



WASHINGTON STATE LEGISLATURE

JOINT LEGISLATIVE TASK FORCE ON FAMILY LEAVE INSURANCE

**RESPONSES TO
REQUEST FOR INFORMATION (RFI)**

**IMPLEMENTATION AND ADMINISTRATION OF
FAMILY LEAVE INSURANCE PROGRAM (E2SSB 5659)**

The Washington State Legislature, at the request of the co-chairs of the Joint Legislative Task Force on Family Leave Insurance, released a Request for Information (RFI) to solicit responses from firms interested in the initial implementation and ongoing administration of the family leave insurance program to be established pursuant to E2SSB 5659 (2007).

Below is a list of the respondents. Attached are copies of their responses.

1. US Tax Credit
(Curtis Fackler, Owner)
3327 W Indian Trail Rd #165
Spokane, WA 99208

2. SHPS Human Resource Solutions, Inc.
(Jeffrey D. Grimes, Senior Vice President, Sales)
9200 Shelbyville Road
Louisville, KY 40222

QUESTIONNAIRE

US Tax Credit

Curtis Fackler Owner
3327 W Indian Trail Rd #165
Spokane WA 99208
509-939-1548 (C) 509-467-7392 (O) ustaxcredit@iglide.net

1. Yes, I would be interested in implementation and administration of this program. Some of the critical information needed is: If a premium is levied to run this program who would be responsible for collecting the premium and how often would the premium be collected. If it is an insurance type product, will there be a reserve requirement and will the OIC be involved in the process? The rest of my requirements and questions are in answer to question four.

2. I'm not currently an insurance provider in Washington or any other state. I have been insurance licensed in the past in four different states. One of the questions is can this program be administered by a Third Party type Administrator. These organizations do not come under the regulations of the OIC. Most employee benefits of large firms do not use insurance companies but TPA's. Many government agencies use TPA's to provide employee benefit administration.

3. a I was in the financial services industry and employee benefits provider for 20 years that specialized in retirement and insurance/ employee benefits for small business and individuals. I founded a payroll processing firm that provided all processing of payroll and employee benefits for over 100 firms in 12 states (i.e., WA, OR, CA,NV,OH,CO,UT,ID.MT,GA,TX,FL). We processed over \$100 million annually of transactions. I never paid a fine or penalty in any state for incorrect or missing payroll related taxes.

3.b. While providing payroll services for employers we monitored vacation and sick policies for over 100 firms with 3,000 employees. These firms had many different types of policies and procedures. We also consulted on how to set up and monitor these programs. We provided family leave and cobra programs for many of these firms. I worked directly with Employment Security and Labor and Industry in multiple states when workers applied for these state benefits. One of our services was to deduct child support and other garnishments from wages and send monies to state ,federal and private agencies.

3c. Since, I ran a service business almost all my expenses could be classified as administrative or office expenses. But our expenses were less than one percent of the total transactions. It must be realized that it cost the same to process a simple claim/transaction no matter the dollar amount. Example, it cost the same to cut a check for \$1.00 as it does a \$1,000.

4. My recommendation would be to make as much of the process electronic as possible. The initial implementation cost would be \$250,000 assuming the state collects the premium if there is one, or the money comes from the general fund. This assumes the forms and procedures are on the web. If the administrator has to collect a premium from all the employers and provide non web based forms and extensive training to the workplaces implementation cost could increase to one million dollars.

The ongoing cost would vary depending on whether the requirement for payment would be a check mailed to the claimant or can be made by direct deposit or pre-paid debit card. My recommendation would be that the state contract by a cost per claimant bases or cost per check. Another cost that has to be considered is, will there be an end of year report required, sent to the IRS or employer for tax purposes. My cost estimate assumes there will be 50,000 claimants per year that receive three payments plus an end of year statement of benefits received. The cost would be \$1.2 million annually. The per claimant cost for over 50,000 would be \$24.00 per claimant. The cost would increase greatly if the administrator has to collect from employers a quarterly premium. If an employee premium is required I highly encourage that a per hour additional fee be added and collected by L&I or employment security. Currently I can not give a cost estimate for the collection of a premium.

5. I am a privately held company.

6. I have no current corporate directors.

7. I created a firm from scratch that provided payroll, employee benefits and human resource needs. This firm has been sold to a national payroll service. At time of sale it processed over 60,000 payments per year. During the lifespan of the organization we did a complete system change due to Y2K . Another conversion was completed at time of sale to the national firm.



Leave Management Administration

Proposal to:

Washington State Legislature

RFI # E2SSB 5659

12.07.07

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Confidentiality Statement:

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Transmittal Letter

December 7, 2007

Washington State Legislature
Joint Legislative Task Force on Family Leave Insurance
Attention: Ms. Billie Schubert

Dear Ms. Schubert:

SHPS is pleased to respond to the Washington State Legislature's Request for Information (RFI) in regard to the implementation and administration of the Family Leave Insurance Program (E2SSB-5659). We believe that SHPS is well prepared to meet the administrative, service and technological needs necessary for a streamlined and efficient delivery of paid Family Leave services to Washington's eligible employee population.

We are enclosing information that summarizes our capabilities and services and provides preliminary pricing for these services. SHPS has significant expertise in ensuring a smooth transition for an employer or government agency who has decided to outsource the administration of Family Leave programs and related services.

In the following proposal, we will discuss how SHPS will provide:

- * Execute multi-lingual outreach programs for effective and comprehensive communication
- * Establish processes and procedures for the entire claims process
- * Claim requests via Web, IVR or call center
- * Experienced, trained staff using our proprietary compliant software tool
- * Accurate tracking of all leave and coordination at the employer level
- * Robust reporting package to facilitate communication and trend analysis

SHPS' value proposition is straightforward: we have the experience and technology to inject efficiency and cost savings into your benefits administrative process while elevating the quality of your participant's experience and reducing the administrative burden to your organization.

We appreciate the opportunity to submit this response and welcome your feedback and further analysis. Please feel free to call us with any additional questions.

Sincerely,



Jeffrey D. Grimes
Senior Vice President, Sales
(502) 420-5530
jd.grimes@SHPS.com

Executive Summary

SHPS provides consumers and organizations a single source for family leave management decision guidance through its integrated suite of administrative solutions. Its innovative consumer experience offers comprehensive communications, planning, spending, productivity and strategic management services that help guide employees to be more productive. Among its many clients, SHPS serves Federal and State government agencies, large and mid-sized employers, health insurance carriers, and Medicare Part D providers. SHPS employs registered nurses, health professionals, employee benefit specialists and IT experts in facilities across the United States.

Our Mission

SHPS is dedicated to driving, innovating and delivering Family Leave administration for our clients, partners and participants. Our broad range of financial and benefit solutions enable and encourage wise decision making to promote a more efficient delivery model that will maximize the quality and value of Washington State's Family Leave Program.

Our Values

SHPS' values shape all facets of the company, from day-to-day operations to long-term strategic planning. They guide us as we work towards revolutionizing healthcare.

- **Client-driven, consumer-focused.** Our flexibility allows us to partner with clients in designing tools and services that address their needs and help consumers take control of their leave programs.
- **Strategic engagement, flawless execution.** SHPS is committed to leveraging its resources to promote, develop and deploy its vision for Family Leave Administration. Our experience, expertise and dedication ensure our clients receive unparalleled execution of the services we provide.
- **Clarity and accuracy.** These are hallmarks of every SHPS product. Our solutions are consumer-friendly and held to the highest standards of quality. We are results-oriented and outcome-based, committed to providing innovative – yet proven – leave management programs to our clients and participants.
- **Long-term relationships.** Productive, long-term relationships with our clients and participants allow us to continually develop, enhance and revise our products. Cultivating and maintaining these relationships is a top priority.
- **Evolution, speed, innovation, agility.** Transforming leave management requires all of these things and you'll find them in every SHPS product and associate. The leave management market changes with each sunrise – and our associates learn, grow and adapt at the same pace.
- **Passion.** Our passion for leave management, clients and participants permeates everything we do. It fuels our dedication to revolutionizing leave management, faithfully serving our clients and empowering our participants.
- **Respect.** Leave management is an intensely personal matter. The privacy and dignity of our participants are always protected.

One-of-a-Kind Solutions

Family leave administration services cannot work with a 'one-size-fits-all' approach. SHPS works with your organization to analyze employee demographics, historical leave data and existing benefit offerings. With that information in hand, our senior program strategists can create a custom solution that addresses your unique needs and aligns them with your objectives. And because SHPS' portfolio spans the entire benefits administration continuum, you receive a comprehensive, best-in-class solution for your organization's healthcare family leave strategy.

Leave Management Overview

SHPS' leave management administration provides a full-service business solution for the Washington State's family leave management program.

The goals for Leave Management improvement can be summarized as follows:

- * Accurately track the amount of leave being used (especially intermittent)
- * Reduce administrative burden for Washington State and employers
- * Provide data analytics to address trends and program performance
- * Increased efficiency in obtaining information from employers
- * Increased consistency of administration
- * Improved compliance to state regulations
- * Uninterrupted benefits continuation to participants

We feel we are in an excellent position to provide the level of service Washington residents expect and deserve. Our expertise, service offerings, and industry experience aligns well with the Washington State Paid Family Leave program.

SHPS Customizes Leave Management Solutions

In response to large employers and government agencies like the State of Washington who are seeking to outsource and/or streamline family leave administration, SHPS has developed a comprehensive array of services to help clients track different types of leaves and reduce administrative burdens and costs. As a leader in employee benefits administration, we partner with our clients employers to tailor family leave administration solutions to meet their needs.

Some of the benefits of partnering with SHPS for Family Leave Administration include:

- * Web and voice response applications for leave requests
- * E-mail communications and notifications
- * Consistent, accurate application of state regulations and policies
- * Impartial responses to leave requests
- * Central source for legislative updates
- * Rapid response and efficient processing of leave requests and employee notifications

We Provide Complete Family Leave Administration

Implementation. An experienced SHPS implementation team will collaborate with Washington State and the Joint Legislative Task Force to document plan specifications in compliance with various state and federal laws.

Automated Leave Requests. SHPS provides 24/7 Web intake, toll-free interactive voice response (IVR) for state leave type. These applications allow employees to request leaves, report actual dates and check on the status of their leave requests. Requests received after-hours via these applications will be responded to during the next business day. SHPS also accepts intake via fax and paper.

Leave Kits. SHPS manages the distribution of leave kits through mail or e-mail. Kits are customized to accommodate the most challenging programs and are designed to provide and collect comprehensive information needed to validate participant eligibility and assist with the certification process. Examples of letters and forms that are included are:

- » Acknowledgment of Request for Leave Letter
- » Application for Family Leave
- » Employees’ Rights under the Family Leave Insurance Program
- » Medical Certification Form if required
- » Employer Certification Form
- » Return Envelope

Regulatory Updates. SHPS’ compliance department monitors Department of Labor regulations to stay apprised of federal and state updates. Leave Tracker™ easily integrates regulatory changes into our administrative procedures.

Entitlement Review. We process all leave requests with final determination based on your plan. Upon determination, SHPS notifies both the employees and their employer by e-mail or mail

Leave Tracking. SHPS’ Leave Tracker™ systematically tracks the total number of hours accumulated through all regular, intermittent and reduced-hour leaves to ensure compliance with state and federal guidelines SHPS will track leave time according to your environment, whether it is based on calendar year, hire date, a rolling forward 12-month period or a rolling backward 12-month period.

Records Management. SHPS maintains a complete record of employee applications as well as up-to-date leave tracking in accordance with ERISA records retention requirements.

Reporting. We issue monthly reports for new leave requests, current rosters of leaves in progress, leave denials and closures and a summary report. Standard, custom and online reporting is available.

Customer Service. A toll-free, automated telephone system allows employees and employers, to check the status of leave requests and verify leave policies and activity. Our call center is supported by online computer access, an advanced telephone system and call routing process, and highly trained Leave Counselors. Our Leave Counselors receive continuous training to keep them current on federal and state regulations and our clients’ policies.

Questionnaire

Respondent Information

Name: SHPS Human Resource Solutions, Inc.

Primary contact person: Jeffrey D. Grimes Title: Senior Vice President, Sales

Address: 9200 Shelbyville Road, Louisville, KY 40222

Telephone: (502) 420-5530 E-Mail: jd.grimes@shps.com

1. Please indicate whether you would be interested in submitting a proposal for the initial implementation and ongoing administration of the program described in Section III of this Request for Information.

YES NO MAYBE

If you answered YES or MAYBE above, please describe any critical information you would need to see in the RFP, in order to decide whether to respond.

The information provided by the State of Washington regarding the Family Leave program was sufficient in providing a response, however, SHPS would like to discuss the possibility of a partnership arrangement that will utilize the strengths of both organizations.

2. Are you licensed in Washington to do business as an insurance provider? If not, in what states are you licensed to do business as an insurance provider?

Although SHPS is not an insurance provider, we have the appropriate licensing to do business in Washington. It is our interpretation that status as a licensed insurance provider is not a requirement to effectively administer your program. SHPS currently works with a number insurance providers through formal partnership arrangements for Family Leave Programs. We are willing to work with an insurance provider of your choice, if you should desire such a solution.

3. If you have experience administering insurance or other benefit programs:

- a. Please describe your experience administering insurance or other benefit programs, including your years of experience, states in which you have operated, and whether you have consistently been held in good standing in each of the states in which you have done business.

SHPS, Inc. was founded in 1997 by merging market leaders in the employee benefits and healthcare management industries. The companies that formed SHPS, Inc. had been providing benefits administration since 1986. Through a series of acquisitions, SHPS has positioned itself to be the single source for comprehensive HR and benefits administration, medical management, and health care products and services.

SHPS provides a broad spectrum of benefits administration in all 50 states. SHPS currently administers state leaves for all states that provide entitlement or eligibility that is more generous than that allowed under the Federal Family and Medical Leave Act. At present, 25 states and the District of Columbia provide greater rights than that required under Federal law. SHPS has not had any licenses revoked, terminated, expired or not renewed within the last five years.

b. Please describe your experience managing family leave benefits similar to the benefits provided by the program described in Section III of this Request for Information.

As a leader in the employee benefits marketplace we pride ourselves on having the most comprehensive service offering available today. With ten years of experience, SHPS has the knowledge and applications necessary to administer Leave Management services.

Our Leave Tracker application is built specifically to support concurrent leave programs, and it streamlines the intricate aspects of leaves by coordinating them on one system.

Our Leave Management program provides:

- ※ Adjudication of Group Disability claims (Long Term Disability, Short Term Disability)
- ※ Administration of all Administrative Services Only (ASO) claims
- ※ Adherence to ERISA Federal regulations and New York Disability Guidelines
- ※ Adherence to all Federal and State tax regulations (including FICA, SS, etc.)
- ※ Tax forms (W2, 1099, etc.) and tax reporting as required
- ※ Coordination all offsets and taxes when making payments (SSI, WC, child support orders, wage garnishments, etc)
- ※ Check Issuance
 - Maintaining check stock
 - Check production
 - Check distribution
- ※ ACH / Direct Deposit Capabilities
- ※ Check information (Check Number, Date of Check, Amount Paid, Deductions)
- ※ Overpayment retrieval
- ※ Support in dealing with issues and exceptions
- ※ Maintain compliance with state fraud requirements and adhere to mandatory fraud training
- ※ Retention all document artifacts per legal requirements

Although our capabilities exceed Paid Family Leave requirements, we feel it's important to provide a high level view of our leave administration product offering.

Typically, clients are assigned to a designated team trained and dedicated to the product(s) purchased and have real-time, online access to Paid Family Leave plan information. Our call center processes, training programs, quality improvement programs and documentation systems are structured to ensure each caller's needs are met. Our success is evidenced by responses to our participant satisfaction surveys (98% satisfaction) and feedback from our clients.

c. Please provide the average annual cost of your administrative expenses, expressed as a percentage of your total cost of doing business.

SHPS is privately held with \$200 million in annualized revenue and with positive earnings. Moreover, we are backed by Welsh, Carson, Anderson and Stowe (WCAS) - the largest private equity investor in the health care marketplace – with over \$18 billion in assets. This financial stability has enabled SHPS to grow, acquire new companies that align with our core services, and invest in the people and technology required to keep us an industry leader.

SHPS will provide additional financial information at the next stage of negotiations with the State.

4. Please provide non-binding pricing estimates for services related to initial implementation and ongoing administration of the family leave insurance program. This pricing is informational only.

SHPS' non-binding fees for our Paid Family Leave services are detailed below:

- Implementation Fee: \$3,250,000.00 (one-time charge)
- Per Claim Fee: \$460.00 (per leave)

Leave Management administration pricing assumptions:

- A population of over 3.4 million lives
- Implementation requires an estimated 8-month lead-time, with a minimum of 6 months from receipt of all final business requirements and the signed Client Requirements Document
- Effective date to be mutually agreed upon, pending review of detailed implementation activities
- State leave administration according to then-active Federal and State regulations to be provided from SHPS' Louisville, Kentucky location
- The per claim fee is based on numerous items, assumptions and estimations including:
 - Worker eligibility
 - Birth rates and estimated utilization rates (mothers/fathers)
 - Banking fees
- Estimated 216,000 claims/transactions per year (based on our experience)

Note: Estimation includes Intermittent Leave usage rates of 40% based on FML industry benchmarks. This item is not reflected in State Agency Estimates and contributes to a significant increase in claims/transaction run rates.

- Express mail, postage and shipping costs will be passed through to the client
- This price quote does not include any travel or related business expenses other than those explicitly specified in the scope of service. If required or requested, travel-related expenses will be submitted and billed to the client at cost.

5. Please indicate whether you are a publicly traded or a privately held company?

SHPS is a privately held corporation. Majority ownership is held by Welsh, Carson, Anderson & Stowe, a New York based private equity firm (www.welshcarson.com).

6. Please list your current corporate directors, if any, and your current officials primarily responsible for the daily operations of your business.

- President and CEO: Rishabh Mehrotra
- Executive Vice President and CFO: John McCarty
- Chief Strategy and Marketing Officer: Chris Ryan
- Chief Information Officer: Amin Kassem
- Executive Vice President, HRS Sales: Jeffery Lanzet
- Senior Vice President, Total Absence Management (TAM): Jerry Kreisler
- Vice President, TAM: Sushma Tripathi

7. Is there anything else you would like us to know about you or your firm?

Benefits of SHPS' Family Leave administration program:

- **Fairness and equity to all employees and consistent implementation across multiple entities.** Utilizing our Leave Tracker system, we administer each absence claim following federal and state rules as well as the client's specific preferences. Because each case is administered according to the same rules with the same criteria applied, fairness and equity are inherent in the process. Moreover, we believe that effective administration of all benefits must be applied fairly. Any other way would cause problems for our customers and their employees.
- **Flexibility and ease of use.** Employees can enter their leaves using our Web Portal, IVR or call center. Employees can check the status of their leave request, their leave accrual and their leave eligibility online. Reports for supervisors and administrators are available online or in a "push" message (according to security levels you define). We track absences down to the 1/60th of an hour.
- **Simplicity for the employee.** Employees who need to take time off to care for a loved one or attend to their own serious health condition don't need to be bothered with complicated applications or processes to qualify for a benefit. Our process is as streamlined as possible for the employee (while still being compliant). Because we offer employees multiple ways to report their absence, it can be as non-invasive as they'd like. In addition, we recognize that employees asking to access absence benefits are often experiencing life turmoil, and we

strive to offer the least intrusive, most respectful benefit administration possible. Our customer service representatives are regularly trained and evaluated on these dimensions.

- ☛ **Employer convenience.** Supervisors don't need to spend a lot of time figuring out who is out and why – they need to attend to their “real” job. Our solution provides ready access to the information supervisors need to know who is available to work on any given day. Using our system to track absences releases supervisors from the burden of tracking benefit eligibility and allows them to concentrate on your primary business.
- ☛ **Increased efficiency and satisfaction.** Leave administration is inefficient and inconsistent when it is decentralized and commingled with other job responsibilities. SHPS' centralized administration has eliminated the leave-tracking burden, applied absence policies consistently and integrated leave data for trend analysis, thereby increasing overall employer and employee satisfaction.
- ☛ **The knowledge to keep your benefits competitive with the market.** We administer to federal and state regulations as well as your policies. Where we see variance with the market, we will let you know – but the final decision on policies is obviously yours. Our products are all priced competitively. We offer a state-of-the-art system for administering leaves of all types.
- ☛ **Compliance.** SHPS leave management service focuses on compliant, fair administration of entitlements, such as the Family Medical Leave Act (FMLA) and state leave laws. It also administers your organization's specific leave policies, including bereavement and military leave. Without compliance and fair administration, your organization is at risk for employee dissatisfaction and worse – legal challenges.
- ☛ **Timely, actionable information.** A recent survey found that employers spend an average of 15 percent of their payroll on absence-related benefits and four percent of their payroll on unscheduled time-off benefits. The solution to reducing these costs is a continuous flow of data and information. That way, you can understand the impact of absence on your company in real-dollar benefits and productivity loss. SHPS' Web-based, proprietary leave-tracking system can help your organization realize cost savings and improved employee productivity. This means that employees who should be at work are at work, and that unnecessary absences are avoided.
- ☛ **A full-service provider.** SHPS' leave management is a full-service program to administer leave requests, determine eligibility, and manage the approval process based on your plan rules and state and federal regulations. Our proprietary leave tracking system fuels the program's success. Through this system, your organization benefits from up-to-date online reporting, accurate data and timely eligibility transmissions to third party vendors. And the program is detailed for all types of leave, including Family Leave Administration, jury duty, military service and sabbaticals.
- ☛ **Integration with other products.** SHPS' leave management tool can be linked to other health and benefits administration products to support your employees during their absence and increase your return on investment. These integration points include disability management, workers' compensation, nurse line, disease management and utilization management.
- ☛ **Web and telephonic touch points.** For every type of leave, employees can contact SHPS 24 hours a day, seven days a week via the Web, phone, fax or mail.

- ⌘ **Automated systems tracking.** Our proprietary leave tracking system identifies beginning and end dates, total leave-hours accumulated and intermittent or reduced-hour leaves.
- ⌘ **Client service centers.** A toll-free, automated phone system allows your employees, supervisors and healthcare providers to check the status of leave requests anytime. Live customer service help is available Monday through Friday from 8 a.m. to 8 p.m. ET.
- ⌘ **Leave processing and determination.** We process all leave requests with final determination based on your plan and state and government regulations. Upon determination, we contact employees and their supervisors via e-mail or mail, including return-to-work notifications.
- ⌘ **Employee leave kits.** Forty-eight hours after leave is determined, employees receive leave kits through the mail. Kits include an acknowledgement of request letter, applications for family and medical leave, a statement of employee rights under FMLA and any other applicable state leave-related documentation.
- ⌘ **Monthly leave tracking.** SHPS tracks the total number of hours accumulated through regular and intermittent leaves. We also distribute weekly and bi-weekly reports for new leave requests, current rosters of leaves in progress, leave denials and leave closures.
- ⌘ **Records management.** We maintain a complete record of employee applications and up-to-date leave tracking in accordance with federal and statutory record retention requirements.
- ⌘ **Regulatory updates.** SHPS' guidelines department monitors U.S. Department of Labor regulations to stay apprised of federal and state leave law updates, and our tracking system automatically integrates those changes into our administrative procedures.

