



Legislation Text

File #: 20-1366, **Version:** 2

Human Resources Department recommending the Board take the following actions regarding Health Plan Programs and Ancillary Employee Benefit Programs for the 2021 Plan Year:

- 1) Approve the account prefunding in the amount of 30% of the 2021 plan year FSA annual election amounts made during Open Enrollment for coverage effective January 1, 2021;
- 2) Approve the deposit of any 2020 plan year FSA forfeiture funds into the FSA bank account as finalized and received by the current FSA administrator, Employee Benefit Specialists, Inc.; and
- 3) Authorize the Director of Human Resources, or designee, to execute administrative health and benefit program plan renewals for services that otherwise fall under existing executed master agreements. (Cont. 10/20/20, Item 7)

FUNDING: County-wide cost, shared between the County Departments (General Fund and Non-General Fund) and employees.

DISCUSSION / BACKGROUND

Health Plans

On July 21, 2020, the Board approved the transition of benefits third party administrator (TPA) from Employee Benefit Specialists, Inc. (EBS) to Benefit Coordinators Corporation (BCC). As approved by the Board, Human Resources is transitioning from EBS to BCC on an incremental basis to limit disruption to our customers and to provide seamless transition for plan carriers. As such, BCC is providing all services related to open enrollment in 2020, for plan changes that take effect January 1, 2021, while EBS maintains administration for current employee, new hire, retiree health, and COBRA enrollments for coverage through December 31, 2020.

One TPA service currently provided by EBS that will transition to BCC is Flexible Spending Account (FSA) administration, specifically related to Health and Dependent Care. Unlike EBS who withdrew all deposited funds once per biweekly pay period and held funds in their own separate account from which to process any claims received, BCC will only withdraw the exact funds necessary for the reconciliation and reimbursement of FSA claims as such claims are received by BCC. In order to facilitate this new model, the County has initiated the set up a dedicated bank account for FSA transactions

During Open Enrollment, which takes place October 19-30, 2020, for coverage beginning January 1, 2021, Human Resources will be able to determine the total combined annual FSA elections made by our employees. As the full annual amount of a Health FSA election is available to the participant as of January 1, BCC recommends that the County pre-fund an amount at least equal to 30% of the 2021 elections made during open enrollment, prior to the January 1, 2021 effective date, to ensure that necessary funding is available for BCC to process any claims received, and prevent any bank overdraft fees (\$50 per over drafted transaction). Human Resources supports this recommendation.

Though the FSA plan year ends on December 31, employees have an additional 90 days from the

date their FSA closes to submit any claims for expenditures incurred during the plan year. This means for active employees who did not otherwise close their 2020 FSA(s) before December 31, 2021 (earlier closure is typically due to employment separation, or in the case of Dependent Care, an associated CARES Act qualifying event), they will have what is known as a “run out” period up to March 31, 2021 to submit claims for the 2020 plan year. Human Resources intends to separately contract with EBS to provide the run out services for 2020 FSA elections, to mitigate administrative challenges in transitioning FSA administrators between plan years. Once EBS processes and reconciles all 2020 FSA claims, they will remit any forfeiture FSA funds to the County, which would be deposited in the FSA account, and offset the initial pre-funding.

Benefit premiums, including for FSA elections, are deducted from employee paychecks twenty-four (24) pay periods per year. In order to continue to fund the FSA bank account for claims processed by BCC, the Auditor-Controller’s Office would need to transfer FSA funds deducted from employee paychecks each pay period to the bank account.

Lastly, on July 21, 2020, the Board authorized the Director of Human Resources, or designee, to execute health and benefit program TPA agreements and associated contract renewals subject to approval by County Counsel. County Counsel has subsequently advised that given the administrative nature of the renewal forms, we can exclude the need for County Counsel approval of renewal forms.

ALTERNATIVES

The Board could choose to override the recommendation to do a pre-fund of the FSA bank account in the amount of 30% 2021 FSA elections, and can direct staff to prefund with a different number; however, any amount lower than 30% has greater risk of incurring overdraft fees should employee FSA claims exceed the available account balance.

PRIOR BOARD ACTION

The Board approved the transition of benefits TPA from Employee Benefit Specialists, Inc. (EBS) to Benefit Coordinators Corporation (BCC), and authorized the County to pay BCC for any TPA services received under the Master Agreement between PRISM and BCC, on July 21, 2020 (Legistar 20-0949).

OTHER DEPARTMENT / AGENCY INVOLVEMENT

Treasurer - Tax Collector’s Office
Chief Administrative Office, Support Services
Auditor - Controller’s Office

CAO RECOMMENDATION / COMMENTS

Approve as recommended.

FINANCIAL IMPACT

There is no new fiscal impact for this item as FSA administration was previously outsourced to the TPA Workterra. The account will initially be prefunded with health funds, which will be reimbursed through employee payroll deductions and future FSA election forfeitures (unused funds exceeding any allowable rollover by the end of plan year expenditure deadlines).

CLERK OF THE BOARD FOLLOW UP ACTIONS

None

STRATEGIC PLAN COMPONENT

Good Governance

CONTACT

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