

ADDENDUM ONE

DATE: March 27, 2013

TO: All Vendors

FROM: Mary Lanning/Michelle Musick, Buyers
State Purchasing Bureau

RE: Questions and Answers for RFP Number 4292Z1
to be opened ~~April 1, 2013~~ **April 4, 2013.**

Following are the questions submitted and answers provided for the above mentioned Request For Proposal. The questions and answers are to be considered as part of the Request For Proposal.

QUESTIONS	ANSWERS
1. Of the 17,000 employees, please confirm the total number of employees that are covered under a COBRA-eligible plan.	There are approximately 16,100 State employees who are covered in a COBRA-eligible plan(s).
2. Reference: None in the RFP a. Does this solicitation permit bidders to submit stand-alone proposals for FSA, COBRA and/or Retiree benefits administration? b. If bidders submit a proposal for all services, is there an opportunity on the Cost Proposal (Attachment 4) to offer a discount in the event the bidder is awarded all services?	Stand-alone proposals will be accepted for FSA (medical and dependent care) and/or COBRA/Retiree administration. Applicable rates must be listed on Attachment 4. Bidders' calculation of costs are at their discretion.

QUESTIONS	ANSWERS
<p>3. Reference: RFP pages 7-21, Terms and Conditions:</p> <p>The Terms and Conditions section includes indications that the vendor may need to “accept and initial” each section of the Terms and Conditions, however, the RFP does not include any specific instructions about whether the vendor should do so or how to return this document with the vendor’s proposal. Please clarify the State’s intent?</p>	<p>Section III Terms and Conditions. Bidders are expected to closely read the Terms and Conditions and provide a binding signature of intent to comply with the Terms and Conditions; provided, however, a bidder may indicate any exceptions to the Terms and Conditions by (1) clearly identifying the term or condition by subsection, (2) including an explanation for the bidder’s inability to comply with such term or condition which includes a statement recommending terms and conditions the bidder would find acceptable. If a bidder wishes to indicate an exception or provide an alternative, do not initial. Rejection in whole or in part of the Terms and Conditions may be cause for rejection of a bidder’s proposal.</p>
<p>4. Reference: RFP page 15, DD. Performance Bond:</p> <p>a. Will a \$200,000 performance bond be required by April 19, 2013?</p> <p>b. If multiple bidders are awarded contracts (i.e. one vendor for FSA, one for COBRA and Retiree), what will be the amount of the required performance bond?</p> <p>c. Does the incumbent FSA vendor have a performance bond in place with the State and, if so, what is the amount?</p>	<p>A Performance Bond may be required at the time of contract award.</p> <p>Each successful bidder may be required to provide a \$200,000 Performance Bond.</p> <p>Yes. The current vendor has provided a \$200,000 Performance Bond.</p>
<p>5. Reference: RFP page 22, A2: Does the State currently have performance guarantees in place with the incumbent FSA administrator? If so, can you please provide a copy?</p>	<p>No.</p>
<p>6. Reference: RFP page 23, #4 and #5: If the State selects a new FSA administrator, please specify whether the incumbent or new FSA administrator will process grace-period and run-out period claims for the Plan Year that ends 6/30/2013?</p>	<p>If a new FSA provider is awarded the contract, that provider must be prepared to process grace-period and run-out claims.</p>

QUESTIONS	ANSWERS
<p>7. Reference: RFP page 23, #6:</p> <ul style="list-style-type: none"> a. Regarding Open Enrollment, please confirm whether the State conducts its annual Open Enrollment for the FSA program or if the FSA administrator conducts it. b. Regarding enrollment for new hires and Changes in Status, please confirm whether the State handles these enrollments and how the FSA administrator is notified and provided the enrollment information? c. Please specify whether the FSA administrator is expected to provide any printed materials for the Open Enrollment? 	<p>The State currently conducts the annual open enrollment period for FSA enrollment. The FSA administrator will be required to attend an annual pre-open enrollment meeting with HR staff and be available by phone or email for questions from employees.</p> <p>The State handles new hires and status change enrollments. Eligibility files are sent to the current contractor on a weekly basis with enrollment information.</p> <p>The FSA administrator will be required to supply printed materials for the annual pre-open enrollment meeting with HR staff.</p>
<p>8. Reference: RFP page 23, C. COBRA and Retiree Project Environment:</p> <p>Please confirm whether any Retirees receive a State pension or retirement benefit from which their eligible coverage can be deducted on a monthly basis?</p>	<p>This is not currently being done.</p>
<p>9. Reference: RFP page 25, #7:</p> <p>Please specify whether the State intends for the COBRA administrator to return the 2% COBRA and Retiree premium surcharge to the State on a monthly basis, or to retain it to help defray the cost of administration?</p>	<p>The State retains the two (2) percent administration fee.</p>
<p>10. Reference: RFP page 26, D2b: Concerning the reporting requirement by Agency:</p> <ul style="list-style-type: none"> a. Please specify how many separate payroll centers will be providing enrollment, eligibility and/or payroll deduction information to the FSA administrator? b. Please confirm that the data provided by the State will include an agency code to facilitate the reporting by agency requirement? 	<p>The State will send one eligibility file, three (3) times per month, prior to each payroll.</p> <p>Agency codes will be provided to assist in reporting by agency.</p>

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<p>11. Reference: none in the RFP:</p> <p>Please confirm that the State is capable of supporting the implementation of all solicited services at the same time (i.e., immediately following contract award) or if the State prefers that the implementations be staggered over a longer period of time?</p>	<p>Contractor(s) will begin providing services July 1, 2013. Any period in between contract award and July 1, 2013 will be utilized to facilitate implementation of services.</p>
<p>12. Reference: RFP Attachment 4:</p> <p>a. Regarding “Per Employee Per Month (PEPM)”, please confirm this means the cost per participating employee per month and not per eligible employee per month?</p> <p>b. Regarding the PEPM pricing requirement for the COBRA and Retiree services, the majority of employees that are sent Qualifying Event notices may choose not to participate, rendering these costs unrecoverable by the selected vendor unless they are added to the cost charged for the small percentage of employees that choose to continue their COBRA or Retiree benefits.</p> <p>i. Please confirm whether, as alternatives, bidders can offer “per event” pricing for COBRA and Retiree administration or “per eligible employee” (i.e., 17,000 eligibles) pricing?</p> <p>ii. Since the COBRA and Retiree services require the “takeover” of more than 500 existing participants, please confirm that these costs are to be bundled with the ongoing “per participant” rates?</p>	<p>For FSA coverage, PEPM refers to “participating employees” per month.</p> <p>For COBRA/Retiree administration, PEPM refers to “eligible employees” per month, of which there are an estimated 16,100, as referenced in Question #1.</p> <p>Bidders are expected to submit bids based on the outline on Attachment 4.</p> <p>Applicable rates must be listed on Attachment 4. Bids, including how costs are calculated, are at the bidders’ discretion.</p>
<p>13. FSA – I see that a debit card is currently not offered. We would be able to offer our card at no additional cost to you. Also, replacement and additional cards can be ordered by participants free of charge.</p>	<p>The State will consider all valid proposals as submitted.</p>

QUESTIONS	ANSWERS
<p>14. Other set up fees – I just wanted to get an idea of any other fees you typically see with the administration of your plan (set up fees, implementation fees, annual renewal fees, etc.) We simplify our pricing so when you receive your proposal from us, the per participant per month fee is the only fee that you will see from us. We are also able to guarantee these fees for five years.</p>	<p>No other fees are required or applicable.</p>
<p>15. COBRA – Can you provide a little insight for me on your average turnover year after year? Also, the number of covered lives you currently have? This will provide us with the ability to be as competitive as possible on a per covered life basis.</p>	<p>Turnover is estimated at about 1,200 people per year.</p>
<p>16. Also, I was wondering if you were working with any consultant and/or consulting office on the RFP process that we should be aware of.</p>	<p>The State presently has a benefits consulting contract with AonHewitt.</p>
<p>17. Can you indicate the number of distinct reporting divisions or branches the State requires to be tracked and/or reported.</p>	<p>There are approximately 95 reporting divisions.</p>
<p>18. Are collected COBRA premiums and associated eligibility reported back to a single location/department at the State or multiple locations (if so, please indicate the number of various locations).</p>	<p>COBRA premiums will be submitted to one State account.</p>
<p>19. Are FSA reimbursements funded from a single account? If not, please indicate the number of accounts and any special requirements or nuances of the various accounts.</p>	<p>FSA reimbursements are funded by the State from one account.</p>
<p>20. Since the State is considering the introduction of the FSA Benefit Card, will it be able to accommodate daily ACH deductions from a designated account to cover daily Benefit Card purchases by the participants? If not, can it support a pre-fund account?</p>	<p>The State can support a daily invoice and process ACH transfers within three (3) business days.</p> <p>The State cannot support a pre-funded account.</p>
<p>21. The State has indicated approximately 1200 Qualifying Events per year. Are there approximately same number of new hires per year of does this differ? If so, please indicate that number.</p>	<p>There are approximately 1,200 new hires per year.</p>

QUESTIONS	ANSWERS
<p>22. The State indicates a 30% COBRA election rate (362 COBRA participants/1200 Qualifying Events), which is unusually high. Does the state provide some type of subsidy that encourages individuals to enroll in COBRA and if so, could you please describe. If not, could you please elaborate on why you believe your election rate is so high (compared to industry norms).</p>	<p>The State maintains approximately 500 people annually on COBRA/Retiree coverage. Of those, approximately 362 are Retirees and 151 are COBRA participants. This is not an annual percentage, but rather a running total from elections over the years.</p>
<p>23. Please confirm that the State anticipates retaining the 2% COBRA Admin fee.</p>	<p>See #9.</p>
<p>24. Are the Retiree and/or State Patrol Lifer Retiree premiums subsidized by the State? If so, please describe.</p>	<p>There is no State subsidy of any of this coverage.</p>
<p>25. Does the State have any specific limitations/restrictions surrounding the offshoring of any aspect of its benefit administration.</p>	<p>Section III., I. Contractor Responsibility - The contractor is solely responsible for fulfilling the contract, with responsibility for all services offered and products to be delivered as stated in the Request for Proposal, the contractor's proposal, and the resulting contract. The contractor shall be the sole point of contact regarding all contractual matters.</p> <p>If the contractor intends to utilize any subcontractors' services, the subcontractors' level of effort, tasks and time allocation must be clearly defined in the contractor's proposal. The contractor shall agree that it will not utilize any subcontractors not specifically included in its proposal, in the performance of the contract, without the prior written authorization of the State. Following execution of the contract, the contractor shall proceed diligently with all services and shall perform such services with qualified personnel in accordance with the contract.</p>
<p>26. Does the State endorse or support any processes or procedures that may be considered non-compliant (or questionably compliant) that might require a Hold Harmless Agreement (i.e. the use of the FSA debit card to pay Dependent Care Providers)?</p>	<p>The State does not endorse or support any processes or procedures that may be considered non-compliant.</p>

QUESTIONS	ANSWERS
27. Does the State endorse or support any processes or procedures that may unnecessarily increase its claim exposure or potential for risk (i.e. allowing COBRA Continuants the ability to pay with a credit card)?	The State currently does not support credit cards as a COBRA payment option.
28. Will the State consider other "Best Practice" alternatives to those stated in the Scope of Work document if the vendor can demonstrate advantages and administrative compliance?	Yes, bidders may offer alternative administrative options, however the provision of services must be clearly outlined in the response and must meet the RFP requirements.
29. You have indicated that you wish to receive the cost proposal on a "Per Employee Per Month (PEPM) basis." While PEPM works well for COBRA, can you please confirm that you wish to receive the fee proposal for your Retiree Bill and FSA plan on a "Per Participant Per Month (PPPM) basis"?	See #12.
30. Pg. 31 and Attachment 4, the price attachment (4) is for the yearly fixed price. Would the State permit us or prefer us to submit our monthly fees in our own format in addition to the Attachment fixed fee? As a follow up, is that annual fee considered an amount 'not to exceed'?	Attachment 4 requests costs on a per month basis, not an annualized cost.
31. Pg. 20, WW. It would seem the disaster recovery plan documentation be included after the award? Is that ok? If not, and to be included with bid, in what format and section should it be included?	The Contractor must have disaster recovery plan. The disaster recovery plan need not be included with the RFP response.
32. Pg. 10, #4. The contractor should furnish the State, with their proposal response, a certificate of insurance coverage complying with the above requirements to the attention of <u>the Buyer, Administrative Services, State Purchasing Bureau, 301 Centennial Mall S, 1st Fl, Lincoln, NE 68508 (facsimile 402-471-2089)</u> . Should the State of Nebraska be the named insured on the certificate or another entity name?	Yes.

QUESTIONS	ANSWERS
<p>33. Pg. 25, #7 and 8. Our normal procedure is to retain the 2% administration fee received by COBRA participants to offset our administrative fees to the State. How would the State prefer the 2% be handled...a. the vendor retains or b. the 2% is collected and remitted to the state?</p>	<p>See #9.</p>
<p>34. Attachment 4, Cost Proposal- Does the state have a budgetary threshold, or 'amount not to exceed' for the COBRA and/or Retiree billing services? If so, what is it for each or combined?</p>	<p>Bidders' calculation of costs are at their discretion.</p>
<p>35. Pg. 15 DD. Performance Bond- The selected contractor <u>may</u> be required to supply a certified check or bond executed by a corporation authorized to contract surety in the State of Nebraska.....In what scenario if any would the contractor for FSA administration be required to supply a performance bond as described?</p>	<p>The State intends to require the contractor to provide a certified check or performance bond prior to the contract award.</p>
<p>36. Pg. 15 DD. Performance Bond- If the performance bond is found to be necessary by the State of Nebraska; would the State be agreeable to the vendor establishing a line of credit with a major bank and the state having the ability to draw on that line in the event of non-performance? We would actually prefer and have done so with the State of North Carolina and it represented significant savings. Would this be an acceptable scenario; a line of credit?</p>	<p>No. The State of Nebraska will not accept a line of credit in lieu of a performance bond or certified check.</p>
<p>37. Your Cost Proposal, Attachment 4 clearly requires all pricing to be on a "Per Employee Per Month" PEPM basis. Is this really what you expect on the FSA and Retiree services? Normally FSA is on a PPPM basis, which is how your current vendor appears to be pricing, and Retiree services are on a PRPM basis. If so, do we base the pricing on 17,000 employees? Just looking for clarification.</p>	<p>Please see the response to Question #12.</p>