

Outsourcing Benefits Administration: Am I Ready?



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Making the right decision

As benefits administration becomes more complex and new requirements emerge, HR executives are facing the tough decision of whether to continue handling these tasks internally (“insourcing”), whether to outsource all benefits administration or whether to find a middle ground, retaining some of their current processes in-house and outsourcing the rest (“co-sourcing”).

Today, some organizations opt to insource because they are more comfortable maintaining control of all administrative functions, in spite of the need to continually invest in the technology and the ongoing education necessary to perform these functions.

Others choose to insource because they are more paternalistic and want to stay in close touch with their workforce, believing that they can provide a better, more personalized experience for their employees.

Most recently, however, a number of employers have chosen to outsource their benefits administration

as a direct result of the ever expanding rules and regulations around the Patient Protection and Affordable Care Act and other health care reform legislation.

The new requirements only make benefits administration more complex, more costly and more time consuming than ever, and these employers have come to realize that outsourcing can provide the infrastructure and technology needed to handle the myriad of benefits administration tasks, as well as give them access to the expertise needed to ensure ongoing regulatory compliance.

According to Everest Group's July 2014 Benefits Administration Outsourcing (BAO) Service Provider Landscape and Capability Assessment:

“The Benefits Administration Outsourcing (BAO) market grew at a steady rate of 6% to reach \$6.3 billion in annualized revenue in 2013. However, the Health & Welfare market grew at a faster pace of 10%.”



Benefits Administration Outsourcing market growth and revenue in 2013

\$6.3 billion annualized revenue

6% BAO market growth

10% health & wellness market growth

Not surprisingly, large employers are more likely to outsource benefits administration due to the size of their workforces, their multiple locations or the greater complexity of their benefit programs.

Midsized or smaller organizations often consider outsourcing benefits to solve for lack of internal resources and expertise. Many employers, regardless of size, choose to work with an external advisor when making their decisions regarding outsourcing.

Whether soliciting third party advice or making the determination on their own, most employers consider the following factors and outcomes as part of their decision making process:

1

Reducing the cost of benefits administration

5

Increasing employee engagement and communication through web-based technology and robust decision support tools

2

Ensuring ongoing regulatory compliance

6

Providing competent, consistent administration of services such as COBRA, FSA, HSA and HRA

3

Freeing up internal HR/Benefits resources to focus on core business needs and more strategic initiatives

7

Reducing internal investments in infrastructure maintenance and development

4

Improving the overall employee experience through streamlined enrollment processes

8

Utilizing real time reporting insights to manage enrollment, support budgeting and measure carrier and vendor performance

For most companies, one or more of these five key factors drive the decision to outsource benefits administration or change providers:

1

Our current solution no longer fits because something has changed about our business, our strategy or industry regulations

2

Our current solution doesn't work due to non-compliance, data inaccuracies, eligibility rules applied incorrectly or poor employee experience

3

The HR team is working too hard and spends too much time researching employee concerns, resolving issues, reconciling data or redoing work

4

Our account service team is not responsive, changes take too long, they are not proactive or they don't understand health and welfare benefits or our business

5

Our current solution costs too much, we get charged for every small change and changes take too long to implement, so we are just not seeing the value for the cost of our system and services

HR and Benefits executives with resource restrictions are realizing that they can rely on companies that specialize in benefits administration to provide the technology and expertise to help them eliminate these issues and be prepared for future changes.

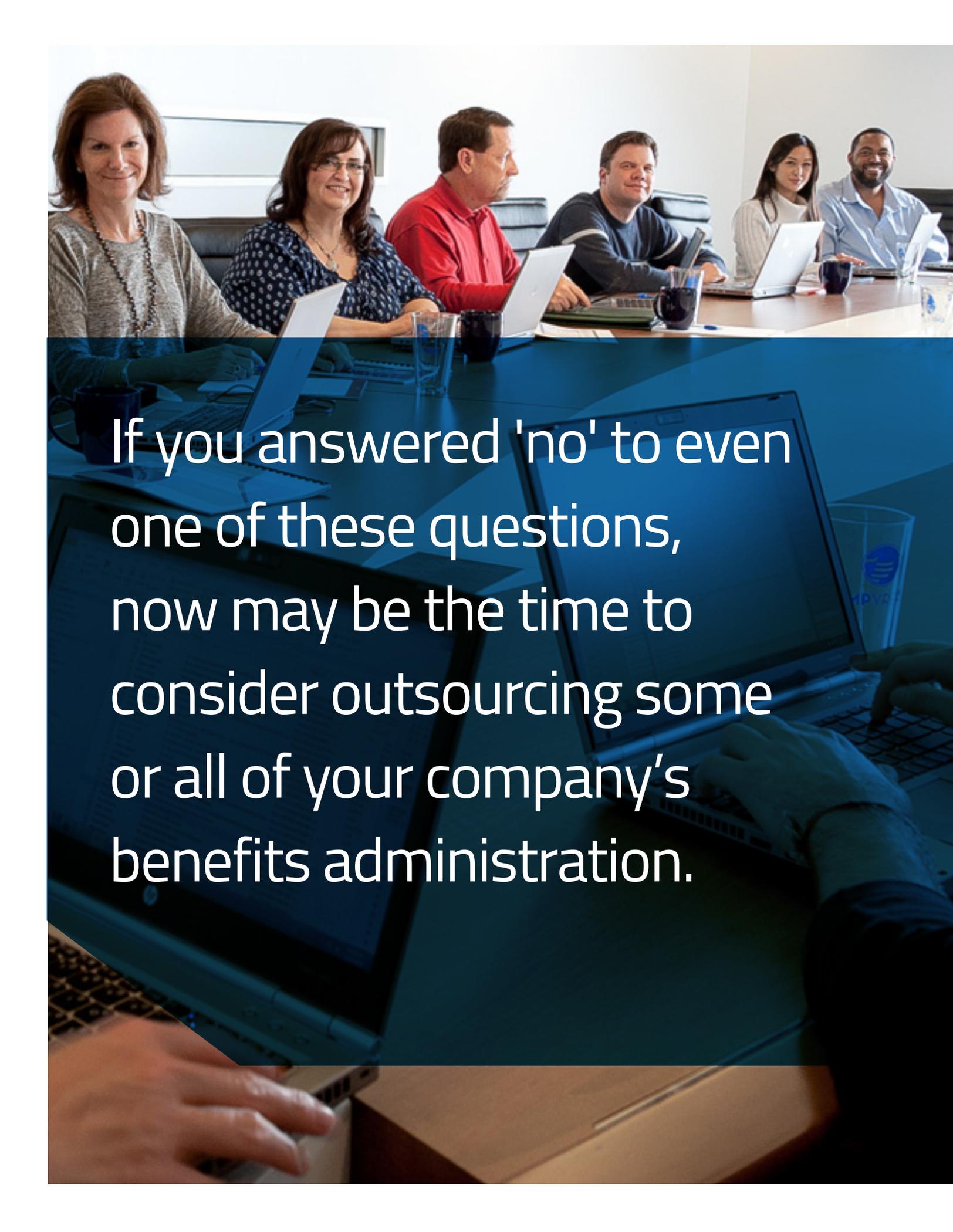
The trend toward benefits administration outsourcing remains prevalent and in fact, according to research by Gartner, Inc., **"80 percent of companies now outsource at least one HR activity, and that number is swiftly growing."**



So, how will you decide whether outsourcing benefits administration is right for your company?

A good place to start is by asking your internal staff and business partners the following questions:

- ?** Do we have the appropriate resources and infrastructure to handle benefits administration in-house?
- ?** Do we have the financial support to develop and maintain the skill sets and technology needed to manage benefits administration effectively?
- ?** Do we have the in house expertise to understand today's complex regulatory compliance issues?
- ?** Can we continue to manage all of our daily administrative functions while also supporting the strategic initiatives necessary for our company to grow?

A group of six diverse business professionals (three women and three men) are seated around a conference table in a meeting room. They are all looking towards the camera or slightly to the side, some with laptops open. The scene is overlaid with a large, semi-transparent blue graphic that contains white text. The text is centered and reads: "If you answered 'no' to even one of these questions, now may be the time to consider outsourcing some or all of your company's benefits administration." The background is a bright, modern office setting with large windows.

If you answered 'no' to even one of these questions, now may be the time to consider outsourcing some or all of your company's benefits administration.

Take a step further

To take it a step further, given all of the advantages outlined above, perhaps the most immediate question is not whether your company can afford to outsource benefits administration, but whether it can afford to continue delaying that decision.



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Talk to one of our health & welfare benefits experts. Call us at 1-800-934-1451 or visit us at www.GoEmpyrean.com

