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MEMORANDUM

To: Board of Trustees
Food Employees Labor Relations Association ("FELRA") and the United Food and Commercial Workers ("UFCW") Health and Welfare Fund

From: Josh D. Timm
Mitch Bramstaedt

Date: September 15, 2014

Re: **FELRA and UFCW Health and Welfare Fund**
Dependent Eligibility Verification Audit Comparison of Proposals

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Two industry leaders in the area of dependent eligibility verification audits provided fee quotations to the FELRA and UFCW Health and Welfare Fund; each provided a similar description of their qualifications and proposed services.

While total cost is an important consideration, there are several service variables that should be discussed to ensure the greatest return on the Fund's investment. Key differentials between HMS and Secova are listed below; a chart with further detail is attached for your reference.

- **Project Timeline** - HMS is 14.5 weeks compared to Secova's 21 weeks. Secova adds 17 calendar days to the planning phase and 32 during the closure to process late responses. It will be important to work with Associated Administrators in determining adjustments in the timeline to work through their receipt of the eligibility data file format and when production of the specific file requirements can be blended with their existing production schedules.

- **Eligibility Terminations** - Frequency of updates to the Fund will be addressed in the planning discussions; Segal recommends weekly communications to remove ineligible dependents in a timely manner. HMS prefers to provide a single update at project completion; Secova will update voluntary terminations through weekly file transfers.

- **Address Changes** - The process for handling returned mail and other data corrections requires discussion and confirmation during the planning discussion. Address corrections should be handled timely to ensure members receive notice of the verification process with ample time to respond prior to the project's close.

- **Fund Website Portal** - During the planning phase, it will be necessary to understand the report and ad-hoc capabilities to ensure eligibility files contain sufficient data for reports and information (i.e., local number, employer) to support the outreach to non-responders.

- **Fees** - Fees are based on the number of members with one or more enrollees and the total number of dependents to be verified. Both firms reserve the right to adjust their fees based on the numbers provided on the Fund's initial eligibility file. Both firms provide self-addressed postage paid return envelopes. HMS includes postage in their fee; Secova bills postage at cost but did not include the return envelopes in the fee projections (most of their clients opt for the self-addressed envelopes). Secova's optional contingency fee is based on disenrolled dependents.

- **Return on Investment** - While each firm reports ROI based on the number of dependents disenrolled, it is more important to distinguish which vendor provides the outreach efforts that will be most beneficial to the Fund's population. In the end, non-responders are disenrolled making it the Fund's goal to minimize the number of individual's that will have to be re-enrolled once they are denied coverage and provide the required documents.

- **New Enrollees** - Each firm has standard communications that will be customized for the Fund's content and style. Should the Trustees agree, it will be important for the Fund to collect the same verification documents for all newly added dependents.

New Enrollee Documentation

The Fund's rules currently require submission of marriage certificates, birth certificates, divorce decrees, and custody determinations as "up front" eligibility for new hires, and for newly enrolled dependents, if eligible. Implementation of the Dependent Eligibility Verification Audit will require "current" proof of status in the form of a redacted tax form or other statement authorized by the Board (i.e., current bank, mortgage, or rental statement).

Use of a specialty vendor for this verification process provides an experienced workforce available to address increased call volume, and expertise required to assist the member in researching required documents or acceptable substitutions. At the same time, the Board could incorporate the required proof documents in their new enrollee procedures to ensure consistency for all enrolled dependents and to minimize the frequency and/or need to employ specialty vendors for future updates (e.g., Associated Administrators could conduct periodic follow-ups).

COB Verification

The Fund established a bi-annual COB and dependent verification process that includes pending claims for non-response until the required information is received. Completion of the initial phase is approximately six months, followed by second or third requests if not returned. The standard verification forms can incorporate the request for this information.

Adding the collection of spousal employer and COB information to the dependent verification process results in a single member outreach, allowing the increase in call volume and document verification to be handled by the specialty firm. In addition, eligibility updates are more timely and will allow Associated Administrators to implement follow-up procedures that will allow for their update of verification documents on intervals that will not create a drain on their workforce (i.e., stagger mailings by alphabet over 3 or 4 months, request every 2 years as new claims are submitted to avoid inquiry for those who do not incur a health expense).

Secova will send the spousal employment and eligibility for benefits forms and capture responses at no additional cost; questions will be added to existing forms to avoid additional postage costs. HMS charges a $500 implementation fee plus $1 per returned form. These forms are not a requirement for completion of the dependent verification process.

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I look forward to discussing these proposals in further detail and will coordinate any clarifications required to assist the Fund in their decision process. If interested, I am happy to arrange for an online presentation and further explanation of the vendor's process where questions of importance to the Fund's evaluation team can be discussed.

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cc: Bill Jensen, Associated Administrators, LLC
Mitch Bramstaedt, Segal

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FELRA AND UFCW HEALTH AND WELFARE FUND
SUMMARY OF DEPENDENT ELIGIBILITY VERIFICATION AUDIT PROPOSALS

	HMS	**SECOVA**
Project Manager Location	Jeffersonville, IN	Newport Beach, CA (NJ Call Center)
First DEVA Client	2004	1997
Fees Estimates: 6,776 members with dependents 11,382 dependents **Postage**; HMS includes Secova bills at cost	**$87,118** plus $6.74 per dependent over 11,382 Postage included; Teleconference planning meeting (sales rep may attend at no cost; project manager in-person may bill travel costs)	**$135,332** ($11.89 per dependent) Postage additional ($14,600 estimate); Includes travel for one in-person planning session **Contingency Fee:** $40,000 implementation, $250 per dropped dependent (maximum fee $200,000).
Proposed Guarantee ROI	4:1 (92 dropped dependents)	5:1 (5% fee at risk)
Timeline	**14.5 Weeks**	**21 Weeks**
Implementation/Planning Kick off session	30 calendar days Teleconference	47 calendar days In-person meeting
Verification	45 calendar days	43 calendar days
Reminder/Follow-Up Phone Outreach	Automated outbound	Live and automated; 2 minimum
Appeals/Closure	26 calendar days	47 days Grace Period 11 days Post Audit
Call Center Services	**Dedicated; bi-lingual**	**Dedicated; bi-lingual**
Days of Week	Monday-Friday	Monday-Friday
Hours	8am-11pm EST	8am-11pm EST; 24x7 additional cost ($42,455)
After Hours	IVR	IVR and Voice Mail
Call Recording	Yes	Yes; can share individual records
Document Retention	**Image/Hard Copy**	**Image/Hard Copy**
Hard copy destruction	6 months	6 months
Employer Copies	Electronic	Electronic
Eligibility Updates		
Frequency (both employer web portals update real-time)	Prefer to communicate list at end of project.	Voluntary terms provided as defined by client; Involuntary list at end of project.
Account Management		
Implementation Meeting	Teleconference	In-person team
Status reports	Each project phase	Weekly
Teleconference	As agreed	Weekly
Client web portal (real time)	Standard and ad-hoc	Standard and ad-hoc
Miscellaneous	Addresses checked against National Change of Address Registry	Expanded Performance Guarantees include 10% fee at risk