

## **Outsourcing Benefits Administration:**

The Key to Increasing Employee Engagement



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## Background

By the 1960s, after decades of fits and starts, the number of employers offering health plans had reached around 70 percent in this country. That number has remained steady throughout the last 50 years as employer-sponsored health plans became the norm. Today offering a rich health benefits package remains an effective strategy for companies to attract and retain employees. Employment based benefit programs represent a commitment by employers to provide some measure of income security and access to certain services (especially medical care) to active workers, displaced and disabled workers, retirees, and their families.

Regulations on employer-sponsored health plans have been around nearly as long as the plans themselves. From the 1980s to the 2000s, several important pieces of health insurance and health care legislation were enacted. These established a variety of rules regarding: (1) how and when continuation of health coverage must be offered (COBRA); (2) limiting the restrictions that health plans can place on benefits for pre-existing conditions (HIPAA/ERISA); (3) prohibiting health plans from denying coverage to unhealthy individuals or charging unhealthy individuals higher premiums based solely on a genetic predisposition to developing a disease in the future (GINA), among many others.

### A time of reckoning for employers

The most important and sweeping legislation regarding health care and health insurance in recent decades is the Patient Protection and Affordable Care Act, or simply the Affordable Care Act (ACA). The ACA extends health insurance coverage to millions of uninsured Americans by expanding both private and public insurance. It also increases consumer protections, emphasizes prevention and wellness, seeks to improve quality and system performance, expands the health care workforce, and addresses rising health care costs. As a result of ACA reforms, more companies than ever are now offering health benefits to employees. Initially, companies with 100 or more full-time or full-time-equivalent eligible employees were required under the ACA to offer health benefits. As of January 1, 2016, when the ACA threshold dropped to 50 or more full-time or full-time equivalent employees, the number of companies offering health benefits rose still further.

## Benefits of a private exchange

While many companies are accustomed to offering health benefits to their employees, those that have never offered health benefits may not fully understand the complexity of benefits administration. But even for the most experienced HR departments, administering employee benefits can be overwhelming. Benefits administration can be extremely time- and labor-intensive, requiring a great deal of configuration, customization, and ongoing administrative oversight and maintenance. Also, companies that do not fully understand what is involved with benefits administration may not be set up to handle the amount of work required to remain compliant with the ACA and other regulations. This can lead to costly fines and other penalties. It's no surprise, therefore, that more and more companies are choosing to out-source their benefits administration to firms that specialize in it.

Companies that do not fully understand what's involved with benefits administration may not be set up to handle the work required to stay ACA-compliant.

How well are you really doing with your benefits administration?

Regardless of whether a company does its own benefits administration or farms it out, it's important to know what the benefits administration standard offerings are these days — and therefore what employees are expecting and in fact deserve. With this standard fare as a starting point, the question for employers then becomes, Am I covering these bases?

Key components of a modern benefits administration platform often include:

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## For employers

Generally, employers require a platform that delivers cost and experience predictability; allows them to easily manage multiple eligibility groups; and makes benefits administration as simple as possible for everyone involved. Additional assets should include:

24/7/365 web-based access to a self-service platform for annual open enrollment, life events, new hires, and status changes.

- A customized system built using the employer organization's rules, allowing employees to view and enroll only in the benefits for which they're eligible.
- System flexibility to accommodate defined-benefit or defined-contribution funding strategies.
- Reporting capability that allows employers to quickly manage, report on, and export real-time employee and enrollment information.

## For employees

Standard operating procedures for a high-value benefits administration platform these days suggest that the system must provide employees with the information, technology, and support they need to make well-informed benefit decisions. Additional assets should include:

- An easy-to-use, retail-like shopping experience that provides cost comparison tools that enable employees to select the benefit options that suit their lifestyle and budget.
- The ability to enroll in and manage all core and voluntary benefits via one secure, single-sign-on platform.
- Access to real-time total compensation statements allowing employees to view the full value of compensation and benefits plans.
- Decision support tools to help employees determine which products and services are the best fit.
- Access to a knowledgeable and dedicated customer service team or (at minimum) an HR rep.

So the question is, do you have the personnel, resources, and technology to handle the key functions of benefits administration? Further, is your current platform robust and adaptable enough to handle the increasing complexities that will come in the future? The technology requirement alone is oftentimes the deciding component of the "Is this doable?" question.



Small and midsize employers can offer a broader range of benefit options through a private exchange.

## The increasing importance of HR technology

Today nearly all companies use some sort of technology solution designed to handle all HR and benefits-related activities, including payroll, benefits administration, compliance, and the like. However, with more and more companies offering benefits to employees, and with benefits administration more complex than ever, companies are looking at their existing HR systems more closely — particularly the benefits administration component of these systems — to determine if they are robust enough to meet their needs. Companies are asking themselves what makes the most sense: continuing to manage their benefits administration in-house or finding an outside solution.

## To insource or outsource ... that is the question

Companies that perform their own benefits administration often do so because they already have an existing HRIS/payroll system or some sort of large-scale software or enterprise-wide resource planning system that has built-in benefits administration capabilities. Time and money have already been invested in the infrastructure and maintenance of these systems, whether they were purchased from an HRIS vendor or developed internally. Also, many companies want to retain control over the benefits administration experience and feel they can provide the best experience for

employees — and thus are reluctant to relinquish control. Therefore, though the benefits administration components of these systems may lack important features such as customization capabilities, communication tools, and decision making support, companies simply choose to use what they already have and get by as best they can. That’s completely understandable.

More and more companies, however, are realizing that the built-in benefits administration functions that they get with an HRIS or enterprise system simply don’t meet their needs. Features aren’t as customizable or agile enough to meet the increasing demands of benefits administration, including the ever-changing landscape of regulations and compliance. Rhonda Marcucci, founder of HR and benefits administration technology consulting firm Gruppo Marcucci, says that enterprise systems “have failed to effectively provide the necessary functionality for benefits enrollment and administration. While most HR enterprise systems include a benefits module, the increased complexity associated with government regulation of health and welfare benefits has caused many companies to look at point solutions [outsourced providers] to manage their benefits data” (Marcucci, *The Benefits Point Solution Stepchild has come Home to Roost*).

Insourcing can also be taxing and time consuming for HR staff. The ongoing, daily burden of myriad benefits administration tasks can leave staff with little time and energy to focus on more strategic initiatives and core business needs that may have far greater impact on the company. HR and benefits staff must also serve as an internal “call center” for employees who have questions or need help surrounding benefits selection and enrollment. Award-winning business management journalist Phillip M. Perry says, “Benefits are complicated, and providing the right questions can be as difficult as it is necessary.” Quoting Cathy Tripp, national leader for consumerism at Minneapolis-based consulting firm Watson Wyatt, Perry says, “One big question is always ‘Who talks to the employees? ... Outsourcing call center duties can really free up the time of an employer’s HR people.’” (*Employee Benefits: Cut Costs, Boost Morale with Outsourcing*, Perry)

## Which way to go?

### 5 benefits of each approach

Keeping it in house	Outsourcing it
Easier to stay involved and in touch with employees.	Easier to ensure compliance.
Easier to make changes and fix errors.	Access to more benefits admin knowledge and expertise.
Cheaper than outsourcing.	Less administrative burden on internal HR staff.
More control over the process and the expense.	Better for keeping up with complexities of ACA-related reforms.
Better access to data and more privacy and security.	Greater ability to focus on core business and strategic issues.
More effective in addressing specific needs/issues of employees.	Easier to upgrade tech functionality.

Source: *Benefits Administration: Should You Outsource or Manage In-House?*; ADP Research Institute, 2011.

Many companies want to retain control over the benefits administration experience and feel that they can provide the best experience for employees — and thus are reluctant to relinquish control.

### **A key consideration: Outsourcing boosts employee engagement**

Faced with the benefits administration challenges outlined above — from increasing complexities and compliance challenges to lack of internal expertise, resources, and technologies — it's no surprise that companies are increasingly moving toward outsourcing their benefits administration. But one of the most important reasons to outsource benefits administration isn't the most obvious. It is this: Outsourcing benefits administration can greatly improve employee engagement. According to Marcucci, "Most companies are passing along a larger share of [health care] costs to employees, working to help them understand their options and associated costs, and how to determine which plans are best for them. For this to happen, the employee must be engaged in the benefit selection process ... Point solutions [outsourced providers] are best for engaging the employee and providing more support around the benefit selection process. A well-designed point solution can educate employees to help them make choices that are good for them and good for the company bottom line." (The Benefits Point Solution Stepchild Has Come Home to Roost, Marcucci)

### **Engagement broadly understood**

For the purposes of this discussion, employee engagement is first and foremost about empowering and involving employees in the benefits administration process. And there are several important ways that companies can and should do that, many of which will be covered in the following pages. But there's another key aspect of employee engagement, which is engagement in all other aspects of the job — from health coaching and health promotion programs to EAP programs, career development, volunteering, and countless other ways that employees positively interact with their workplace. A fully engaged, motivated employee is a hugely important asset to an organization. And when HR staff have more time and resources to facilitate and promote these engagement strategies, that's a significant boon for the company — and a strong argument for outsourcing.

### **Benefits administration engagement: Why it's so vital**

A recent MetLife employee trends study found that when employees take a more active role in their benefits enrollment, good things happen — some of them unexpected. For example, when employees more actively engage in reviewing and evaluating their benefits options, they are three times more likely to be satisfied with their jobs than employees who are not actively engaged. Moreover, those who are actively engaged in evaluating their benefits options are twice as likely to value those benefits their employer is offering. (quote from MetLife's SVP Michael Fradkin on BenefitsPro website) Bottom line? A more engaged employee is going to make better informed benefits choices, which helps the employee and the employer.

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## 4 key ways to improve employee engagement

### Integrated tools

An outsourced benefits administration solution more readily integrates decision-making tools, cost calculators, and other helpful information directly into the benefits enrollment process. These tools enhance the benefits enrollment experience and provide a more interactive and engaging experience. In turn, this makes it easier for employees to make the right decisions. As Marcucci says, “Choosing plans calls for the employee to be educated on a variety of topics related to health coverages, e.g., government-subsidized coverage, insurance concepts, and plan option features. Tools and interactivity allow for plan comparisons and selections, guides employees through health plan decision trees, and so on. (Compliance and Consumerism Drive Demand for Benefit Point Solutions, Marcucci)

“Even with decision support tools,” continues Marcucci, “employees don’t always spend enough time considering their options, and that indicates a need for easier and more intuitive tools ... There’s no doubt that decisionsupport tools will continue to get better and engage employees more strongly through improvements in user interface design.”

### User-friendly web-based technology

Better-designed technology with interfaces that are more sophisticated and intuitive are vital for increasing employee engagement. Employees are also consumers and, as such, are used to websites that are simple to use. An outsourced benefits administration solution is more apt to offer a sleeker end-user experience for employees. It is becoming more and more standard for outsourcing vendors to offer an intuitive, retail-like experience that includes consumer-friendly technology such as cost comparison tools and icon-driven selection processes. Further, it is now essential to allow employees the ability to enroll in and manage all core and voluntary benefits by way of one secure, single-sign-on technology platform.

### Tailored communications

According to a 2011 survey conducted by the ADP Research Institute about how employers are utilizing technology to provide employees with better access to benefits information and benefits engagement, 81 percent of large-company HR decision makers believe it is important that employees have a full understanding of their benefits options. However, they estimate that only 58 percent of employees actually have this level of understanding. The survey found that this lack of understanding about benefits correlates to the amount of communications that employers provide about those benefits. More than a third of large employers and two thirds of midsized employers stated that they do not have a budget for employee benefits communications. (ADP Research Institute, 2011) Outsourced benefits administration typically allows employers to send targeted communications to employees. Also, because the administrative burden is lower with outsourcing, HR and benefits personnel are freer to devote more time and energy to communication strategies that help employees think more strategically about how to make the most of their benefits.

### The importance of multichannel communication outreach

An outsourced benefits administration vendor often has the expertise and technology to communicate with employees in multiple ways, including email, print, onsite group sessions, and others. This capacity clearly pays dividends. When employees received benefits communications through their preferred channels, 70 percent were very confident in their selections, according to a recent Guardian Life workplace study. When employees did not receive their communications through preferred channels, nearly 60 percent of them were not confident about their selections. Overall, the study found that when employees receive communications and can enroll through their preferred channels, they are more likely to make better enrollment decisions. (2012 Guardian Workplace Benefits Study)

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## Conclusion

Deciding whether to insource or outsource your benefits administration is an important decision that depends on many factors. Both approaches have significant upsides and drawbacks as well. In general, with the insourcing option, the upfront costs tend to be relatively minimal (presuming there is already a serviceable technology platform in place). But going it alone can increase your risk and liability down the road. Conversely, with outsourcing, perhaps the biggest barrier is the upfront monetary outlay required. But once you bite this (initial) bullet, you will likely be in a better position to adapt to the ever-changing benefits administration landscape going forward. That sounds a lot like peace of mind.

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Our high-tech, high-touch solution simplifies administrative complexity, opens communications, and provides employees with a highly customized, supportive approach to selecting traditional and ancillary benefits.

On a single platform, eBenefits enables clients to execute ACA compliance, short- and long-term benefits administration, and private exchange strategies.

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