



LOS ANGELES COMMUNITY COLLEGES

770 WILSHIRE BOULEVARD, LOS ANGELES, CALIFORNIA 90017-3856 • 213/891-2000

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ADMINISTRATIVE OFFICES • Dr. Tyree Wieder, Interim Chancellor

June 25, 2010

### ADDENDUM TO REQUEST FOR PROPOSALS

TO: INTERESTED VENDORS

**SUBJECT: ADDENDUM TO RFP No. 10-14; ADMINISTRATION OF FLEXIBLE SPENDING ACCOUNT (FSA) AND HEALTH REIMBURSEMENT ARRANGEMENT (HRA) SERVICES FOR THE LOS ANGELES COMMUNITY COLLEGE DISTRICT**

Interested Vendors:

This addendum has been issued in order to provide responses to questions asked regarding the above-referenced RFP. The questions are numbered for convenience, in no particular order relative to the way they were received. If the questioner made references to page numbers and section numbers/letters of the RFP, they are included in parentheses preceding each question; otherwise, the question is general to the RFP.

Question 1. (Page 4, Sec. I.A. Purpose) Are all section 213(d) eligible expenses eligible for reimbursement through the HRA?

Answer: Yes.

Question 2. (Page 4, Sec. I.A.) Are there any expense thresholds (e.g., a certain dollar amount of deductible expense must be met) before the HRA starts to pay out?

Answer: No.

Question 3. (Page 4, Sec. I.A.) Are expenses incurred by any of the participant's dependents and/or spouse eligible for the HRA?

Answer: Yes; all expenses incurred by any of the participant's dependents and/or spouse are eligible for the HRA.

Question 4. (Page 4, Sec. I.A.) Is there any carryover for the HRA plan from plan year to plan year? If so, how much?

Answer: Any unused HRA funds roll over to the next year. Expenses, however, cannot be rolled over in order to use the next year's HRA fund for reimbursement.

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Question 5. (Page 4, Sec. I.A.) Does the District allocate the entire \$1,500 as of January 1 of each year, or are amounts contributed monthly or per pay period?

Answer: All \$1,500 is available as of January 1 of each year.

Question 6. (Page 12, Sec. IV. G. Communications) Regarding Open Enrollment communications directed to employees, would you like us to provide them via hard copy? If yes, how many would like us to produce? Would you like us to mail these to the employee's home address?

Answer: We would prefer electronic version of materials. We are a Green District and post materials on the District's website. District will print from electronic version as needed. No mailing would be required by the vendor.

Question 7. (Page 12, Sec. IV. G.) Regarding the newsletter, can you please describe in additional detail, the specifications for the newsletter? How many times during a plan year would you like the document produced? Would you like us to provide it via hard copy? If yes, how many would you like us to produce? Would you like us to mail these to the employee's home address?

Answer: We would like a newsletter produced at least once a year (in first Quarter) on items such as how to use benefits, the vendor website, filing claims/use of the debit card. At least once a year inform the members of FSA use-it-or-lose-it rules with remaining account balance information; this can be done by hard copy or email.

Question 8. (Page 15, Exhibit A, Scope of Work) We are a little unclear about what is meant by "an employee will not be permitted to set up and fund an FSA plan until all funds provided by the District for his or her HRA account are fully expended for authorized medical expenses."

Please confirm that an employee will establish an FSA during open enrollment and payroll contributions will commence in January 2011 for the 2011 plan year, even though at that time he/she will not have exhausted all HRA funds. If this is incorrect, please provide further detail, as the way this is described does not seem to be allowed in the regulations.

Answer: Correct: employee contributions/withholdings for Medical FSA are by payroll and begin in January of each year. The claims for eligible expenses go against the HRA funds before the FSA contribution funds can be utilized to reimburse expenses. Therefore, the entire \$1,500 HRA must be exhausted before the employee can utilize their FSA funds for reimbursement.

Question 9. (Page 15, Exhibit A, Sec. 1.A.5. Initial Set-Up for HRA Accounts) How will the administrator provide the District with a list of HRA-eligible employees? Wouldn't this information have to come from the District?

Answer: The District provides the administrator with the HRA eligibility. Yes, this is information that would come from the District.

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Question 10. (Page 15, Exhibit A) There is a reference to monthly funding. Is there an opportunity for funding from the District to the vendor on a weekly basis?

Answer: FSA withholding is performed monthly from employees and eligibility is provided to vendor once a month. Reimbursement of claims can be more often, such as weekly, to the vendor. HRA eligibility is provided to the vendor monthly and reimbursement of claims can occur more often, such as weekly.

Question 11. Would your present vendor be able to use the contract currently in place, rather than negotiating a new contract?

Answer: A new contract must be issued because the District's Board of Trustees' Rules stipulate a 5-year limitation. The current vendor may submit the same terms for this RFP as it already has in place with the current contract, or make changes as the company sees best.

Question 12. Who is the current HRA administrator and FSA administrator, and what fees are being charged?

Answer: The District's current administrator for both the HRA and FSA plans is SHPS Human Resource Solutions, Inc., 9200 Shelbyville Road, Suite 700, Louisville KY 40222-5136, TEL 502.267.3159.

HRA fees:

Monthly per-participant (PPPM) fee: \$2.85 PPPM

Card PPPM fee: \$0.83 PPPM

Participant welcome kit (card issuance) fee, each: \$3.00

Dependent welcome kit (card issuance) fee: Included

Lost/stolen card fee, each: Included

Optional services:

Additional payroll information, per feed: \$50.00 (initial 2 per month is free of charge)

Additional substantiation information, per feed: \$50.00

Additional rollover information, per feed: \$50.00

Implementation of substantiation files, per feed set-up, each: \$1,000

Programming for additional reports, per hour: \$175.00

FSA fees:

Monthly per-participant (PPPM) fee: \$3.50 PPPM

Card PPPM fee: \$0.83 PPPM

Participant welcome kit (card issuance) fee, each: \$3.00

Dependent welcome kit (card issuance) fee: Included

Lost/stolen card fee, each: Included

Optional services:

Additional payroll information, per feed: \$50.00 (initial 2 per month is free of charge)

Additional substantiation information, per feed: \$50.00

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Additional rollover information, per feed: \$50.00  
Implementation of substantiation files, per feed set-up, each: \$1,000  
Programming for additional reports, per hour: \$175.00

Question 13. If an employee has both an FSA and an HRA, are two administrative fees assessed?

Answer: Yes.

Question 14. How many FSA participants, and HRA participants are there?

Answer: Please refer to the RFP, page 4, Section I.B. Background: the District currently provides health benefits to approximately 3,900 of its employees; this number can be used as an estimate of the number of its HRA participants. The number of its FSA participants is approximately 400 for the Medical FSA, and 80 for the Dependent Care FSA.

Question 15. Please describe the anticipated claim funding process. Would the District consider alternate funding options if the proposer can show improved efficiencies?

Answer: The current claim funding process for the District is wire transfer and ACH, and the District is willing to consider alternate funding options that show improved efficiencies.

Question 16. How many pay centers will be reporting contribution data to the awarded administrator?

Answer: One.

Question 17. Will answers be provided in enough time for vendors to put together a response to the RFP, understanding that the proposals are due on June 29; or will an extension be granted based on the response date to vendors' questions to allow time to analyze the District's responses?

Answer: The addendum to the RFP providing answers to the questions asked by vendors will be provided on the district's website, we trust, in sufficient time for vendors to put together a response to the RFP. We don't plan to grant an extension of time.

Question 18. Can documents to the minutes and responses to inquiries from the pre-proposal conference (also, the sign-in sheet) be provided?

Answer: The vendors that participated in the pre-proposal conference were representatives of two companies: AudiaWorks Innovative Workplace Solutions, and SHPS Human Resource solutions, Inc. We did not have a sign-in sheet. The pre-proposal conference was a review of the RFP. One clarification was asked on the process of the HRA being utilized before the FSA. Please refer to Question 8 and our answer, above, and Question 19 and our answer, following.

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Question 19. Will the District offer the HRA based on a CDHP? If so, will a limited purpose FSA accompany it?

Answer: No, the District will not offer the HRA based on a consumer-driven health plan (CDHP). To clarify the process, the District gives to all active employees and early retirees enrolled in a District medical plan, a \$1,500 HRA annually on January 1 each year. The HRA funds must be exhausted before the Medical FSA funds can be used for reimbursement of eligible expenses.

Question 20. Will the HRA be limited to expenses covered under the medical plan?

Answer: No. All eligible expenses apply, per the federal regulations.

Question 21. What type of HRA will the District offer its employees, i.e. Bridge/Medical, Stand Alone, Limited Purpose, Suspended, or Retiree?

Answer: Stand alone.

Question 22. Is there a vesting schedule?

Answer: No. All employees and early retirees as of March 1 of each year receive the HRA.

Question 23. What are the current FSA participation figures?

Answer: Approximately 400 for the Medical FSA, and 80 for the Dependent Care FSA.

Question 24. What enhancements does the District want to experience with its FSA Plan?

Answer: There are none.

Question 25. What are the current areas of service discontent for the FSA administration?

Answer: There are none.

Question 26. Is there a debit card currently in place for the FSAs?

Answer: Yes.

Question 27. Is there a central payroll or is the vendor required to interface with multiple payrolls? What are the pay frequencies?

Answer: There is a centralized point of contact for the District which provides all FSA withholdings, HRA eligibility, and processes billings from the vendor.

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Question 28. Why has the District gone out for an RFP?

Answer: This is required by the District's Board of Trustees because the current vendor has held a contract with the District for 5 years.

Question 29. What percentage of employees have access to the internet?

Answer: All employees of the District have access to the internet.

Question 30. Does the District prefer paper or electronic (PDF) communication materials?

Answer: The District prefers electronic materials. Please see the District's response to Question 6 above.

Question 31. Does the District require an onsite, physical presence for Open Enrollment or Benefit Fairs from the FSA vendor?

Answer: The District does not require the vendor's onsite presence, but it's very useful to have the vendor's presence or material available for the District's Health Fairs.

Question 32. Please identify the firm(s) who assisted with completion of the RFP and Plan Design.

Answer: Wells Fargo.

Question 33. With the Plan Design in the RFP limiting employee's enrollment in the FSA until the HRA is depleted, does the District foresee low FSA enrollment numbers? The change-in-status rules would prevent enrolling at anytime and if the HRA will be replenished every year it seems as if the FSA may suffer. Has thought been given to having a coordination of benefits with the HRA paying first (and exhausting) prior to the FSA reimbursing eligible expenses? That way, employees could still enroll in the FSA during Open Enrollment but the HRA would be exhausted prior to FSA use.

Answer: Employees who anticipate expenses in excess of \$1,500 per year enroll in the FSA because the HRA funds must be exhausted first before FSA funds can be utilized for reimbursement. Per the Wells Fargo Plan Design, the HRA is required to be spent first before the FSA.

Should you have any questions regarding this addendum or any of the RFP documents, please contact me by phone at (213) 891-2301, by fax at (213) 891-2490, or by email at [paltzac@email.laccd.edu](mailto:paltzac@email.laccd.edu).

Sincerely,

Curtis J Paltza  
Contracts Analyst