



Legislation Text

File #: 2019-1764, **Version:** 1

To: Sonoma County Board of Supervisors, Board of Directors of the Sonoma County Water Agency, Board of Commissioners of the Community Development Commission, Board of Directors of the Sonoma County Agricultural Preservation and Open Space District, Board of Directors of the Northern California Air Pollution Control District

Department or Agency Name(s): Human Resources

Staff Name and Phone Number: Cheryl Thibault, Employee Benefits Manager - 565-3033

Vote Requirement: Majority

Supervisory District(s): All

Title:

Administrative Services Agreement with P & A Administrative Services, Inc.

Recommended Action:

Authorize the Human Resources Director to execute an agreement with P & A Administrative Services, Inc., to provide third party benefit administration services for the period January 1, 2020 through December 31, 2024.

Executive Summary:

The recommended action authorize the Human Resources Director to execute a new agreement with P & A Administrative Services, Inc. to continue to provide administrative services for flexible spending account (FSA) administration, health reimbursement account (HRA) administration, and trust management of funds deposited into the Retiree HRAs. In addition, P & A will also provide administration of the County's COBRA and Retiree Benefits Direct Pay services, benefits previously provided by Discovery Benefits.

P & A was selected through a widely distributed Request for Proposal (RFP) process as they presented the most favorable response to meeting the County's requirements and expectations. The County has had very favorable experience working with P & A since 2013, and with combining the additional COBRA and Retiree Direct Pay services into this agreement, staff was successful in negotiating an overall rate reduction of 20.4%, which reflects a projected savings of \$63,000 annually. Costs associated with these services are paid through the Benefits Administration rate charged to County departments and agencies

Discussion:

The Human Resources (HR) Benefits Unit is responsible for management and administration of the County's health and welfare benefit programs provided to employees, retiree, and eligible dependents, and contracts with third-party administrators (TPA) who provide specialized skills and expertise to public and private employers nationally.

Services include full claims administration services of the County's flexible spending accounts (medical and dependent care) pursuant to Internal Revenue Code section 125, health reimbursement accounts (HRA)

provided for retirees and active employees, including the SCARE HRA.

Although P & A's current agreement is not due to expire until December 31, 2020, it was decided to complete a RFP earlier in an attempt to seek better pricing from "economies of scale" by combining COBRA, FSA, and HRA services with one vendor. The RFP was issued in June 2019 and eight proposals were received: Connect Your Care, Discovery Benefits, Inc., Flexible Benefit Administrators, Gallagher HealthInvest HRA, P & A Administrative Services, Inc., PayFlex Systems USA, Inc., Total Administration Services Corporation (TASC), and UnifyHR. Proposals were evaluated by a committee consisting of staff from Auditor-Controller, Treasurer Tax Collector-Payroll Division, HR Administration Unit, HR Benefits Unit, assisted by the County's benefits consultants, Segal Consulting. The evaluation process focused on scope of services, fees, ability to perform requested services, experience in providing requested services, and willingness to agree to performance standards and required County contract language. Following the evaluation of the data provided in the RFP responses, P & A and TASC were selected as finalists and interviewed. Based upon the written RFP responses, and information obtained during the interview process, P & A was selected.

P & A has been a strong partner with the County, and is very active in coordinating benefit information during various times of the year when the County needs support the most, including FSA Annual Enrollment and implementing new HRA benefit programs. Additionally, the HR Benefits Unit staff receives daily customer service support from P & A staff that is timely, relevant, and accurate. Employees and Retirees can assess timely updates on claims reimbursement status 24/7 through the P & A website and/or their 800 number.

A list of services and fees are included in Attachment A. Estimated annual administration costs for all services provide by the P & A is approximately \$247,000, which reflects an annual rate reduction of approximately \$63,000.

There is no change in the level of benefits provided to employees and retirees, as negotiated and previously authorized by the Board and outlined in all memorandums of understanding and the Salary Resolution, and all benefit administration services provided to active employees are paid by the County. Former employees who are able to access fund accounts for reimbursement of eligible medical expenses will be responsible for the payment of fees taken as a deduction from individual account balances as of January 1, 2020.

The following provides more specific information about the benefit administrative services provided under each program:

COBRA: The Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA) as well as California law requires employers with at least 50 employees provide continuing access to health benefits (medical, dental, vision and employee assistance program) for a set period-of-time after termination of employment and other qualifying events where health coverage would otherwise terminate. Due to the complexities and potential penalties of administering COBRA benefits, many employers engage a third-party administrator for these benefits. The County has used a TPA to provide benefits under COBRA since July 2005. The agreement with the County's current TPA, Discovery Benefits, Inc., is due to expire December 31, 2019. Currently, annual costs for these services are approximately \$16,400.

Health Reimbursement Account (HRA): The County of Sonoma has provided a retiree Health Reimbursement Arrangement (HRA) for employees hired after January 1, 2009. Over the years, the HRA was expanded to include an active employee HRA plan (Active HRA) available to active employees in certain bargaining groups

effective June 1, 2013 through 2016, and recently added a Post-employment Retiree HRA for certain bargaining groups retiring on or after August 28, 2018, as authorized by the Board. The County ceased contribution to the Active HRA in 2016, and participants are still able to use remaining funds for reimbursement of qualified medical expenses. P & A has administered these various HRA benefits since June 1, 2013. Currently, there are approximately 4,350 HRA accounts.

SCARE Retiree HRA: As part of the settlement of the lawsuit entitled Sonoma County Association of Retired Employees vs. County of Sonoma, the County agreed to fund a Retiree HRA in the amount of \$12 million to be divided evenly among all of the members of the settlement class. There is currently approximately 3,290 participants and administrative costs for the SCARE HRA are paid by the participants, out of the HRA funded by the county.

County contributions into the Retiree HRAs with P & A are invested into a money market fund Goldman Sachs Government Obligations Fund (GOIXX) which provides a low risk/low expense ratio, has a history of positive returns, and there is no asset fees charged to participants. This funding option is periodically evaluated with the Auditor-Controller, Treasurer, Tax Collector to ensure consistency with other County investments.

IRS Section 125-Flexible Spending Accounts: The County provides eligible employees with Medical and Dependent Care FSA services. Auditor, Controller, Treasurer, Tax-Collector (ACTTC) Payroll Division provided FSA administration through 2013. Given the scope of payroll support services offered by P & A and the successful HRA transition, County staff in the HR Benefits Unit and ACTTC Payroll Division Office determined County employees is best served by transferring FSA administration from the Payroll Division to P & A in the last quarter of 2013.

Retiree Direct Pay: These services are provided as a courtesy when a retiree or survivor is eligible to be enrolled in a County-sponsored medical, dental, or health insurance plan, but does not receive a pension benefit or does not have sufficient pension proceeds to pay for the cost of benefits.

Prior Board Actions:

08-15-2017 Approved amendment to add SCARE HRA plan

05-13-2014 Approved amendment with P&A Group to provide FSA services

05-21-2013 Approved agreement with P&A Group for HRA Services

02-22-2009 Approved an initial HRA Plan Document for Future Retirees

FISCAL SUMMARY

Expenditures	FY 19-20 Adopted	FY20-21 Projected	FY 21-22 Projected
Budgeted Expenses	\$310,000	\$247,000	\$247,000
Additional Appropriation Requested	0	0	0
Total Expenditures	\$310,000	\$247,000	\$247,000
Funding Sources			
General Fund/WA GF	\$148,800	\$118,560	\$118,560

State/Federal			
Fees/Other	\$161,200	\$128,440	\$128,440
Use of Fund Balance			
Contingencies			
Total Sources	\$310,000	\$247,000	\$247,000

Narrative Explanation of Fiscal Impacts:

Costs associated with these services are paid through the Benefits Administration rate charged to County departments and agencies, allocated by FTE (full-time equivalent), 48% of which come from General Fund departments and 52% from Non-General Fund departments. Sufficient appropriations are included in the FY 2019/20 budget and the estimated annual rate reduction of \$63,000 should help offset future administration costs.

Staffing Impacts:			
Position Title (Payroll Classification)	Monthly Salary Range (A-I Step)	Additions (Number)	Deletions (Number)

Narrative Explanation of Staffing Impacts (If Required):

Not applicable.

Attachments:

Not applicable.

Related Items "On File" with the Clerk of the Board:

Agreement with P & A