



Department of Human Resources
Division of Employee Benefits

INTER-OFFICE COMMUNICATION

Date: 10/1/2015

To: Chairman Theodore Lipscomb, Milwaukee County Board of Supervisors

FROM: Matthew Hanchek, Director of Benefits – Department of Human Resources *MH*

SUBJECT: **A report from the Director of Benefits, Department of Human Resources requesting authorization to execute a contract with Morneau Shepell for Benefits Administration services and to amend the contract with Employee Benefits Corporation to include COBRA Administration services.**

Issue / background

Milwaukee County received Benefits Administration System, FSA administrative services, and COBRA administrative services through Ceridian as a bundled fee contained in the overall benefits systems contract. Ceridian notified Milwaukee County in 2014 that they were exiting the FSA administration business entirely and will no longer be able to support the County's plans effective 1/1/2015. As a result of this breach of contract, the Benefits Division negotiated a reduction in Ceridian's fees equal to the cost of the fees charged by the replacing vendor, effectively holding the County financially harmless for the transition to a new administrator. In fall of 2014, the County Board approved a contract to place the FSA business with Employee Benefits Corporation.

In late July 2015, Ceridian notified Milwaukee County that they were again violating their contract with Milwaukee County, and had sold their Benefits Administration Platform to Morneau Shepell effective August 1st. This transaction was a total acquisition of the software platform as well as the assets and personnel managing the product. All terms and services remained in effect for the remainder of the contract, with the only change being the name on the invoice. Ceridian advised Milwaukee County that they would be retaining the COBRA portion of the contract, and initiated negotiating with the Benefits Division for the purpose of separating the COBRA fees from the system fees.

In mid-September 2015, as a result of the due diligence being performed to negotiation the separation of the Benefits Administration and COBRA Administration portions of the Ceridian contract, the Benefits Division discovered that Ceridian had also sold their COBRA services business to WageWorks. Ceridian had not disclosed this at any time while working through the Morneau Shepell transition. The Benefits Division confronted Ceridian on this issue, and Ceridian finally confirmed the third breach of the contract. Ceridian advised us of their intention to assign the COBRA contract to WageWorks, but could not commit to a timeframe.

The Benefits Division has informed Ceridian that assignment of the contract is prohibited by the agreement between Milwaukee County and Ceridian, and expressed our expectation that Ceridian will continue to provide the contracted services until a replacement can be implemented.

Benefits Administration Contract

The current Benefits Administration contract with Ceridian runs through August 2016.

Milwaukee County has no practical alternative to accepting Morneau Shepell as the Benefits Administration vendor. At a bare minimum, it would require 3-6 months of lead time to configure and test a new system, after conducting an RFP and receiving contract approval. A transition could not take place in time to conduct our employee annual enrollment, and would place us at risk for the ACA compliance project. As such, the Benefits Division has been working directly with Morneau Shepell to ensure that all contract terms from the Ceridian Contract (excluding COBRA administration services) would be honored.

To avoid issues with a mid-year transition, the Benefits Division has asked, and Morneau Shepell has agreed to honor the current contract terms through 12/31/2016.

As Morneau Shepell purchased the platform and technically began providing the services in Ceridian's place effective 8/1/2015, it is necessary to execute a contract with Morneau Shepell effective August 1st, 2015. The Benefits Division is seeking authorization to execute an agreement through 12/31/2016. This will provide the time for the Benefits Division to conduct a proper search for a Benefits Administration Platform in coordination with IMSD and the ERP project. Further, due the timing of this contract, the Benefits Division is requesting a waiver of MCGCO 56.30(9), for the purpose of paying Morneau Shepell for services rendered from August 1, 2015 to present.

Morneau Shepell

Morneau Shepell is a Benefits Administration firm based in Canada who has been providing technology solutions for health and welfare administration in the United States for nearly 50 years. Morneau Shepell has over 20,000 clients administering benefits for in excess of 5 million people. The most comparable large public sector client that I am aware of is the City of Chicago.

The transaction with Ceridian was a complete asset acquisition of the Ceridian Benefits System platform. As such, Milwaukee County's account would continue to be managed from the former Ceridian location in St. Petersburg, Florida, by the same staff. The only changes would be the addition of a Morneau Shepell account manager, Kim Golden, who is based at the St. Petersburg Office, and senior account executive, Kevin Kanoon, who is based in Chicago.

COBRA Administration Contract

The COBRA portion of the current Ceridian Contract is significantly smaller in scope and potential for disruption than the Benefits Administration System, however, it does not have as clear a path for a seamless transition.

Due to the lack of notice by Ceridian, there is not sufficient time to conduct a formal RFP process, and still conduct implementation in time for the mandated annual COBRA enrollment. Instead, the Benefits Division solicited bids from Morneau Shepell and Employee Benefits Corporation to compare to the current contract terms (proposed to assign to WageWorks). In both cases, the vendors have an existing relationship with Milwaukee County, and a track record of successfully providing these services. Further, utilizing either of these current vendors would expedite implementation by avoiding the need to

develop new vendor data feeds from scratch. This will simplify a transition that will need to be executed under tight deadlines.

There was no material difference in terms between the three quotes. Further, the Benefits Division confirmed with Willis of Wisconsin that the quotes for COBRA administration are consistent with terms being offered to their similar size clients, with similar COBRA offer/enrollment volume. Willis cited as examples quotes from other firms, including b-Swift. Given the relatively small size and scope, and the informal market check through Willis, the Benefits Division is confident that a formal competitive bidding process will not yield a material improvement in terms.

The Benefits Division is recommending placing this piece of the Ceridian contract with Employee Benefits Corporation by amending the current EBC contract terms to include COBRA services.

Financial impact

Morneau Shepell is accepting all current contract terms from Ceridian for Benefits Administration System services. As such, there is no financial impact due to approval of the contract. We are requesting approval to extend those same terms through the end of 2016 to avoid a difficult mid-year transition, and to facilitate a formal RFP process aligned with the County's larger ERP initiatives.

The addition of COBRA to EBC's scope of services will include some changes to the financial terms, but the financial impact is expected to be negligible. A comparison of terms is included in the chart below:

	Current (Bundled with Ceridian)	Morneau-Shepell	EBC
Admin Fee	\$0.40 per employee per month	\$0.40 per employee per month	\$0.46 per eligible participant per month
Estimated Count	4,200	4,200	3,800
est. annual admin cost	\$20,000	\$20,000	\$21,000
2% COBRA admin fee?	retained by vendor	retained by vendor	retained by vendor
Open Enrollment Fees	\$5 per packet	\$5 per packet	\$15 per packet
est. packets	\$70	\$70	\$70
est. open enrollment cost	\$350	\$350	\$1,050
Initial Notice fees	\$5 per packet	\$5 per packet	\$2.75 per packet
est. packets	\$680	\$680	\$680
est. initial notice cost	\$3,400	\$3,400	\$1,870
Est. Total Annual Cost	\$23,750	\$23,750	\$23,920

This amendment will align the COBRA services to expire at the same time as the current FSA contract (12/31/17).

Requested Actions:

Approval of this item will authorize the Benefits Division to execute a contract with Morneau Shepell for Benefits Administration System services, under the current terms with Ceridian, from 8/1/2015 through 12/31/2016. Approval would also waive MCGCO 56.30(9), allowing payment directly to Morneau Shepell for services from 8/1/2015 to present. Further, approval of this item will authorize the Benefits Division to amend the terms of the current contract with Employee Benefits Corporation (EBC) to include COBRA administrative services from November 1, 2015 – December 31, 2017.

CC: County Executive Chris Abele
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