Benefits Administration Trends, Insights and Strategies

Maximize Your Employee Benefits

Survey Report
A Brief Note

As a Benefits Administration and Human Resources professional, you bear a number of critical responsibilities including helping to maximize your organization’s investment in employee benefits. This has become increasingly difficult over the past several years as internal resources have diminished steadily while employee benefits costs have escalated exponentially. Nevertheless, you’re tasked with controlling, managing and even driving down costs. To meet these demands, you need information—the kind of information that can be found in this report.

Secova’s Benefits Administration Trends, Insights and Strategies survey was undertaken to gather benchmarking data you can use to support your organization’s overall benefits management and administration strategies. We invite you to share this report with others in your organization and in your professional network.

We also welcome your feedback on how we can improve this survey and make future editions more useful. Please send your comments and suggestions to our research manager, Sarah Soss, at sarah.soss@secova.com.

Sincerely,

Venkat Tadanki
CEO
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About the Survey

Secova conducted this survey to gather data you can use to benchmark your organization’s overall benefits management and administration strategies and to offer insights into emerging trends and best practices.

The survey was conducted among senior executives, directors and managers directly responsible for employee benefit plan decisions and for achieving the strategic goals of their organizations. Some participated by completing surveys at tradeshows and industry events while others participated online via SurveyMonkey, a trusted provider of web-based survey solutions.

More than 131 employers of all sizes and from a wide variety of industries are represented in the responses we’ve gathered. Employer size ranges from just a handful of employees to those who have well over 50,000 employees worldwide. Participating organizations operate in industry sectors that include education, finance, services, technology, health care, government, manufacturing and retail. All participant-related data have been kept strictly confidential.

Survey Questions and Responses

قود Question 1: What work issues are most important to you today?  
(Identify all that apply in the order of most important to least important.)

Despite the emphasis most organizations continue to place on reducing administrative costs, respondents identified health care compliance as their single most important issue. This isn’t surprising in light of the sheer complexity of health care reform, the multitude of changes and implications that HR professionals must absorb and communicate to their organizations, and the costly penalties that would result from compliance violations. Indeed, many HR professionals have described health care reform as the single biggest issue to impact their discipline in the past decade.

Administrative cost reduction was the second most popular response. The fact that it placed so highly, despite the effort that so many organizations have put into reducing costs over the past several years, is likely the result of multiple factors including the aggressive rate at which health care costs continue to rise and the ongoing financial
pressures that the economy continues to place on organizations. In addition, health care reform carries a number of significant financial implications. As one Secova client observed, many experts estimate that the cost impact of health care reform compliance will be moderate to severe—which means most of us will have to take a fresh look at our administrative costs and identify new savings opportunities.

It’s worth noting that when the responses are broken out by employer size, participants from companies with more than 50,000 employees cited reducing administrative costs as their top concern (at 70%) and health care compliance as their number two concern (at 60%). Strategies to improve service quality and increase the use of self-service technologies each scored just 20 percent.

**Responses by Organizations w/ >50,000 Employees**

![Graph showing the distribution of responses by Organizations with >50,000 Employees.]

- **Reduce administrative costs**: 70%
- **Health care compliance**: 60%
- **Improve service quality**: 20%
- **Increase the use of self-service technologies**: 20%

**Question 2: How is your benefits team organized to provide counseling during open enrollment?**

![Pie chart showing the distribution of responses to Question 2.]

- **Local personnel**: 62%
- **Centralized call center**: 23%
- **Regional offices**: 8%
- **Online support**: 7%

Despite the cost-effectiveness and growing presence of online benefits support systems, more than 84 percent of benefits teams continue to provide one-on-one support through local personnel or call centers during open enrollment. This is likely due to several factors including HR’s need to explain the implications of health care reform to employees and answer their questions; a preference among some employees for support from live HR representatives; and company cultures which have not yet embraced online technologies.

However, it should be noted that local personnel are the most costly form of support—yet half of all respondents cited administrative cost reduction as one of their most
important issues while another 31.6 percent said that increasing the use of employee self-service technologies was important (see question one, above).

Clearly, the challenge for HR is to continue to migrate employees toward using more cost-effective support systems while still serving people’s needs effectively. There is growing belief in the HR community that organizations will implement call center models to a greater degree due to the continued need to reduce costs while still helping employees understand the implications of health care reform and make informed decisions. And because online support is often the most cost-effective option, more employers will launch training initiatives to help employees become comfortable with using web-based systems. These systems not only reduce costs and administrative strain on HR staff but also give employees 24/7 access to information and enrollment tools. Even smaller organizations can benefit from these types of efficiencies.

**Question 3: What portion of your team’s time is spent on administering benefits?** (1 represents most of your time and 5 represents extremely little time.)

A combined 70 percent of respondents spend half to most of their time on benefits administration, while just less than 10 percent spend extremely little time doing so.

As with question two, the responses to question three highlight HR’s ongoing challenge: to migrate employees toward self-service systems without making them feel as though they’ve been “abandoned” to technology.

In addition to reducing costs and administrative work, self-service support models also free HR staff to focus on the organization’s more strategic needs. Key areas in which HR can implement these alternative benefits administration support models include FMLA/absence management, dependent eligibility management, and benefits plan management (see question five, below).

One respondent noted that outsourcing these types of functions not only enabled the HR staff to focus on more strategic issues but it also “helped the department become more proactive,” specifically in identifying and reducing benefits-related issues before they affected employees.
Question 4: What are the top concerns of your organization’s benefits management and administration specialists?

High concern: Once again compliance scored highly among respondents’ concerns (58.8 percent rated their concern “high”) but it was edged out by “provide proper communication resources” (cited by 60.7 percent). It’s very likely, however, that these two responses are intertwined: the communication of compliance-related information is helping to drive up concern regarding proper communication resources. Respondents’ concern over communication resources is understandable, especially as the benefits landscape is expected to continue evolving dramatically over the next decade. HR must determine the most effective ways to communicate all of this change to employees while at the same time addressing another top concern: “expanding benefits offerings and reducing costs” (56 percent rated this of “high” concern).

Medium concern: The three leading issues of medium concern to respondents are 1) update/automate benefits administration systems, 2) reduce HR administrative workloads, and 3) consolidate and manage HR suppliers—all of which hovered around 45 percent.

Low concern: In terms of being a non-issue, no response even came close to “consolidate and manage HR suppliers.” 43.1 percent rated their concern “low” on this matter, while the next closest response was “ensure accurate/secure data exchange” at 16.2 percent. Clearly, HR professionals feel that vendor management is an issue they have well controlled overall. Perhaps this is a result of the close relationships they’ve built during the past several years with vendors and suppliers as they partnered on cost-containment, streamlining and efficiency initiatives.
Question 5: How does your organization handle the following services?

**Internal:** FMLA/absence management (at 77.8%), premium billing and reconciliation (at 65.9%), and dependent eligibility management (at 65.7%) were the three services handled most commonly by internal resources. Benefits administration call center support followed closely (at 60.9%).

**Outsourced:** COBRA administration was far and away the most widely outsourced service (at 57.5%). Unsurprisingly, benefits administration call center support and dependent eligibility management placed second and third on the list of outsourced services (at 21.1% and 20.1%, respectively). Indeed, all of the services that placed highly on the outsourced list did so because they are easily transferred to, managed and audited by a vendor with the appropriate technology, infrastructure and training in place.

**Both Internal & Third-Party Outsourced:** Benefits administration (at 34.6%) and benefits plan management (at 30.9%) placed highest in the “both” category, meaning they’re handled to some degree by internal and third-party resources. Benefits administration call center support and premium billing and reconciliation also placed high on the co-sourced list because the vendor often provides the necessary infrastructure and support for these services. As many organizations can attest, this co-source relationship is ever shifting (especially among large employers), with HR continually outsourcing services to a greater or lesser degree to attain the best balance of quality and cost.
A number of survey respondents cited “cost reduction” as a primary reason for outsourcing the services listed above. However, several also cited “improving HR’s ability to focus on more strategic initiatives” and “enhancing HR’s productivity” as motivating factors as well.

**Question 6: Does your organization provide online access for the following?**

![Bar chart showing online access](image)

Web enrollment (at 63.7%), real-time employee benefits data (also at 63.7%), and reporting (at 53.8%) led the list for online access, while issue resolution support was the least common online offering (at 37%). Web enrollment and real-time employee benefits data led the list of services that respondents plan to offer online in the near future (at 11.9% and 11.1%, respectively).

When these results are filtered by employer size (see the chart below), we find that employers with more than 10,000 employees are much more likely than smaller employers to provide online access for web enrollment, real-time employee benefit data, issue resolution support, a plan comparisons tool and reporting. This is likely due to a number of factors including financial resources, cultural differences, the ability to train and educate people in the use of online tools, and the geographic dispersion (or lack of it) among employees of participating companies.
Today’s employers recognize that their ability to manage administrative costs depends, in part, on successfully engaging employees in using online benefits technologies. However, this is a transitional period for many organizations in which there remain a significant number of employees who prefer to resolve issues and get information through live HR representatives. Therefore, we expect that some redundancy of effort will continue for a few years, with employers offering online technologies as well as in-person assistance. This will be especially true among larger companies with greater resources.

**Question 7:** How would you rate your current enrollment system’s performance in the following areas?
Overall, the results of this question were troubling. Forty-two percent of respondents rated their enrollment system’s ease-of-use poor to average. Another 36.3 percent rated their system’s reliability poor to average. And more than 50 percent rated their system poor to average in terms of reporting and analytics and the system’s ability to be customized—two features that are key to maximizing performance and results.

Given these results in conjunction with the scope and complexity of health care reform, the increased intricacies of administering benefits, and the ongoing need to better manage costs, it appears as though many organizations need to move quickly to identify ways to enhance their enrollment systems’ overall effectiveness and bridge crucial gaps in ease-of-use, reliability and other important features.

Question 8: Do your organization’s cost containment strategies include the following?

This question was intended to gather data on the most prevalent cost containment strategies (the list is by no means definitive), so it is no surprise that respondents widely cited cost sharing, plan design changes and employee wellness programs as part of their strategies to contain costs.

As the results show, another strategy that employers are widely implementing is dependent eligibility management (i.e., scrubbing their systems of ineligible dependents, such as former spouses and aged-out dependents). This strategy is especially useful for employers that want to reduce costs without raising employee contribution levels or slashing benefit programs. With health care costs continuing to rise, dependent eligibility audits will continue to grow in popularity – especially since each ineligible dependent can cost an employer literally thousands of dollars on average per year in health care expenses.
What is surprising is that more than 70 percent have not yet restructured their retiree benefits while nearly 68 percent have no new outsourced HR initiatives planned—two strategies that are routinely identified as essential cost containment tactics. What’s more, relatively few of these same respondents plan to take these actions in the near future.

However, employers will have to implement these other cost containment strategies in the years to come, as many in the industry believe that cost sharing alone simply will not be able to keep pace with rising expenses—especially since employees have already assumed an ever growing portion of benefits cost increases over the past several years.

**Question 9: When did your organization implement the following programs?**

![Dependent eligibility audit](image)

![Ongoing dependent eligibility](image)

The large majority of respondents already have implemented a dependent eligibility audit and most are in the ongoing process of managing this issue. This is important because legislative changes continue to place financial pressures on employers; the advent of no lifetime limits on dependent coverage, for example, means that employers must be sure to purge ineligible dependents from their systems. There will likely be many more such changes to deal with in the years to come.

While audits help organizations improve processes and purge systems of obvious flaws, perhaps one of their greatest advantages, according to one survey respondent, is that “they can reveal issues and problems in processes that you thought were completely sound.” Thanks to an audit of its HR systems, this client saved a total of $2 million in one year.
Implications for Employers

1. **Cost continues to be a concern but compliance tops the list.**

Respondents made it clear that their number one concern is compliance with the Health Care Reform Act. Indeed, the Act’s regulatory changes are so profound that many in the industry describe them as nothing short of “historical.” While many of the new rules and regulations won’t take effect until 2014, employers must begin to act now to evaluate their benefits plans and ensure their compliance with the Act. Among the tasks employers will be faced with are revising the design of their group health plans, providing new summary plan descriptions, and communicating to their employees about the effects of the new rules and regulations on their benefits. Given the complex—and, in some cases, significant—changes that the Health Care Reform Act imposes on employers, it’s no wonder that compliance topped HR’s list of concerns.

Even with historical compliance challenges looming, HR professionals haven’t turned their attention away from the need to continue to reduce benefits administration costs. In fact, half of our respondents cited cost reduction as a top concern. A perfect storm of forces has helped to keep this issue prominent including the ongoing rise of health care costs, the stagnant economy and the implications of health care reform.

2. **When it comes to open enrollment, desire doesn’t match reality for most.**

Despite a strong desire to reduce administrative costs, more than 84 percent of organizations use the costliest support model—one-on-one support by local personnel—during open enrollment. Centralized methods of support and administration obviously have lower cost points but a mere 7.4 percent of respondents’ organizations use online support technology.

While some of this discrepancy can be attributed to issues of corporate culture and HR’s concern over communicating health care reform changes to employees, it nevertheless points up the need to migrate employees toward using more cost-effective support systems while still serving their needs effectively. The need to
implement alternative support systems is made even clearer when you consider that 50.7 percent of respondents cite administrative cost reduction as a top concern and another 31.6 percent cite increasing the use of employee self-service technologies as a top concern.

3. **Online support for issue resolution is a missing link.**

More than 55 percent of respondents’ organizations do not provide online issue resolution support. Again, this finding is made more compelling by the large percentage of respondents who cite administrative cost reduction and increasing the use of employee self-service technologies as top concerns. While online technologies might not serve every employer’s needs completely, there’s no denying that web-based systems will have to be given greater consideration as HR departments are forced to maintain high levels of productivity with static or dwindling resources. In addition to helping reduce costs and administrative strain, online support technologies are valued for giving employees the ability to enroll in programs, update personal information, and find the answers to many of their questions 24/7.

4. **Mediocrity appears to abound among benefits enrollment systems.**

Forty-two percent of respondents rate their enrollment system’s ease-of-use poor to average. Fifty percent rate their system poor to average in terms of reporting and analytics and the system’s ability to be customized. Nearly 40 percent rate their system’s response time poor to average. And more than 36 percent rate their system’s reliability poor to average.

These ratings help to explain why 40.7 percent of respondents say they have a high level of concern regarding updating and automating their benefits administration systems and why another 47.8 percent cite a high level of concern when it comes to ensuring the accurate and secure exchange of data.

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**The Secova Difference**

Secova is a leading Benefits Management Services company that delivers customized "Value-Sourced" solutions designed to enhance services and reduce operating costs. Secova’s mission is to help its clients control and drive down the cost of delivering Human Resources & Employee Benefit Services. Secova’s customized and flexible benefits administration solutions are designed to complement the client’s overall benefit administration strategies, to help lower costs and improve service quality while enhancing timeliness, accuracy and responsiveness to the client’s employees. For more information about Secova, visit [www.secova.com](http://www.secova.com).

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(800) 257-0011
info@secova.com | www.secova.com