

# MANAGING BENEFITS PLANS

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## How Agfa Corporation Successfully Implemented Benefits Outsourcing

Outsourcing various benefits functions can be a profitable option at any time, but can be particularly appealing and necessary during a change in corporate structure, ownership, divestiture, or acquisition. A case in point is the story of Agfa Corporation, one of the leading imaging companies, which was divested several years ago from Bayer after having been part of that company for 47 years.

The divestiture had a major impact on the functioning of Agfa HR and on what its managers did to find an outsourcing partner, Julie Haley, Agfa Senior Manger of Human Resources and Manager of Health and Welfare Benefits, told attendees at the 18th Annual Benefits Management Forum & Expo held

CONTINUED ON PAGE 6

### IN THIS ISSUE

- How Agfa Corporation Successfully Implemented Benefits Outsourcing ..... 1
- Final USERRA Rules Spell Out Job Terms for Returning Vets .... 1
- Workplace Health and Productivity Programs Lower Absenteeism, Costs ..... 1
- How to Communicate the Financial Impact of Benefits Costs on Employers ..... 2
- MBP Calendar ..... 3

### WELLNESS

- Despite Good Intentions, Wellness Plans Can Run Afoul of ADA, Attorney Cautions ..... 4
- News Briefs ..... 8
- In Perspective ..... 10
- Cost-Cutting Tips, Tactics & Strategies..... 15

## Final USERRA Rules Spell Out Job Terms For Returning Vets

The Labor Department's Veterans Employment and Training Service has released final rules to implement the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA), spelling out how employers must bring returning service members back to the pay and benefits levels they would have had if military service had not intervened.

The regulations, published in the Dec. 19 Federal Register, became effective 30 days after publication. At the same time, DOL published a final

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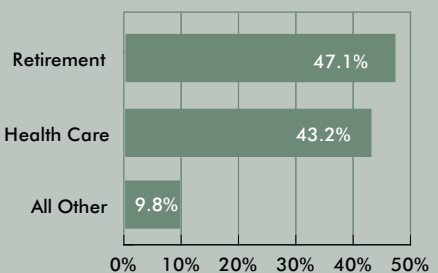
## Workplace Health and Productivity Programs Lower Absenteeism, Costs

HR and benefits managers have long suspected that programs to promote workplace health and productivity would lower costs. Now, a recently released survey shows that's true.

According to the 2005/2006 Staying@Work Survey by Watson Wyatt Worldwide and the National Business Group on Health, employers that aggressively

CONTINUED ON PAGE 13

**Health Care Costs Close in as Leading Item of Employers' Total Benefit Spending.....see page 8**



(Source: EBRI)

## Agfa Corporation

CONTINUED FROM PAGE 1

in Orlando, Florida, last fall.

*Agfa's story:* One of success, not only in cost cutting, but also in service quality and employee satisfaction. Agfa's experience, especially given its length, is helpful to all HR benefits managers seeking to outsource HR functions.

Agfa's objectives at the time of the divestiture were to maintain its headcount and reduce its total spending. "What that meant to us in the benefits world was that those people who remained in HR needed to very quickly learn benefits and compensation," Haley reported.

Agfa HR managers were tasked to provide a seamless transition for employees and retirees; negotiate premiums for a smaller group size; enhance member satisfaction in benefits; improve access to benefits information; improve quality of communications; increase employee ability to manage benefits; and reduce costs and shorten cycle times.

Haley continued, "We wanted to replicate all benefits and to segment the benefits structure into three core competencies: pensions, 401(k)s, and health and welfare benefits administration."

Lastly, Agfa wanted a planned migration to an Agfa platform. "We gathered a team of people consisting of two HR professionals and mostly business managers to find a platform to fit our business," Haley added. The plan: To utilize technology to improve services and eventually lower total costs.

Agfa figured that if it were going to deliver benefits services, it should improve member satisfaction by:

- Improving its personal response to members.

- Improving employee communications. "We wanted to communicate with people throughout the year (not just at open enrollment like we used to do), so that they understand what benefits they have and then can make educated decisions," Haley added.

- Developing user-friendly systems with easy access.

- Decreasing enrollment problems. Information sent to Agfa's previous vendor would disappear. "Nobody was checking the systems and therefore our members were not getting their benefits cards and so could not use the benefits they had signed up for," she noted.

- Increasing availability of information to 24/7.

- Reducing costs. "We needed to align our plans with our corporate size," Haley explained, "as well as improve the eligibility feeds to carriers, and implement employee self-service."

- Renegotiating plans.

- Continuing to outsource administration. In particular, Agfa sought a strong call center, high levels of technology capabilities that exhibited proven carrier interfaces and excellent employee self-service, and good employee communications.

**Outsourcing its benefits administration.** "Outsourcing was a key business strategy," Haley said. "We had outsourced before and we knew that outsourcing was important for our objectives. *Why?* It allows HR and benefits to focus on more strategic things like benefits-plan redesigns, managing health care trends, and merger and acquisition activity."

Agfa wanted to use technology in its service-delivery model. In the past, it had a very complicated IVR system. "When I say complicated, you had to be a genius

to get to talk to anybody," Haley lamented. Understandably, the company wanted to get beyond IVR. (They did, and saved \$15,000.)

Improving communications was also a priority. The company wanted employees to understand that information was available to them. "Starting out, we said, if we have 25% of our population visiting the Web site, we will consider that successful. We actually had 43%. Those numbers increase every year. Agfa has kiosks in break rooms throughout the facilities, but HR has found that a lot of people access the system from home and in off hours," Haley said.

Also key was shortening cycle time to get people enrolled as soon as they are hired or as soon as they have a life change.

**The selection process.** Agfa sent its request for information to 10 vendors. Eight were invited to present their breadth of service and financial proposals. "Workscope came in and said, 'Look at this a little differently than you have in the past. Look at a different, more cost-effective system that is found in our technology and that is different from full outsourcing.'"

The company then did a formal RFP and selected two finalists: Aon Consulting in Winston Salem, North Carolina and Workscope/CallConnect in Marlborough, Massachusetts.

*Why did Workscope and CallConnect win Agfa's business?* Haley reported, "In the sales process we could see that it was going to be a partnership. We were going to mean something to them with our size company." In addition, Workscope was able to provide Agfa with a customized solution. "They didn't necessarily have the answers to everything. Over time, however, we have developed solutions together," she added.

CallConnect (at the time a separate company and subsequently acquired by Workscope) promised personal service and member satisfaction, which differentiated them from any other service centers. "They will talk to employees and if they can't resolve the issue the first time, they will set up a time to call the person back. Our employees think that is the best thing ever," Haley stated.

Importantly, Workscope's financial proposal was in line with Agfa's budget. The vendor was also willing to put performance guarantees in the contract and had an arm of the business with communications expertise, as well as positive references.

CallConnect also had a higher tier of service, Haley stated. "I wanted to have the call center take more responsibility with the vendors if there were claims issues. I didn't want to be in the middle."

**Results.** At the end, how did Agfa do? It improved services at a lower cost level and achieved its objective of a seamless transition.

There was higher Web utilization by employees than expected. Ninety-one percent of the employees who were surveyed said the Web site was, right out of the gate, "easy" or "very easy" to use.

The service center, meanwhile, was utilized, and continues to be utilized, by employees with no access to the Web or no interest in accessing the Web.

According to Haley, only a very small

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CONTINUED ON PAGE 11

## Agfa Corporation

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percentage of calls escalated to Agfa and the system has high uptime, being accessible 99.9% of the time. Lastly, Agfa's savings over three years from its previous carrier was 35%.

Everything Agfa employees see is branded Agfa Benefits Services. Workscape's name is not used. The company is also moving to have its communications be year-round.

Agfa's results are especially notable in view of a 2005 study by Towers Perrin that reported "mixed views" of HR outsourcing. The study surveyed 47 organizations, 80% of which had large-scale outsourcing deals in place at the time. Human Resources Outsourcing (HRO) was found to deliver on containing costs, but frustrating shortfalls persist for most companies on service quality, HR productivity, and transformation of HR function from tactical to strategic.

**Lessons learned.** Agfa learned a number of lessons in going through the outsourcing process. First, the more time you put in up-front the better it is for the process. "We did not do a very good job explaining how complex we were before we started down the road. So spend the time up-front to fully scope the project before contract negotiations begin. As a result of not scoping it correctly, we didn't come in at the same number we had originally said it was going to cost us," Haley told conference attendees.

Second, develop a common vocabulary. The terms flexibility, eligibility, vendor interfaces, systems capabilities and limitations, and partnerships might mean one thing for your employer and another for a vendor. Third, have in-depth discussions about every single group to be served, particularly all

grandfathered arrangements and retiree groups.

Fourth, ensure that you have access to the programmers so you can discuss directly with them what you want the system to do. Fifth, ensure that all resources are dedicated to the project. "It is a partnership and all parties have to be committed to it." Haley added. Sixth, assign responsibility for meeting minutes and follow-up. Have someone be the keeper of records and make sure that nothing gets missed along the way.

Agfa continues to work with Workscape and recently signed another contract for five years. "Workscape provides solutions tailored to Agfa's unique needs, Haley concluded. "They listen to us." □

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## USERRA

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version of the notice that employers must post to inform employees of their rights, benefits, and obligations under USERRA to return to their jobs at the same pay, benefits, and status following military service. The rule on posting requirements makes final an interim rule that was published in March.

"With a clear and comprehensive rule, the department's long-standing policy of interpreting the law in a light most favorable to veterans will be given the full weight of law," Secretary of Labor Elaine L. Chao said during a briefing at the National Press Club in Washington, D.C. More than 525,000 men and women have been mobilized to fight the war on terror, Chao said, and more than 390,000 have been released from active duty. Chao noted that this is the largest deployment of military reserves since World War II.

"We want to do everything we can to