasing Officer to sign an Agreement with Flexible Benefit Administrators (FBA), for Third Party Administrator (TPA) Services for the County's Dependent Care Program (DCAP), Alternative Benefit Option (ABO) program, Voluntary Benefit Administration (VBA) and Flexible Spending Accounts (FSA) per Request for Proposal (RFP) #10372, with the initial Agreement term commencing with the signing of the agreement through December 31, 2018, including the option to extend the Agreement for up to three (3) additional one (1) year periods (see Attachment A) and a total expenditure over the term of the contract of \$700,000; and
- b. Authorize the Contracts and Purchasing Officer to sign future Amendments to the Agreement where the Amendments do not significantly change the scope of work or cause an increase in the Agreement rates of more than ten percent (10%)

### SUMMARY:

Approval of the recommended actions will enable the Human Resources Department (HRD) to procure TPA Services for the County's DCAP, ABO, VBA and FSA programs. The DCAP, ABO and VBA programs are currently existing programs offered to employees. The FSA is a new voluntary, account-based plan that gives County employees the opportunity to use pre-tax, payroll-deducted dollars to pay for eligible out-of-pocket healthcare expenses like prescription drugs, co-pays, and vision and dental costs.

### DISCUSSION:

The FSA is anticipated to be implemented by July 1, 2014. Based on industry averages, it is anticipated that 5-10% of employees will participate in the FSA during the first year, 10-15% the second year and 20+% the third year, with subsequent annual increases. The FSA will ultimately save the county money as all monies deposited into the FSA go in pre-tax (including FICA and Medicare) For example, an employee that contributes \$1,000 per year into the FSA will save \$76.50 on the employee's share of FICA/Medicare and the same on the employer's share of FICA/Medicare. The administrative cost of the employee participating in this program will initially be \$4 per month or \$48 per year. This is a net savings of \$28.50 per year. The maximum contribution is \$2,500 per

employee per year and, prior to the passage of recent legislation, were required to be exhausted prior to the end of the plan year. These changes now give employers the option of allowing participants to carry over up to \$500 of unused funds at the end of the plan year in lieu of a grace period which can be up to two and a half months when the FSA funds may still be used. The new carryover provision is expected to boost enrollment in FSA plans. Also, as more employees participate in the FSA, the monthly administrative cost drops. Therefore, this is a mutually beneficial program for the County and its employees.

Administrative costs for the ABO, DCAP and VBO are approximately \$45,000 per year and are expected to remain the same with the new vendor. It is anticipated that the total expense of this contract will be approximately \$700,000 for the 8 year period.

OTHER AGENCY INVOLVEMENT:

Contracts/Purchasing, County Counsel and the Auditor's Office were involved in the RFP process and have reviewed and approved the contract which was submitted to the vendor for signature.

FINANCING:

The costs associated with this action are included in the Benefits Internal Service Fund (Fund 477), specifically in the Miscellaneous Benefits Unit (Unit 8418). The costs for the ABO, DCAP and VBA are included in the approved FY 2013-14 budget. The additional expense for the FSA is anticipated to be \$15,000 for FY2014-15, \$30,000 for FY2015-16 and \$50,000 for FY 2016-17. These amounts will be included in the recommended budgets for FY2014-15, FY2015-16 and FY2016-17. Expenses for FY2017-18 and beyond are dependent upon the number of employees participating in the benefit programs.

Prepared by: Terri Cook, Management Analyst, 3529

Approved by: James May, Director, 5129

Attachments:

PSA Flexible Benefits Administrators