

CENTRAL BASIN MUNICIPAL WATER DISTRICT

OCTOBER 11, 2006 - Finance/Administration
Hawkins, Apodaca

OCTOBER 24, 2006 - Board Meeting

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Approved by: Art Aguilar

INFORMATION CALENDAR

OUTSOURCING OF THE HEALTH REIMBURSEMENT PLANSUMMARY:

Central Basin reimburses out-of-pocket healthcare costs of its employees, directors, and retirees and their dependents up to set amounts. Claims are handled in-house, which involves:

- Processing by 6 out of 18 of the District's current employees; and
- Approximately 20 hours of District staff time per month.

This self-administering of the healthcare reimbursement plan (also called Health Reimbursement Account or HRA) can create some compliance problems. Areas of possible concern are:

- Reimbursing employees for health care services that do not meet the definition of eligible services under applicable regulations, primarily IRC Section 213. This jeopardizes the legitimacy of the plan;
- Violating HIPAA privacy regulations that dictate the handling and safekeeping of health information. Violations can carry serious fines and consequences; and
- Violating the American Disabilities Act regulations, which require the company to view the claim as a notification of the employee's potential disability.

Hiring a qualified third party to administer the HRA will ensure compliance with applicable regulations, assure consistency of plan administration, and eliminate concern with privacy laws. In addition, this would free up some staff time for other responsibilities.

Solicitation

The District conducted a comprehensive search via the internet for an HRA Administrator that can handle the District's needs. Companies meeting the District's requirements were contacted via phone. Proposals were received from five vendors: EBA & M, AON, Management Applied Programming, Managed Benefit Administrators and Flex Benefit Systems (see Exhibit "A" for the Summary). Staff interviewed the top three vendors.

After thorough evaluation of the proposals, staff determined that Flex Benefit Systems is the most qualified vendor to administer the District's HRA. Based on the size of the District's staff, Flex Benefit Systems offers the most comprehensive services at the lowest cost.

Furthermore, Flex Benefit Systems is the only company that will combine the HRA and the Health Flexible Spending Account (FSA)*. Currently, the District pays \$75 per month for the

FSA. Flex Benefit Systems offers the FSA service for only \$3.50/employee/month, plus \$100 for yearly maintenance or \$29 a month.

Therefore, under the General Manager's authority, staff awarded the contract to Flex Benefit Systems for the District's HRA and FSA for a two-year period from January 1, 2007 to December 31, 2008 for a total cost of \$4,900.

*FSA - sometimes called cafeteria plans. Employees contribute a percentage of pretax salary, up to the limit of the plan, which can be used to pay for qualifying expenses, including medical costs that are not covered by health insurance, child care, and care for your elderly or disabled dependents.

FISCAL IMPACTS:

None.

ENVIRONMENTAL COMPLIANCE:

None.

COMMITTEE STATUS:

This item was reviewed by the Finance/Administration Committee on October 11, 2006 and was agendized to the October 24, 2006 Board meeting as information for discussion.

RECOMMENDED MOTION:

This item is for information only.

LIST OF EXHIBITS:

Exhibit "A" - Summary of Proposals Received

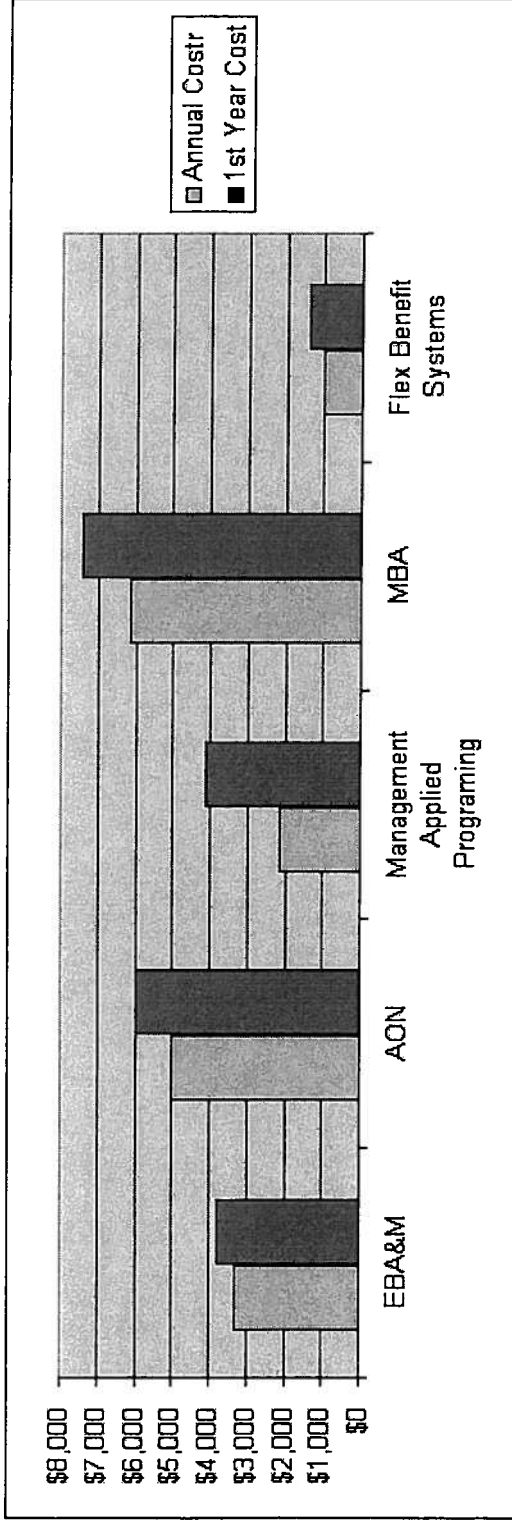
EXHIBIT “A”

Estimated 30 employees (including Directors)

Company Name	EBA&M	AON	Management Applied Programming	MBA	Flex Benefit Systems
Plan Document	\$500	\$1,000	\$2,000	\$1,300	\$800
Set-up Fee	\$0	\$0	\$0	\$2,000	\$0
Monthly Account Fee	\$12 month/employee	\$5,000 /year	\$75 flat fee + \$1.25/employee/month + \$8 claim/month	\$15 month/employee	\$4.50 month/employee + \$150 year
Direct Deposit Fee (If applicable)	\$ 2 month/employee	NA	NA	NA	NA
Debit Card Service (If applicable)	\$2.50 month/employee	NA	NA	\$2 month/employee	NA
Quarterly Statement (If Applicable)	NA	NA	\$0.75 /employee/quarter	NA	NA
First Year Cost	\$6,440	\$6,000	\$5,405	\$9,420	\$2,786
Each Additional Year	\$5,940	\$5,000	\$3,405	\$6,120	\$1,986

Flexible Spending Account

\$3.50 month/employee + \$100 year



Plan Document - states the rules and regulations of the plan which serve as a guideline for paying claims from employees.