

# BENEFITS & COMPENSATION solutions

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### THREE CRITICAL TASKS FOR EMPLOYERS WITH BENEFIT PLANS

BY ELLIE KUYKENDALL

Updated methods of handling the mountain of administrative paperwork that goes along with benefit plans are being replaced with fresh, inventive, and now-proven approaches. Decisions about the best ways of administering plans, communicating benefit coverage and changes to managers and employees, and implementing enrollment for existing and new staff members are nearly effortless when you're armed with information from the experts.

A recent Towers Perrin survey found that 51 percent of companies surveyed have Web enrollment as the only option, with another nine percent planning to implement Web-only enrollment during 2005. "Clearly the Web is far and away the number-one way of enrolling employees now, and by the end of 2005, of the companies we surveyed, 91 percent will have open enrollment on the Web," says Tom Keebler, a Towers Perrin principal.

Still, there will always be a need for people in HR departments. Computers can never replace the experience for employees of talking with a live HR person. Computers do, however, make everyone's jobs easier, which in turn increases productivity.

Jeff Beinke, vice-president of product strategy and

development for Atlanta-based Employease, says his HR clients' employees favor using the Web in their jobs.

"Our customers tell us that Interactive Voice Response (IVR) is rapidly on the decline in terms of usage," Beinke says. "Their employees prefer to use Web-based applications as they are easier to navigate and faster. They also indicate that use of these applications helps to extend the benefits decision making to other members of the employee's family."

He also points out that smaller businesses are now able to take advantage of outsourcing options, unlike in the past when only large corporations were able to afford it. "HR not only can reduce costs and play a more impactful strategic role; they can also maintain real-time access to their data. These new options make outsourcing a viable alternative for smaller organizations that have the same complexities, but not necessarily the financial or technical resources to address them. Now, HR never has to sacrifice control over information and processes."



KEEBLER



BEINKE

The easy availability of computers to every size corporation and the impact of the Internet on administering all aspects of employee benefit programs are felt at all levels of an organization. For instance, outsourcing benefit-plan administration is easier than ever.

"With on-demand, Web-based solutions companies are avoiding many of the risks of yesterday's IT-intensive options. They do not need additional software or hardware," Beinke states.

### TRANSITION TIME

With so many outsourcers available to choose from, what can an organization do to make the choice and transition easier?

"The differentiation among outsourcers will always come down to how much strategic control the employer must relinquish in order to achieve the cost savings. The best vendors have flexible technology that enables clients to achieve cost saving without loss of control," says Tim Clifford, president and CEO of Workscape, headquartered in Framingham, MA.

Often, the best approach for a company looking to outsource its benefit plans is to hire an expert consultant familiar with the practically countless options available. There are certainly risks involved in choosing a consultant, however, since it's not just the technical plan that needs to be considered. Your consultant also needs to consider employee adoption. Communicating with employees is of equal importance to technically administering your benefits programs.

"Look for independence; the consultant cannot have a vested interest in the topic for which he or she is providing consulting service," Clifford cautions. "The most common place where conflicts exist is when the consultant is advising the client on administrative solutions, and that consultant's firm provides those services in the market."

Rather than choosing a consulting firm, you may wish to use a broker, he says. "Brokers are becoming more and more involved. Generally, the brokers don't share the same conflicts that the consulting firms do since the



CLIFFORD

health care consumers. And, most will look to their employers to provide this education. Furthermore, employers who offer consumer health care programs are seeking significant behavior changes from employees," says Helen Box-Farnen, a vice-president with Aon Consulting. "Convincing employees to change life-long habits cannot be achieved with once-a-year enrollment materials. It will require extensive education, not only during the initial roll out, but



brokers don't typically provide administrative solutions."

To design the best plan possible Beinke suggests employers answer:

- What are you trying to accomplish?
- What are your long-term goals?
- Does the vendor have proven results?
- Has the vendor successfully implemented a company with your challenges and business processes?
- Do all of your employees have access to computers at work, or will kiosks be required?
- Will the vendor you select be able to integrate your legacy systems?
- Will the vendor you select be able to integrate with your insurance carriers?
- What tasks should be outsourced vs. handled in house?

By answering these questions, you will be better prepared to design your preferred benefits platform and plan to share with your consultant or broker. The more information you provide, the better able the consultant will be to put together the program you and your employees need.

### EMPLOYEE EDUCATION

Health care is a complex and emotional issue for participants. Therefore, moving from managed care to consumer-directed health care will require consistent and persistent education that motivates employees to become more involved in buying and using health care.

"Employees will need better information, tools, and incentives to become savvy

on an ongoing basis."

There needs to be more and comprehensive information about employees' enrollment options. Employees don't just look at the plan, they look at their total out-of-pocket costs, which include not only the per pay premium, but also possible and probable health expenditures.

"For example, married employees should evaluate the potential for 'over-insurance' when both the employee and the spouse cover each other under their respective employers' benefit plans," Garry Sullivan, a senior vice-president with Aon in Chicago, says.

Clifford agrees and points out questions that employees and their spouses might ask themselves. "What do the rules allow me to do? What are the new plan options and costs? Is my spouse's doctor in my plan? Full information and decision support is very important," he says.

### SELF SERVICE

When managers and employees are able to communicate with the benefit provider and with other members of their team in a company, the beauty of Web-based communication is evident.

Manager self-service is all about giving managers the data, content, and decision support to better do their jobs, make them more effective as managers, and ultimately provide the employer with a more productive workforce.

"The only downside employers encounter is when they invest in a platform, and they fail to get the adoption rates that will drive the necessary ROI," Clifford says, "[but] this is avoidable with the right technical and communication solutions."

Managers have the information about

their team members readily available, so they don't have to go through an HR intermediary. Managers want information quickly and easily.

"Additionally, manager self-service is a win for HR. Instead of processing a work event change, an HR manager can consult around the transaction," says Beinke.

Manager self-service is another tool for helping HR professionals provide more strategic and higher touch service to their own managers. However, manager self-service may not meet the intended goals if managers find it cumbersome and difficult to use.

"Managers are responsible for many employment-related decisions within their organization; however, they do not possess the HR domain expertise that resides within an HR department. Effective manager self-service must be written from the ground-up to understand the background and role of a manager," Beinke says.

Employees also are empowered when self-service is implemented because they can take ownership of their data to ensure greater accuracy and can get answers to their questions practically anytime and anywhere computer access is available.

In employee self-service, the challenges usually relate to the fact that many systems can be involved in a single "event" from an employee point of view. For example, if an employee gets married, he or she should be able to add a dependent to insurance, change beneficiaries, change insurance coverage, change tax withholding, change savings plans, and/or enroll in a spending account. Each of these transactions that make up a whole event requires integration with a separate system.

"Without the proper integration, the employer will not be able to create a common experience for the employee. Without this, they will be unable to derive the ROI from the implementation," Clifford warns.

Beinke agrees. "HR application screens mapped to Web browsers with no thought to the usability of the application or how the employees interact with it will result in an application that falls short of its goals."

## VOLUNTARY BENEFITS

The lower cost and flexibility of payroll-deducted contributions can make voluntary benefits quite attractive to employees. However, as with any other benefit offering, employees will need clear and understandable information to ensure they elect benefits that fit their personal needs and financial situations.

Voluntary benefits can be a challenge to operate, especially if the concept is new to employees. Voluntary benefits are supposed to be just that, benefits. In order to be perceived as such, though, employees

better consumers. The challenge is to integrate this content to make a seamless experience for the employee.

"To encourage the use of these tools and promote better benefits consumerism, many employers are offering employees incentives, such as reduced benefit contributions, merchandise, etc.," Aon's Sullivan explains.

## INTEGRATED APPROACH

Many companies use an integrated approach for administering benefit plans, and communicating with and enrolling employees. They still have face-to-face methods, but also employ some of the newer available technologies such as call centers, Web-based medical information sites, and enabling employees to communicate directly with benefit providers.

When you decide to employ a consultant to help you find the right solutions for your company, keep in mind that the more information you get from your employees and managers, the better prepared you will be to talk with your consultant. Asking yourself and potential consultants appropriate questions also is critical to the process of choosing a consulting firm.

By giving managers and employees self-service options for benefit enrollment and information and voluntary benefits, you empower them to become more productive, make them feel valued in that they can

make their own decisions, and save money in the long run because their time is better spent helping to drive your business values.

"You should be doing everything you can to keep your employees," states Todd Chambers, vice-president of Authoria in Waltham, MA.



**CHAMBERS**

"Holistically look at your employee population to keep them as happy as they can be, as aligned as they can be with the goals for the corporation, and they will perform as well as possible. Your turnover rates will go down because your employees feel valued. They'll say to themselves, 'The company cares enough about me to invest in me to help me get ahead.'" ❏

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## CHOOSING A CONSULTANT

When Spherion Corp., one of the nation's largest staffing agencies, took a hard look at its benefit plans, it used a consultant to look for better ways of enrolling employees. Being geographically dispersed, with varying products, many types of employees, and plans based on different groups of employees, the Ft. Lauderdale-based company eventually decided to outsource its enrollment administration.

According to Spherion Director of Compensation and Benefits Ellen Exum, employers should consider the following when choosing a consultant to handle their outsourcing needs:

- Ensure that you as an organization share the culture, background, demographics, and ways you communicate with employees with the consulting firm so that you can get the best service;
- Make sure that any solution provided falls within the framework of the guiding principles for your company;
- Do executive interviews, employee focus groups, and Web surveys so your company's employees can have a say in what they want and need; and
- Conduct benchmarking of your benefits plan compared to those of your competitors' and the national average.

—Ellie Kuykendall

must first understand and utilize them. Therefore, it is imperative that the employer invests in communication and sound administrative solutions to make offering voluntary benefits worthwhile.

Employers should consider this when they work with a vendor, Clifford says.

"Typically, the vendors who sell these benefits have made significant investments in content and administrative solutions. The downside for the employer is that using these resources can compromise the employer's ability to have control of branding, design and administrative accuracy. The ideal solution for the employer is one that can leverage the abilities of the providers while maintaining their own branding and identity. Only those benefits administrators who have flexible technologies and processes can enable this."

The providers in this space have significant content to help employees become