Why Trusts and Associations Should Outsource Their Benefits Administration

A 10-Question Guide to Help You Avoid Surprises

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Today, benefits account for 30.5% to 37.5% of your member groups' total compensation spend.[1]

As a trust or association made up of employers of all shapes and sizes, that probably doesn't surprise you, especially in this rapidly evolving labor market. More importantly, it's a testament to the important role you play in serving your member groups' needs for administering the employee benefits that help them attract and retain top talent.

From their employees' perspective, 57% consider benefits a major factor in selecting a new job.[2] And, 73% believe the right benefits increase loyalty to their employer.[3]

And it's your job to ensure they have access to the right benefits in the right place and at the right time.

1 Employer Costs for Employee Compensation, U.S. Bureau of Labor Statistics, 2019
2 5 Job Trends to Watch in 2016, Glassdoor, 2016
3 17th Annual US Employee Benefit Trends Study, MetLife, 2019

73%

of employees believe the right benefits increase loyalty to their organization—your member.

Businessolver

Today's employee expectations require more innovation

As you strive to meet the needs of the member groups that make up your trust or association, it's important to take a step back and look at the needs and rapidly evolving expectations of their employees. That is, to attract and retain customers, today's pooled insurance groups must provide employees with the kind of consumer experience they've come to expect from online shopping, mobile banking, rideshare services and nearly every other transaction they encounter in their day-to-day lives.

Think of your favorite retailer. Your loyalty card gives you rewards with one quick swipe. Your online portal has your purchase history and makes returns a breeze. When you can't find your size on the rack, you can order it online. Emails recommend new products you may like, and text messages alert you to flash sales.

When your customer experience is this seamless, you feel the retailer really knows you. You feel valued. You feel like a person, not a number. Benefits should be no different.

Of course, this sort of experience requires a certain investment and a commitment to innovate beyond the status quo.

To retain member groups and grow your business, you must provide employees with a modern benefits experience.

Your experience matters too

With a dynamic economy, four generations active in the workforce and a rapidly evolving regulatory landscape, trusts and associations like yours need flexible and scalable solutions to meet the diverse needs of your member groups. The last thing you need is a benefits administration system that limits your ability to be responsive or one that causes an administrative nightmare.

As a manager of pooled insurance benefits, you have a lot in common with traditional human resources teams, 54% of whom say they want **benefits technology that makes their job easier.**[1] Like them, you know the advantages technology brings to other areas of life and you want the same advantages throughout your workday. Like your counterparts in the HR world, pooled group benefits professionals like you want your 5-to-9 to look more like your 9-to-5.

1 Businessolver. Technology with Heart, 2019

Most importantly, a positive and efficient experience with your benefits administration platform allows you to concentrate on activities that add value to your organization—activities like strategic planning, streamlining business processes and meeting the many other needs of the member groups that make up your trust or association.

Recognizing the barriers

When it comes to providing a modern benefits experience and improving administrative efficiencies, pooled insurance groups face several unique challenges.

Strapped Budgets. For many trusts and associations, a large portion of their revenue comes from public entities that have very little budgetary wiggle room. School districts, for example, must not only abide by their local and state funding rules, they're also held to a higher level of accountability through board members and taxpayers.

Talent Drought. Turnover is high within trusts and associations. Even the older and more stable organizations face staffing challenges, especially if they've failed to implement succession planning to prepare for the "silver tsunami" of their retiring baby boomers.

Squeezed Resources. Like any business, trusts and associations are always looking for ways to do more with less. Unfortunately, many lack the staff or experience necessary to introduce big efficiency initiatives that could give them the upper hand over the competition.

Innovation Gap. Any business trying to achieve economies of scale must leverage technology whenever possible. Unfortunately, pooled insurance groups have not historically made this a priority. Many have not sent out a request for proposal (RFP) for new technology in several years, so they don't know what's available. Meanwhile, their member groups are encountering new technology in their own workplaces all the time. Unless you innovate or modernize, you risk losing customers whose expectations are constantly evolving.

Legacy System Burden. Due to the factors stated above, many pooled insurance groups have been stuck with the same benefits administration platform for years. While some have managed to get away from truly antiquated paper-based systems by upgrading to enterprise resource planning (ERP) software, most are unable to afford the change request fees required to modernize their systems. Still others have found that it takes a village just to keep the system going due to certain processes that must be completed manually.

Compliance Risk. The regulations surrounding the Affordable Care Act (ACA), COBRA and other compliance-related issues change so often, it's hard to keep track. Not only does this put you at risk for fines, penalties and even lawsuits, the expense of hiring a compliance consultant prevents you from investing in technology that can protect you just as well.

Whether a few, most or all the barriers above have prevented you from considering new investments in technology in the past 5 or 10 years, now may be the time to think differently. Not only is the technology more affordable, your competitors are likely considering more advanced solutions to better position themselves and gain more market share—namely your market share.

But which kind of benefits administration technology and services should you choose?

First, it helps to understand the two basic models of benefits delivery.

Insourcing: In this model, the trust or association relies heavily on internal resources to manage the entire benefits administration process, from enrollment to customer service. Most often, the technology used in this model is a basic benefits module that is tacked on to a human capital management (HCM) or enterprise resource planning (ERP) software.

Outsourcing: In this model, people, processes and technology are all handled by a third party. Also called a "point-solution" or "best-in-class" benefits administration platform, the technology is robust and the services are tailored to suit each trust or association's unique needs and culture.

From a cost perspective, the price tag for an outsourced solution may, at first, seem larger than that of setting up an insourced solution. Organizations who insource, however, must make additional investments in staffing, and often must turn to consultants for the ongoing maintenance of their platform. Outsourced solutions, by contrast, have a more predictable cost structure and lower overall cost of ownership.

As such, pooled insurance groups face a fork in the road. Before they decide which vendor to use, they must first decide which sourcing model works best for them.

Whether you serve your trust or association as an executive director, benefits director, fund manager or in another capacity, ask yourself the 10 questions in this guide as you consider your options.

Pooled insurance groups leaning toward an insourced model should carefully consider the 10 questions in this guide.

1. What's my projected total cost of ownership throughout the contract?

As your benefits administration budget struggles to keep pace with other your business priorities, the decision to insource or outsource often comes down to cost. This is why insourced solutions seem so attractive at first glance; it's hard to say no when your existing system has "gotten you this far." Unfortunately, it's easy to forget about the day-to-day work your benefits staff must do-including manual processes-just to keep the current system afloat. This can prevent you from seeing the entire picture and the downstream impact of insourcing.

With contracts for benefits administration solutions often spanning two, three or even five years, you need to make sure you understand the long-term impact of selecting one platform over another. Start by considering a set of scenarios in which you **estimate the total cost of owning a solution during the full term of the contract** after hiring additional staff, borrowing resources from your IT or legal departments and paying consultants. Also make sure to research the costs of selecting a solution that may put your organization at risk for financial losses due to security breaches or member experiences that negatively impact your customer retention efforts.

2. What services do I need?

Any search for benefits administration technology and services starts by determining what's in-scope. First, break down your benefits administration processes into their component parts. Most pooled insurance groups can identify around 20 separate tasks in health and welfare administration, let alone ancillary benefits services.

Then, ask yourself which components you can accommodate internally (e.g., enrollment, fulfillment, etc.) and which you'd need assistance with (e.g., COBRA administration, FSA administration, system design, etc.). If the solution you're considering can't accommodate your needs, **calculate how much funding you'll need** for additional vendors, specialized staff or consultants.

3. How will I deliver these services?

After identifying your scope of work, consider how each service will be delivered. Take FSA administration, for example. While an insourced solution may include the integration of FSA data and streamline some of your team's administrative work, this benefit means very little if employees don't know how to take advantage of it. In fact, all those efficiencies might be negated if the employee experience around using their FSA results in any confusion your team might have to address through employee inquiries or additional educational efforts.

Make sure you have **a full understanding of the employee experience** and how that impacts the employees you serve and your team itself. Insourcing your benefits administration means that your team is on the hook for handling unforeseen employee inquiries when things go wrong. Outsourcing your benefits administration, on the other hand, provides you with an insurance policy. If something does go wrong, your vendor is the one who must make things right. And, they'll handle employee inquiries, allowing your team to concentrate on their other duties.

Outsourcing your benefits administration provides your team with an insurance policy.

4. Who will build and maintain my platform?

Organizations with only a few hundred employees and who offer relatively few benefits may, in fact, want to consider insourcing their benefits administration. But that's not usually the case for trusts and associations. Because the functionality of HCM- or ERP-based benefits modules is so basic, any customizations to your platform will likely have to be completed by a benefits tech consultant. Before you go down the path of insourcing, find out what your consultant would charge to simply get your platform ready for the first day of annual enrollment.

Then, consider any mid-year changes that may become necessary, such as making a tweak to a life insurance plan or responding to new file feed requirements from your vendors. This is fine if you or your IT team has the technical expertise required. If not, **get a quote on the hourly rates a consultant would charge** for mid-year changes.

5. Will my platform support my member groups' future benefits strategies?

As healthcare costs continue to increase and utilization trends emerge, the biggest wins groups can make are in the plan designs themselves. **The last thing you want is a platform that won't support your customers' future cost-savings efforts** because it lacks flexibility or would be too costly to reconfigure each year.

Some changes, like introducing a high-deductible health plan, may already be on their radar. Remember to consider other possible changes as well. To stay competitive, will your member groups need to add more voluntary benefits like identity theft protection, pet insurance, student loan consolidation or long-term care insurance? And what will happen if they were to change carriers altogether, as in the case of life insurance or long-term disability? Will your selected platform be able to accommodate these changes while efficiently meeting the needs of your member groups' beneficiaries and retirees?

6. Who will train my staff and maintain documentation?

Nobody knows the impact of turnover better than trust and association managers. If you've ever lost a team member during annual enrollment, you know the implications—you and your team must work longer hours, morale declines and missteps during "go-time" can cause problems for the remainder of the plan year.

The more benefits administration services you decide to handle internally to support an insourced solution, **the greater the need for an agile and well-educated team** supported by ongoing training and robust process documentation. This is especially true if you have created a call center to service your members throughout the plan year. In this environment, every day is "go-time."

7. What compliance issues should I consider?

Pooled insurance groups that insource agree to **take on additional fiduciary risk** when it comes to compliance requirements associated with HIPAA, the ACA and dozens of other regulations. Before you insource, consider everything this entails, from the staff, to the technology to the facility where benefits administration will take place.

Also remember that governmental regulations are anything but predictable. As compliance issues grow more complex at the municipal, state and federal levels, make sure the legal and compliance experts within your organization have the bandwidth to help you navigate this territory. If not, budget for additional resources or consider an outsourced solution supported by experts who work on compliance issues every day.

Failure to verify dependents with tools such as document imaging can result in your member groups paying large and unnecessary claims.

8. What other factors should I consider in creating an internal service center environment?

The service centers of today look nothing like those of five or even three years ago. In the benefits space especially, the drive to reduce healthcare spend, create operational efficiencies and maintain compliance has resulted in significant investments in technology.

It's no surprise. Failure to verify dependents with tools such as document imaging, for example, can result in your member groups paying large and unnecessary claims. Or, failing to capture the details of a call can result in missteps, costly rework and frustration among your team members.

To ensure you're meeting your customers' expectations for accuracy, timeliness and member experience, **consider the cost and implementation timeline of the technology you'll need** to run an efficient and effective service center. Examples include technology to help you manage cases, record calls, build and maintain a staff knowledge base, generate reports, conduct business analytics and securely image and store documents.

9. What's my potential vendor's available technology and what's on their roadmap?

Like most businesses, trusts and associations are always trying to do more with less. Fortunately, machine-learning and artificial intelligence are helping reduce the burden of the day-to-day activities associated with benefits administration.

When considering an insourced solution, ask vendors about the technology they have in place to make you more efficient, which features are included and which components are available as buy-ups.

Also, learn as much as you can about **where each vendor is headed with their benefits administration technology**. Find out how it compares to other vendors, including outsourced best-in-class point solutions.

10. How dedicated is the vendor to employee benefits?

When going to market for benefits administration technology and services, this can be one of the most important questions you ask in your request for proposals. Find out the **percentage of each vendor's revenue that is attributed to benefits administration**, and learn as much as you can about their history with serving pooled insurance groups like yours.

If benefits administration is not one of your vendor's core competencies, you may be exposing yourself to risk for the long-term ownership of the platform. The less dedicated they are to benefits administration, the less likely they are to invest in the kind of changes you need to be efficient and competitive with your benefits offerings. Worse, they could sell off or phase out the benefits administration portion of their business, leaving you to maintain the platform yourself through expensive consultants.

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