

Meaningful Metrics: Advances in Technology Demonstrate HR and Benefits ROI



by **Bruce Shutan**

Automated benefits management solutions simplify transactions, improve data accuracy and reduce costs, a welcome sight in the face of rising health care premiums and increasing regulatory complexity.

As these new solutions link traditional HR practices to an emerging set of meaningful metrics on the employee benefits side, benefits professionals develop a new Midas touch for data mining. This improved access to data coupled with 360-degree feedback not only helps HR improve service to employees and increase benefit utilization but also demonstrates a true return on investment (ROI) for automation.

Benefits Blind Spot

While HR may have a firm grasp on turnover and recruitment practices, most employers do not track benefit plan metrics that influence employee satisfaction or control ballooning health care costs that are eroding corporate profit margins.

And it's no wonder: for larger employers, there could be anywhere from 100 to 200 weekly activities affecting benefits. It's too difficult to aggregate these activities without a centralized

technology platform that has enough firepower to manage the information and seamlessly integrate internal data mining with multiple vendor systems.

Managing the transaction-intensive benefits silo underneath strategic tasks involving recruitment, retention, training and other functions related to human capital will transform HR from a burdensome cost center to a lean, highly efficient unit that identifies significant savings and develops new operational efficiencies.

The secret lies in supercharged reporting tools that analyze both quantitative and qualitative information patterns. These help benefit professionals demonstrate their precise worth to the organization – which, in turn, help raise the strategic value of HR.

Meaningful Metrics

Consider the following areas that have emerged as the most meaningful metrics to track for ROI:

- 1. Enrollment.** The ability to monitor how many employees enroll in their benefit plans online vs. the telephone can help plan for future utilization.
- 2. New Hires/Terminations.** A review of new-hire and rehire activities and their accompanying benefits-related events can help employers quantify benefit costs resulting from turnover.
- 3. Eligibility Changes.** Automation of the benefits eligibility process can save costs associated with printing and distributing materials to employees and dependents who no longer are eligible for coverage, plus a host of other costs related to unnecessarily carrying them on the plan.

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4. Life Events. Analysis of the number and type of life events processed helps HR and benefit professionals better understand and strategically plan for the changing needs of their workforce.

5. System Utilization. Use of an automated self-service system can reduce clerical errors and save on staff time devoted to fielding routine inquiries.

6. Call Center Usage. The outsourcing of administrative functions such as benefits enrollment, multi-lingual support and other services will free up HR staffers and allow them to focus on more strategic roles.

7. Call Referrals. The ability to track the number of employees referred to carriers can help benefit professionals study the volume of service requests handled by vendors and determine where communication or operational efficiencies may be needed.

Quantifying Transactions

Each of these areas easily shows just how a benefits management solution can automate key processes and reduce administrative workloads. There's also the ability to quantify a number of activities that were previously too difficult to measure such as the domino effect that just one life event can have across the employee benefits package.

For instance, the birth of a child could trigger the need for a change in medical and life insurance coverage, prompt contributions to a new flexible spending account for dependent care or remind employees to revisit designated beneficiaries. Other life events – such as a marriage, divorce or relocation – can set off a similar chain reaction of benefit changes. Automating these events invariably saves the benefits administration team

several hours a week tracking enrollment forms and following up with multiple carriers.

Since there are at least 10 times as many transactions occurring throughout the course of a typical plan year than during open enrollment, employers are out of sync on benefits administration without a system whose wheels are constantly in motion.

Dependent Audits

Some leading-edge employers are using dependent audits as a tool for policing benefits eligibility requirements. Since 2000, Ford Motor Company has uncovered about 50,000 ineligible dependents, reducing its health care rolls by about 10% and saving millions of dollars. The numbers can quickly add up.

Key System Activity	2004						
	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Employment Events Processed							
New Hires Processed	63	56	69	49	53	53	42
Eligibility Events Gain	6	11	22	9	6	19	12
Reinstatement Events	0	0	0	1	5	0	0
Terminations Processed	47	87	53	52	91	64	31
Leave of Absence	0	0	0	0	16	32	0
Service Area Gain	0	0	3	1	1	2	0
Total Employment Events Processed	116	154	147	112	172	170	85

HR metrics like these allow employers to make informed benefit decisions and keep benefit plans aligned with an organization's HR strategy.

Employers should weigh the cost of having their technology vendor conduct a dependent audit for a static fee versus the cost of a third party that charges a percentage of discovered savings, which can turn into a large number and erode uncovered savings.

Demonstrating ROI

Having the right system in place to handle enrollment, new hires and terminations, eligibility changes and life events can potentially save anywhere from 1% to 8% on an organization's annual health care premium. Some of the nation's largest employers face a rate hike in the

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neighborhood of 10%. Shaving just 2% to 5% of the premium on a \$10 million or \$20 million health care tab can have a significant bottom-line impact.

The beauty of this arrangement is that an automated system will eliminate clerical errors and result in meaningful long-term savings. But there's a much greater qualitative impact to consider when automation limits the number of hoops employees must jump through – improving their satisfaction and appreciation of benefits value.

A better-educated and happier workforce can reduce turnover and lead to even further savings. The best way, of course, to determine employee attitudes is to leverage technology as a tool for conducting periodic and targeted surveys.

Measuring system utilization, call center usage and call referrals can save considerable time and money over the long haul by freeing up busy HR and benefit professionals for strategic projects. The impact on a typically resource-strapped HR department staffer can be enormous – saving anywhere from 25% to 70% of the individual's time, depending on the organization's size.

In addition to saving time, an efficient online system can save money by eliminating the need to hire temporary personnel during open enrollment. The hiring cost alone can be significant, reaching \$4,000 per temp when factoring in a \$10 hourly wage for roughly eight hours a day through a 10-week period. Having to train and supervise this temporary workforce could also prove to be a costly proposition.

RealLife Perspectives Offers Quarterly Report on ROI

Thanks to a new strategic tool called RealLife Perspectives, HR and benefits professionals are able to simultaneously demonstrate a true return on investment of their department activities across key metrics and raise employee satisfaction levels.

The quarterly report was developed by RealLife HR, a leading provider of outsourced benefits management solutions. RealLife HR's RealLife Benefits® is a comprehensive suite of professional services and Web-based applications to help reduce the amount of time and money spent on benefits administration.

RealLife Perspectives tracks more than 40 types of HR, payroll and benefit transactions, with the ability to quickly measure and cross reference benefits administration and communication in several major areas. These include enrollment, new hires and terminations, eligibility changes, life events, system utilization, call center usage and call referrals.

By tying in Web and phone-based employee-survey capabilities from the RealLife Benefits platform to measure benefits satisfaction, the combination of quantitative and qualitative data analysis allows for 360-degree feedback that helps plan for future benefit utilization and design more meaningful HR strategies. Such extensive analytical reporting offers a fully transparent view of human capital, which accounts for more than 60% of a typical company's budget, as well as the ability to assess and analyze data within the context of specific corporate objectives.

The end result is that for the first time, employers are able to quantify all related transactions, along with qualitative employee feedback, and truly validate the ROI for their outsourced benefits administration functions.

Serving more than a million lives, RealLife HR clients include a wide array of brokers and consultants, as well as nationally recognized corporations, including Magellan Health Systems, Bombardier, Unilever, AT&T and Comcast.

For more information, visit the RealLife HR Web site at www.reallifehr.com.

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A paperless approach will reduce the cost of printing materials, helping save \$2,500 for a 1,000-employee organization conservatively based on 25 cents per page for a 10-page enrollment booklet, as well as hundreds of dollars in mailing costs.

While many larger employers may be tempted to pursue total benefits outsourcing, another alternative is to co-source some of the work with a service provider as part of a partnership approach if it's determined that certain functions should remain in house.

360-Degree View of HR

Using quantitative data helps HR departments quickly measure benefits administration tasks and other activities. But when qualitative findings from employee surveys are added to the mix, an invaluable 360-degree view of HR services emerges. In addition to illustrating ROI, the quantitative and qualitative feedback helps HR plan for future benefit utilization and develop new strategies.

Since open enrollment is the main event in benefits, it's an ideal vehicle for gathering employee feedback. With an automated platform, employers can tailor surveys to various employee populations. For example, what do executives think about a new consumer-driven health plan?

While aiming for 100% participation in a new online enrollment would be a key quantitative objective, striving for high satisfaction among employees who see it as a huge improvement over paper-based communications would represent the qualitative aspect of this research.

Benefits automation serves as a handy tool for analyzing each day of open enrollment in hopes of creating a more user-friendly experience for employees. For example, steps can be taken to expand call-center bandwidth so that information

bottlenecks can be reduced or eliminated with the aid of reporting capabilities that show peak usage.

As part of the same qualitative mission, Web site traffic patterns could be compared to the surveys to determine which parts of the enrollment communication resonated most with employees. The ultimate aim is to determine how the information that's collected can be used to fine-tune operational efficiencies.

Conclusion

HR metrics offer new ways to validate and view benefits administration transactions. Using quantitative and qualitative data helps employers make informed benefit decisions and keep benefit plans aligned with an organization's HR strategy.

Demonstrating benefits ROI comes down to the most effective means of benefits communication. Today more than 90% of 401(k) plan transactions are now done online thanks to the infrastructure built by leading mutual-fund companies. But the gradual shift to a defined-contribution model on the health care side will be for naught without the right delivery system in place.

Given the newness of aggregating meaningful metrics on the employee benefits side, the qualitative journey is just beginning. Employers who continue down the path of paper inefficiency will be unable to make the leap to consumer-driven health plans and other cost-effective benefit delivery solutions. Only employers who embrace a well-crafted automated solution will be able to effectively manage complex benefits plans and enable employees and their families to make informed decisions about the cost and quality of care.

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