

SFHSS Staff Recommendation for the Request for Proposal for FSA, COBRA, and AB528 Administration for the 2027 Plan Year

Health Service Board | March 12, 2026

Presenter:

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Staff Recommendation for Health Service Board Action

Approve the staff recommendation for P&A Administrative Services, Inc. (“P&A”) to continue serving as the Third-Party Administrator for Healthcare Flexible Spending Account (HCFSA), Dependent Care Flexible Spending Account (DCFSA), COBRA, and AB528 services for applicable members of the San Francisco Health Service System, effective January 2027- December 2031.

Agenda

- Roles and Responsibilities
- Goals, Objectives, and Outcomes
- RFP Process, Scoring Criteria and Minimum Qualifications
 - Non-Financial, Oral Interview, and Financial Scores
 - Annualized Fees by Respondent
 - Comparison of Service Costs
- Recommendation for HSB Action

Roles and Responsibilities

Section 207 (SFHSS Service Provider and Vendor Selection Policy) of the Health Service Board Governance Policies and Terms of Reference, subsection Roles and Responsibilities establishes “general guidelines by which service providers will be selected, evaluated or terminated by SFHSS”, including the roles of the SFHSS Board (Board) and SFHSS Executive Director:

2) “The role of the Board with respect to the selection of service providers is to...

c) Approve the aware of contracts with [specified] primary service providers, [including]...

iv. Third-party administrators retained for services in connection with non-charter benefits and with contract values in excess of \$500,000 annually;

Roles and Responsibilities (cont.)

3) The Executive Director shall:¹

- Initiate and conduct the solicitation for contracts;
- Apprise the SFHSS Board about the selection process; and
- Be responsible for ensuring that all necessary search and due diligence activities are carried out, with assistance from external advisors or experts as required.

¹ The San Francisco Health Service Board Governance Policies and Terms of Reference, *available at* <https://sfhss.org/health-service-board>.

RFP Goals and Objectives

- Maintain a single vendor to administer COBRA, AB 528, Flexible Spending Account (FSA), and Dependent Care Spending Account (DCSA) services for applicable employees of HSS participating employers
- Ongoing COBRA Services for as-needed City Employees enrolled in the Health Workers HMO plan (SF DHR/SF Health Plan)
- Ongoing administration of AB 528 (CCD, USD)

RFP Scope

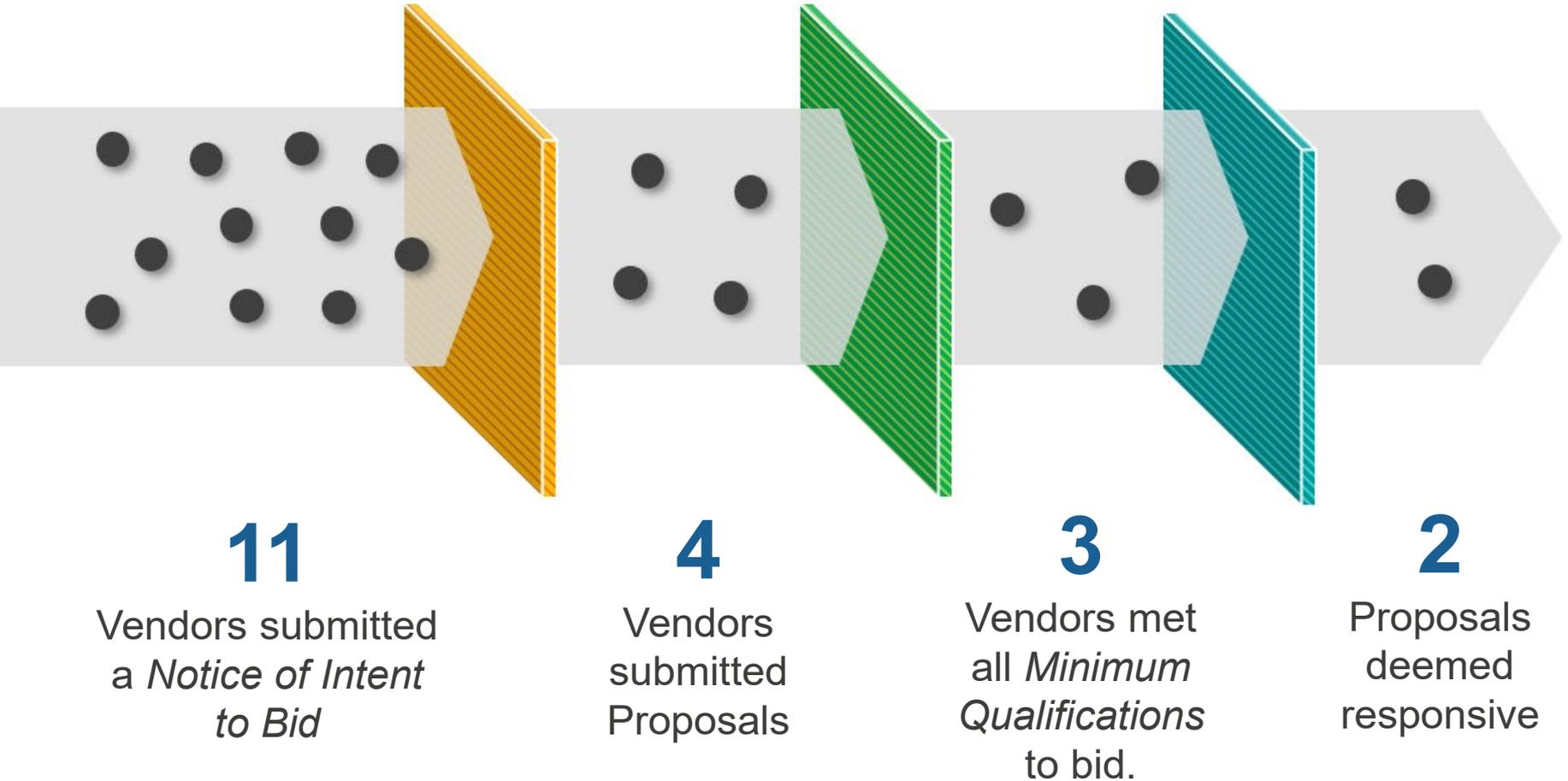
On September 16, 2025, SFHSS issued a Request for Proposals (RFP) for a vendor to serve as the Third-Party Administrator (TPA) for the following benefits, beginning January 1, 2027:

- Healthcare Flexible Spending Account (HCFSA) and Dependent Care Spending Account (DCFSA) (also referred to collectively as “FSA”)
- Continuation of Health Coverage (COBRA)
- California Assembly Bill 528 Continuation Coverage (AB528)

RFP Process

Event	Date(s)
▪ Notification of Intent to Issue RFP	August 14, 2025
▪ RFP issued	September 16, 2025
▪ Formal question submission period; answers posted to the SFHSS RFP webpage as written addenda	September 16 – November 14, 2025
▪ Deadline for Proposals	December 2, 2025
▪ Verification of Minimum Qualifications	December 2 – 5, 2025
▪ Requests for Clarification	December 3 – 12, 2025
▪ Panel and Questionnaire Scoring Review	December 5, 2025 – January 20, 2026
▪ Oral Interviews	January 12 – 16, 2026
▪ Presentation of SFHSS Staff Recommendation to Health Service Board for Approval	March 12, 2026

Minimum Qualifications to Bid



Minimum Qualifications to Bid *(cont.)*

Qualified Respondents met all twenty-one (21) Minimum Qualifications to Bid, including, but not limited to:

- Record of strong financial health; good standing and qualified to provide these services in State of CA; licensing with CA Dept of Insurance; compliance with federal and state laws; compliance with all local business requirements
- Five (5) or more clients, each in excess of 10,000 enrollees, for FSA administration within the past five (5) years, with at least two clients being public sector entities.
- Five (5) or more clients for COBRA administration within the past five (5) years, with at least two clients being public sector entities.
- Two (2) or more clients for AB528 administration within the last three (3) years.
- Not requiring use of an imprest account for the payment of FSA claims.

See RFP Section 3.2 (Minimum Qualifications) for the full list of minimum qualifications, including procedural and administrative requirements, available at <https://sfhss.org/RFPs>.

Qualified Respondents

The following two (2) benefits administrators met all Minimum Qualifications to Bid, RFP Response (Proposal) Requirements, and RFP Deadlines¹:

- P&A Administrative Services, Inc. (P&A)²
- Total Administrative Service Corporation (TASC)

¹ Listed in alphabetical order of full legal (business) name.

² P&A is the incumbent administrator of FSA, COBRA, and AB528 benefits.

Scoring Criteria

Categories	Points
<ul style="list-style-type: none"> ▪ Non-financial elements: bid terms and conditions, operations, performance metrics and guarantees, and oral interview 	80
<ul style="list-style-type: none"> ▪ Financial elements: fees 	70
Total	150

¹ See Appendix for detailed scoring categories

Non-Financial, Oral Interview and Financial Scores

Category	Points Available	P&A	TASC
▪ Non-Financial	70	57.64	49.33
○ Oral Interview	10	5.15	5.60
▪ Financial	70	66.20	52.20
Total	150	133.85	111.53

¹ See Appendix for detailed scoring categories

Estimated Annualized Fees by Respondent – Flexible Spending Account (FSA) ¹

Category	P&A	TASC
▪ RFP Population Basis	11,452	11,452
▪ Estimated annualized cost ²	\$309,204	\$423,266
▪ Rate Lock Period	2027-2031	2027-2031

¹ Aggregated administration fees shown in these materials and used for financial scoring purposes are based upon quoted rates for each line of service submitted by the Respondents.

² Calculation is based on quoted (*Per Participant Per Month cost (PPPM)*) x (*estimated participants*) x (*12 months*) using the most recent enrollment census.

Estimated Annualized Fees by Respondent – COBRA and AB528 ¹

Category	P&A	TASC
<ul style="list-style-type: none"> COBRA Initial Notices Fees <i>Estimate Basis (2025): 5,088</i> COBRA Qualifying Event Notices Fees¹ <i>Estimate Basis (2025): 4,680</i> 	\$121,400	\$115,354
<ul style="list-style-type: none"> AB528 Administration (PPPM) ² <i>Population Basis (2020 to 2025 avg): 80</i> 	\$5,760	\$5,616
<ul style="list-style-type: none"> Rate Lock Period 	2027-2031	2027-2031

¹ Aggregated administration fees shown in these materials and used for financial scoring purposes are based upon quoted rates for each line of service submitted by the Respondents.

² Calculation is based on quoted (*Per Participant Per Month cost (PPPM)*) x (*estimated participants*) x (*12 months*).

Comparison of Fees – Recommended Respondent

SFHSS experienced no fee increases from 2015-2026. Beginning in 2027, SFHSS may potentially see a net **21% decrease in overall costs** for FSA, COBRA, and AB528 administration services.

Services	Current (2015 – 2026)	Recommended Respondent (2027 – 2031)	Change	Est. Annual Impact
FLEXIBLE SPENDING ACCOUNT (FSA)				
▪ Monthly administration (<i>PPPM</i>)	\$3.10	\$2.25	↓ \$0.85	↓ \$116,810 ¹
COBRA				
▪ Initial General Notices (<i>per notice charge</i>)	\$10	\$10	\$0	None
▪ Qualifying Event Notices (<i>per notice charge</i>)	\$20	\$20	\$0	None
▪ Medicare Part D Notice (<i>if requested</i>)	\$0	\$5	\$5	None
AB528				
▪ AB528 Administration (<i>PPPM</i>)	\$6	\$6	\$0	None
▪ Medicare Part D Notice (<i>if requested</i>)	\$0	\$5	\$5	None

¹ Estimated annual cost decrease is based on enrolled population (as of 9/9/2025) multiplied by the PPPM rate for 12 months during each rate period.

Staff Recommendation

Recommendation Summary

- P&A is the **highest-ranked Respondent for both Non-Financial and Financial** elements.
- **Experienced account management team** with high touch and proactive approach to services.
- **Customer service hours** meet SFHSS's requirements; voicemail support outside of regular business hours
- **21% cost decrease** with **5-year rate lock** (2027-2031).

Staff Recommendation for Health Service Board Action

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Appendix

Appendix - Final Ranking

Respondents	Aggregate Score (out of 150)
P&A Administrative Services, Inc. (P&A)	133.85
Total Administrative Services Corporation (TASC)	111.53

Appendix – Scoring Criteria: Non-Financial

Category	Points Available	P&A	TASC
▪ General Company Information	4.00	4.00	3.40
▪ Performance Guarantees	1.50	1.50	1.50
▪ Account Management	5.25	4.56	3.93
▪ Customer Service	6.25	5.41	4.44
▪ Data Integration	11.50	10.35	10.03
▪ Continuity and Transition	20.25	18.98	17.70
▪ Claims and Run-out Processing	12.25	9.99	9.04
▪ Compliance, Legal, and Regulatory Monitoring	2.50	1.50	2.50
▪ Non-Discrimination Testing	1.50	1.20	1.20
▪ Standard Agreement	5.00	5.00	0.00
▪ Oral Interview	10.00	5.15	5.60

Appendix – Scoring Criteria: Financial

Category / Product	Available Points	P&A	TASC
▪ FSA Services	46.00	46.00	30.00
▪ COBRA Services	18.00	15.60	17.20
▪ AB528 Services	6.00	4.60	5.00

Appendix – Oral Interview Questions

SFHSS conducted oral interviews with the two (2) qualified and responsive bidders (Respondents) on January 12th and January 14th. Oral interviews were evaluated and scored by the RFP Evaluation Panel.

In addition to a five (5) minute opening statement and five (5) minute closing statement, each Respondent was provided ten (10) minutes per question to respond to the following four (4) prompts:

- 1. Open Enrollment Presentation to SFHSS Members**
- 2. Service Transition and Implementation**
- 3. Response to Major Issue or Service Disruption**
- 4. Non-Discrimination Testing (NDT) for Flexible Spending Accounts**

Appendix – Oral Interview Questions (cont.)

1. Open Enrollment Presentation to SFHSS Members

In this hypothetical scenario, you are selected as the highest-ranked respondent to this RFP. You have been asked to present a live webinar to active employees during Open Enrollment in October 2026 about your website portal, mobile application, and/or other resources used in the administration of Flexible Spending Account and Dependent Care Spending Account.

Please include a walk-through of what an employee would experience, including, but not limited to:

- purchasing eligible and ineligible Healthcare FSA (HCFSA) items/services at point-of-sale using and not using an FSA debit card or FSA mobile application;
- submitting and reviewing a claim, including claim status;
- reviewing account transactions and/or fund balance information;
- reminder notices to utilize unclaimed funds; and/or
- filing an appeal or complaint.

Appendix – Oral Interview Question 2

Service Transition and Implementation

Describe a service transition and implementation you have led for a large public-sector client. If the client was comprised of multiple employers, departments, and/or payroll systems, please describe how your approach was designed to meet that client's need, including any lessons learned.

If selected as the highest-ranked respondent to this RFP, how would you apply those experiences and insights to your approach with SFHSS?

Appendix – Oral Interview Question 3

Response to Major Issue or Service Disruption

Please describe a time when a client experienced a major error and/or breach (e.g., missed COBRA mailing, FSA card outage, data breach). What steps did you take to resolve it and prevent recurrence?

Appendix – Oral Interview Question 4

Non-Discrimination Testing (NDT) for Flexible Spending Accounts

Please describe your process for non-discrimination testing (NDT) and advising employers on evaluating highly compensated employee (HCE) deduction caps for flexible spending accounts. How would you support SFHSS in adjusting during a plan year if there is a failed test?

Summary of Benefit Plans and Administrators – Health Care and Dependent Care Savings Account

- **Health care Flexible Spending Account (HCFSA)**
 - IRS-approved, tax-advantaged account that allows employees to reduce out-of-pocket costs for certain eligible medical expenses by allowing the use of pre-tax dollars, while also reducing the taxable payroll to the employer.
 - Steady growth in enrollment since 2016 with 40% growth in enrollment from 2020 to 2025 alone.
 - Plan Year 2025 is seeing highest enrollment since 2016 and 35.8% higher than 10-year average.

- **Dependent Care Spending Account (DCFSA)**
 - Employer-sponsored plan that allows participants to pay with pre-tax dollars for certified day care, preschool and elder care needed by eligible children under age 13 or aging parents.
 - 10-year average enrollment of 1,415.
 - Plan Year 2025 is seeing highest enrollment since 2016 and 16.7% higher than 10-year average.

Summary of Benefit Plans and Administrators – COBRA and AB528

■ COBRA

- Continuation of medical, dental, vision and FSA coverage following a qualifying event; required notices of eligibility and benefits
- To employees (termination of employment, reduction in hrs.)
- To covered dependents (termination of employment, divorce/legal separation/dissolution, death)
- Inform new employees of rights under COBRA (within 90 days)

■ AB 528

- Continuation of health or dental upon retirement
- California schools and community college district
- SFHSS administers AB528 for CCD and SFUSD for medical coverage only