An Introduction to Insight-Driven Benefits Administration

Reduce health care costs. Boost employee engagement. And finally take control of your benefits program.

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Employee Benefits: The Multi-Billion Dollar Problem

Benefits programs can be a headache for everyone involved.

They're a huge cost center for employers and often confusing and frustrating for employees. And let's be honest — nobody really understands them. Even worse, making poor or uninformed decisions about plan design or which plan to choose can have enormous and potentially adverse financial consequences for all parties.

And that's just scratching the surface. Here are some of the top challenges presented by employee benefit programs:
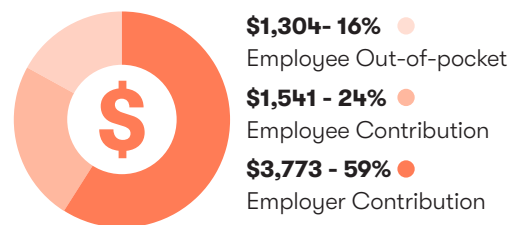
Challenges for Employers

- **High and rising costs**. According to the Bureau of Labor Statistics, in 2019, employee benefits will account for 31 4% of all employee headcount costs.[1]

- **Poor benefit programs lead to low employee retention**. Employee turnover costs US companies approximately $1 trillion per year, according to Gallup.[2]

- **Plan design can be extremely complicated**. Countless factors are involved in plan design, and many organizations lack the tools to create plans that benefit everybody.

- **Lack of insight into how plans are performing**. Tracking plan performance manually is extremely labor-intensive, so most organizations don't do it.

- **Lack of employee health care literacy**. Employees routinely choose the wrong plans and use them incorrectly, leading to worse health outcomes and lower job satisfaction.

- **High employee expectations**. Employees are accustomed to an outstanding online user experience in every other aspect of their lives and are turned off by legacy HR systems.

- **Administrative burden**. Managing employee benefit management programs manually is extremely labor- intensive.

Challenges for Employees

- **Benefits are very complicated**. It's easy (but very costly) to choose the wrong plans.

- **Lack of benefits understanding**. Benefits fluency isn't taught in school, and most people have never devoted time to learning about coverage.

- **Lack of time to spend** choosing and managing benefits. People are busy, and don't have the time or inclination for more "chores" According to Aflac, 56% of employees spent less than 30 minutes researching their benefit options during the last open enrollment.[3]

- **Health care, in particular, is very expensive**. The US spends more on health care (both per capita[4] and as a proportion of GDP[5]) than any other country in the world, and that cost is shared by employers and employees.

- **They don't know what they don't know**. Most employees are clueless about benefits (particularly health benefits) and don't even realize how much they have to learn.

- **They make poor decisions**. The effect of all the above is that many employees select the wrong benefits for their needs, causing themselves more cost and stress than necessary.

HEALTH CARE IS VERY EXPENSIVE FOR EVERYBODY

$1,304- 16% Employee Out-of-pocket

$1,541 - 24% Employee Contribution

$3,773 - 59% Employer Contribution

According to the 2019 Milliman Medical Index, health care costs on average **$6,348** per person each year — split roughly 60/40 between employers and employees.[6]

When the solution isn't serving anyone, it's time for a change.

The challenges outlined on the preceding page lead to one outcome: Everyone is dissatisfied with the current state of employee benefits.

But here's the thing. When a benefits program is well constructed, it can have a positive outcome for everyone.

A comprehensive benefits program is a differentiator for an employer and empowers employees to improve their health. It leads to better employee retention, better health outcomes and substantial cost savings for everybody.

But a properly designed benefits doesn't happen by chance — it is a result of deliberate, insight-driven planning. To get to this point, you first have to understand what everybody needs from a benefits program.

Start from the Beginning

Before you can hope to design a winning program, you must know what you're trying to achieve In other words, what does a strong benefits program need to do?

Employers and employees have different priorities. Employers are mainly interested in controlling costs and keeping their workforce productive. Employees, on the other hand, want to keep their costs down while making sure they — and their families — are adequately cared for and protected.

These priorities aren't as conflicting as they first appear. While the outcomes desired by each party are quite different, the benefits strategy needed to get there is very much aligned. So, before we continue, let's get a clear picture of exactly what employers and employees need from a benefits program.

Employers Need:

- A happy and healthy workforce
- Better employee retention
- Less absence due to sickness and "presenteeism"
- Tools to measure and improve plan performance
- Data-backed cost control strategies

PRESENTEEISM: THE SILENT PRODUCTIVITY KILLER

When employees make poor decisions about health benefits, employers suffer too. Often, when employees can't afford treatment in the short term, they simply forgo it and keep going to work in poor health. This is called "presenteeism", and by some accounts, it costs employers 10 times more than absences.[7]
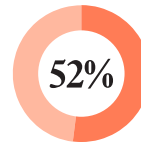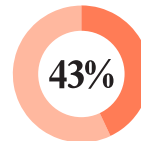
Employees Need:

- A wide range of affordable health and voluntary benefit options
- A way to easily compare the costs and benefits of different plans
- Decision support tools to help them choose the right benefits
- An easy-to-use interface for benefits selection and management
- Help and advice on how to manage their benefits properly
- To save money, particularly on health care

WHEN WE SAY EMPLOYEES NEED SUPPORT TO CHOOSE AND USE THEIR BENEFITS…
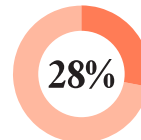
WE AREN'T KIDDING.

52% Just over half (52%) of employees say they have a thorough understanding of their health benefits.

43% Compared to 43% for non-health benefits.[8]

28% Even worse, only 28% of employees know they're fully using their benefits.[9]

All of these needs are fundamental to the purpose of employee benefits and must be considered at all times during program design and management. And remember, this isn't a zero-sum game — everybody can win provided the program is setup properly.

Introducing Insight-Driven Benefits

When employers aren't sure how to design benefits that work for everybody and employees don't know which benefits are right for their needs (or much less how to use them), the biggest issue becomes uncertainty. That's where insight-driven benefits administration comes in.

So, what is insight-driven benefits administration? Simply stated, it's the antidote to uncertainty. It involves collecting huge amounts of data, feeding it into an AI-powered analysis engine, and using the results to answer questions such as:

- Are employees choosing the right plans for their needs?

- Where do most health care costs come from?

- How can we refine existing benefits to reduce costs for everyone?

Or, at the employee level:

- Which benefits are right for my specific circumstances?

- Am I making the best use of my benefits?

- What's the most cost-effective way for me to receive treatment?

For Employers

- Monitor how health and benefit programs are performing, and where improvements are needed

- Track how well employees choose and utilize plans, and how that affects costs for all parties

- Take the guesswork out of benefit design by modeling plan changes to co-pays, networks etc

- Calculate the likely financial impact of new or altered benefit offerings based on real-world data

- Offer total transparency into the benefits program, and how individual factors affect the bottom line

- Enable data-driven, personalized wellness campaigns and incentives, leading to improved health

For Employees

- Identify the ideal benefit options for each employee's personal circumstances (decision support)

- Provide ongoing insights and suggestions on how employees can get the most out of benefits

- Model the likely financial impact of different benefit options in common situations

- Accurately calculate how much employees should be saving in health benefit accounts

- Take the guesswork out of benefits selection — employees compare plans based on personal needs

- Enables personalized wellness recommendations, which are more engaging and effective

OF COURSE, NOT EVERYBODY IS A DATA SCIENTIST

The lessons we can learn from benefits data are critical and can positively impact all parties. But there still remains a missing ingredient!

Turn Data into Action with a Modern Benefits Platform

Data insights are a wonderful thing, with the potential to transform a benefits program. But it can't happen manually. There aren't enough data scientists in the world to cope with the amount of raw benefits data produced by even a mid-sized organization.

Instead, insight-driven benefits administration relies on an automated platform to collect, aggregate and analyze data from multiple systems to produce actionable insights. But this still isn't enough. Insights alone won't achieve the desired result — they just aren't engaging enough to change employee behaviors.

In today's digital world, employees expect every technology experience to be seamless, intuitive and accessible. And while this experience hasn't been available in the benefits space until recently, modern cloud-based benefit platforms give employees exactly what they want and need.

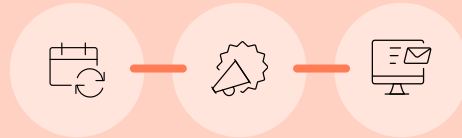## A Modern Cloud-Based Benefits Platform is ...

... a system that combines insight-driven benefits administration with an intuitive, easy-to-use and visually appealing front-end that's accessible across all devices. It's a benefits experience functionally equivalent to shopping on Amazon.

From an employer's perspective, it's a complete solution that helps them design, build and manage their benefits program. It provides data-based insights to help track program performance, model future improvements, and see how successfully employees are choosing and using benefits. An optimal platform removes the administrative cost and burden of benefits management while improving outcomes.

From an employee's perspective, it's a web-based and mobile-accessible portal they use to choose, manage and learn about their benefits. It includes decision support tools like plan comparisons and cost estimators to help them pick the best benefits for their specific situation, as well as personalized guidance to help them get maximum value throughout the year. It's also a learning center where they can browse educational resources to help them improve their benefits knowledge.

COMMUNICATION IS KEY

Limiting communication with employees to open enrollment (OE) is a huge mistake — this is a busy and stressful period for employees. Communications during OE are important, but NOT enough to improve employee understanding of (or engagement with) a benefits program.

Instead, communication about benefits should happen all year round AND use a multi-channel strategy that includes email, push notifications, SMS, etc , to maximize employee engagement. A modern cloud-based benefits platform makes this easy by automating the process and delivering personalized insights, suggestions and communications that are relevant and targeted to each employee's specific situation.
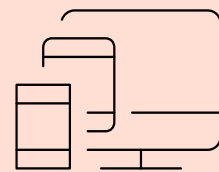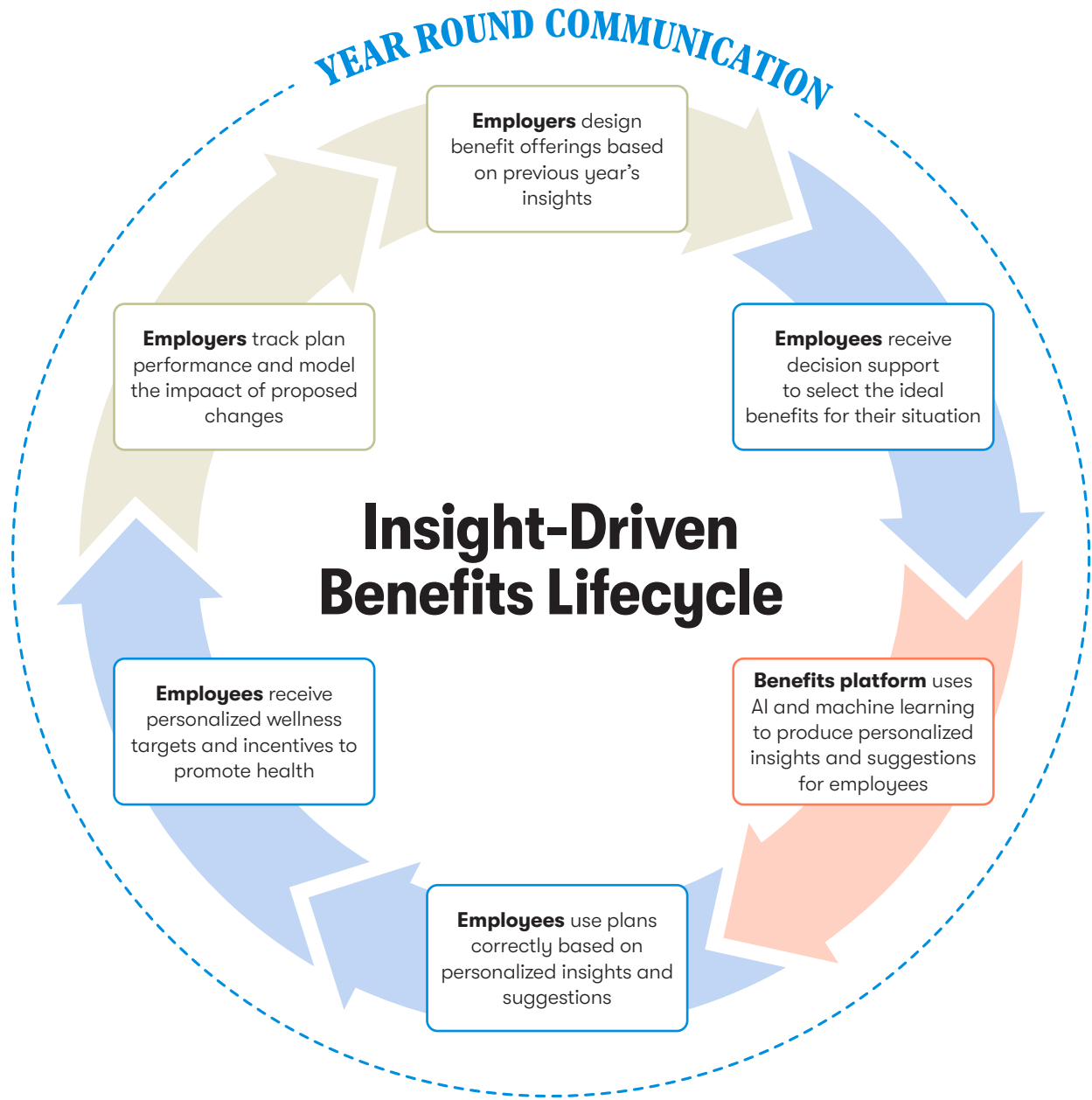
The Difference Maker

Note that it's the combination of data-driven insights with a modern benefits platform that really makes the difference. When uncertainty is removed, and employers replace burdensome manual processes while providing employees with a user-friendly way to choose and manage their benefits...good things happen.

Essential Components of a Modern Benefits Platform:

- Strong user experience and visual appeal
- Web-based and mobile-first design for easy access
- A full range of reporting and modeling tools
- Intuitive to use for employers and employees
- Tools that enable easy, year-round communication

Insight-Driven Benefits Lifecycle

YEAR ROUND COMMUNICATION

Employers design benefit offerings based on previous year's insights

Employees receive decision support to select the ideal benefits for their situation

Benefits platform uses AI and machine learning to produce personalized insights and suggestions for employees

Employees use plans correctly based on personalized insights and suggestions

Employees receive personalized wellness targets and incentives to promote health

Employers track plan performance and model the impaact of proposed changes

Insight-Driven Approach + Cloud-Based Benefits Management Platform =

- Reduced Costs
- Better Plan Selection/Usage
- Improved Health Outcomes
- More Engaged Employees
- Greater Employee Retention

Year Round Communication with Employees Helps

- Drive more intelligent enrollment and utilization decisions
- Maximize employee engagement and satisfaction
- Increase participation and keep costs down

How to Assess the Maturity of Your Benefits Program

Before you can take an insight-driven approach and improve your benefits program, you need an accurate view of where you currently stand. That's where the Benefits Maturity Model comes in.

If you're currently sitting at stage one or two, that's OK. Understanding your current status is the first step in building an effective, insight-driven benefits program — and seeing the advantages that come with it.

STAGE 1: STATIC	STAGE 2: TRANSITIONAL	STAGE 3: PROGRESSIVE	STAGE 4: OPTIMIZED
CHARACTERISTICS			
Low efficiency within HR Manual, paper-based processes Admin-focused & time consuming	Some automation introduced Compliance-focused Relies on legacy HR information systems Admin-intensive Inflexible Dedicated IT support resources required	Shift to consumer-focused approach Manual admin reduced or eliminated Benefits designed with employees in mind Employees receive some decision support and personalized suggestions Voluntary benefits strategy is present	Comprehensive benefits strategy in place Benefits are designed and optimized using data insights Employees receive full decision support & year-round communication Employees have 24/7/365 access to learning, planning, and educational tools A diverse voluntary benefits program is in place
IMPACT			
Inefficient & high risk of errors Expensive to run Negative impact on the organization's bottom line Employees have little understanding of or engagement with the benefits program Limits employee retention	HR effectiveness limited Admin resource burden remains heavy Employees still lack understanding of benefits Employee engagement remains low Limits employee retention	Benefit offerings aligned with employee needs & expectations Little or no manual burden on HR Improved user experience Employees make better plan choices for their needs Costs contained for employers	Benefits are designed to minimize costs for all parties Program performance is tracked and benefits are optimized Employees choose the best plans for their needs and utilize them fully Employee benefit fluency is high Health & financial outcomes are improved
USE OF INSIGHTS AND TECHNOLOGY			
None	Legacy HR information systems used Limited use of technology (automation only) No use of data insights	Legacy HR systems replaced with a benefits administration platform Employees enroll in and manage benefits easily via a web browser Significant use of automation & data insights	Best-in-class benefits administration platform in place & fully utilized Data insights are fully leveraged & integrated into plan design/refinement process

AS BENEFITS PROGRAM MATURITY RISES, BETTER RESULTS ARE ACHIEVED

Greater employee understanding of benefits leads to improved benefit selection and utilization.

Better health outcomes for employees lead to rising job satisfaction and less presenteeism.

Happy, healthy employees stay with their employer longer, and everybody saves money.

Solving the Benefits Conundrum

Benefits programs are expensive — for both employees and employers. But employers have three powerful levers available to them to control these costs:

1. Plan Design

2. Population Health Management

3. Employee Engagement

By aggregating and analyzing benefits data using a cloud-based platform, employers can learn how to design, optimize and manage benefits programs that empower employees to make better decisions about their health and financial wellness.

At the same time, modern cloud-based benefits platforms give employees the Amazon-style experience they expect — and provide the education, communication and personalized suggestions employees need in order to choose and use their benefits effectively.

As a result, it should be no surprise that when employees are healthy and receive the support they need, a host of other positive outcomes occur:

- Greater employee retention
- Reduced costs for all parties
- Reduced sickness absence and presenteeism
- Improved productivity

Take the Next Steps

Get exactly what you need to transition to insight-driven benefits administration in a single solution.

Request a guided tour of a modern cloud-based platform today.
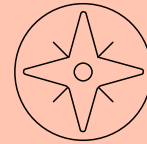
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