The *Wall Street Journal* recently reported that benefits have become the second largest expense after payroll for most organizations, with an average projected cost of around $7,000 per employee in 2004.

As employee benefits costs spiral, effective benefits management becomes imperative to an organization’s bottom line. CFO’s have the unique responsibility of overseeing the detection and prevention of cost leakages – especially in the arena of benefits management.

A company doesn’t have to be large for ineffective benefits management to quickly add up to a sum of money that demands serious attention. It is becoming increasingly important that human resources departments have the right tools to manage employee benefits and therefore contain unnecessary cost leakages.

There are three main areas of cost containment to be addressed:

1. Managing paperwork
2. Reducing liability
3. Improving efficiency and company morale

Many of the issues in these three areas can be effectively controlled through the automation of all or part of the benefits management process using a human resources management system (HRMS) with employee self-service (ESS) system - such as HROffice Self-Service.

**MANAGING PAPERWORK**

Eradicating the paper process

The amount of paperwork generated in traditional benefits management is staggering - both for the employer and the employee. For instance, if a 500 employee company offers 4 versions of 10 benefit plans to its employees, the HR department must generate, collate, track and follow up on 20,000 documents. This is before anyone has even enrolled in a plan!

Online benefits enrollment and increased participation

Through online open enrollment via an ESS solution, employees have the opportunity to compare and contrast plans without wading through pages and pages of documentation. Employees are more likely to sign up for programs in a timely fashion if they can easily understand and navigate the array of plans and options that are being offered.

Automating the process also allows the HR department to easily track and see exactly who has enrolled in what plan during open enrollment or at new hire, and at what stage they are in of the enrollment process. HROffice offers a tracking system that will automatically send appropriate emails to remind employees what steps they need to take to complete enrollment.
Eliminating errors

Online enrollment eliminates yet another burdensome paperwork issue – illegible handwritten enrollment forms. Despite the best of efforts, small yet costly mistakes are made as benefit carriers enter data from handwritten, photo-copied and faxed enrollment forms (Diagram 1).

When an employee fills out forms online, their benefit information can be electronically transmitted to the carrier. There is no middle-man who has to spend time re-keying data and possibly making mistakes that will ultimately result in wasted time and effort for both employees and employers to correct.

According to a recent survey by *Risk Insurance Magazine*, insurance carrier bills are frequently up to seven-percent inaccurate. Five-percent of the inaccuracies are generally due to errors in paperwork. Again, when carriers receive information on handwritten, photocopied, and faxed forms, errors inevitably creep in and costly mistakes are made. The other two-percent of inaccuracies can usually be accounted for in continued premium payments associated with terminated employees - a situation that can easily be resolved by automating the links between payroll and HR.

These inaccuracies quickly add up. For example, the average cost of individual employer-sponsored health insurance for companies with 200-999 employees is $5,840 per employee. This works out to $487 per person per month. If you are a 500-employee organization paying $487 a month per employee in health insurance, a 7% inaccuracy rate could be as much as $17,045 per month.
Benefits of integration include:

**Real savings**

The integrated design of HROffice ensures that when an individual is terminated from HR, payroll and benefits are also terminated. One HROffice user, the HDH Group, saved one of its employee groups $50,000 a year in this area alone.

**Accurate reconciliation and self-billing**

HROffice has a “Reporting Wizard” that walks users through the creation of a Benefits Reconciliation Report. This report calculates what an organization’s benefits costs should be, and easily identifies discrepancies between the company’s records and the carrier’s invoices. In the above-mentioned 500-person company, HROffice could pay for itself within two months through identification of these discrepancies.

**Accurate census information and better benefit plans**

An additional benefit of integrating data from HR and payroll comes up when the organization is shopping for benefits. To shop most efficiently for benefits, the organization has to understand exactly how many people it is shopping for. Manual census reports can be surprisingly inaccurate when compared to actual HR records.

**Managing costs**

Manual processing of employee requests and inquiries adds about 50% to the resource requirement of the HR department. With HROffice, the general ratio of HR personnel to employees is 1 to 157, without it, the ratio is 1 to 99.

The average cost of an administrative task, one such as changing an address on an employee benefit plan, is around $10 when performed manually versus $2 when utilizing an ESS solution such as HROffice Self-Service. Obtaining a 401(K) statement costs around $50 with using manual methods, whereas with automated methods it is around .60 cents.

**Less wear and tear on the organization**

For many organizations that have multiple sites, HR personnel can find themselves spending considerable amounts of time and money traveling to different locations to explain and manage benefits programs. This is a drain on resources and can quickly be eliminated through the automation of all HR processes and through tools such as online comparisons.
Reduced Liability

Managing compliance issues becomes more and more complex every year. Whether it is COBRA, ERISA, Workers’ Compensation, OSHA, FMLA, or any of the myriad of other issues that have to be monitored, failure to comply may result in huge penalties for an organization - not to mention all the other ramifications involved in the reinstatement of terminated employees, attorney’s fees, compensation, and so on.

For instance, the OSHA penalty for willful violations can be as much as $70,000. So keeping track of what needs to be done and when it needs to be done to maintain compliance is vitally important.

HROffice will automatically track and send alerts when compliance issues need to be addressed. This saves an enormous amount of administrative time and effort and ensures that matters are attended to in a timely fashion.

Improving Efficiency and Company Morale

Addressing the first two areas - managing paper and reducing liability - go a long way towards addressing the third area of improving efficiency and company morale (Diagram 2).

Employee morale

As an employee, it is very important that your personal information be correct and up-to-date so your benefits claims can be processed uncontested. The ability to instantly and confidentially access your attendance summaries and what benefits you are enrolled in is fundamental to employee satisfaction.

HIPAA delivers connectivity

With the advent of government-mandated programs such as HIPAA (The Health Insurance Portability and Accountability Act,) all plan providers must support electronic enrollment via specific data formats. This presents the opportunity for ESS systems to become truly universal, virtually eliminating data entry and information errors, and offering employees the opportunity to have a far greater understanding of and control over their benefits programs.

By using an ESS system such as HROffice Self-Service, an employee can quickly and easily compare plans and fill out forms online. This reduces the opportunity for errors and cuts down the amount of extra work for HR administrators.
Spreading the load

As a line manager, easy access to accurate reports and information such as attendance records, appraisals and other information, makes for a much more efficient management process. So does getting automatic alerts such as when reviews are due - and being automatically provided with the tools to accomplish the task.

Getting the most out of your skilled resources

The modern HR professional is a highly trained individual with expertise in many areas such as recruiting, employee satisfaction, retention, training, and education. All of these matters are crucial to the ongoing health of any organization. However, most of these professionals frequently spend up to 70% of their working day answering simple employee questions and solving problems related to benefits instead of concentrating their efforts on more strategic issues.

Good employees are highly sought after and are one of your most valuable assets. Taking care of them is important. Offering them advantages such as self-service, speedy response, and accurate and always available information will differentiate your organization from other potential employers, ultimately improving employee opinion of the organization as a whole.

The best performing companies in the S&P 500 all have HR departments that have the mandate to work strategically to fulfill the overall objectives of the organization. For your company to maintain a competitive edge in today’s market, your corporate HR department must be granted this opportunity.
THE THREE KEYS TO ELIMINATING COST LEAKAGES

Fundamentally, there are three processes in the benefit management methodology that cause major cost leakages. All of these leaks can be eliminated to a large extent through the automation of the below processes.

1. **Control.** The control process is that which sets the rules by which benefits plans are run, matters such as approvals and eligibility. Human error can be largely eliminated from the initial processes of entering a scheme and applying for benefits. The improved privacy and security of an automated process is reassuring for employees and benefit providers alike.

2. **Communication.** By automating the communication process - whether between the benefits provider and the employee or between the HR department and the line manager - the role of the “middleman” in the HR department is eliminated, freeing that person’s time for more valuable projects. Additionally the employee again benefits from greater privacy and confidentiality.

3. **Connectivity.** When automation is introduced, true connectivity can be achieved between all areas of an organization and its providers in all areas of HR. Once all HR information is available online, the fragile and error-prone paper trail that currently serves to tie the separate but interconnected parts of the organization together, can eradicated.

Modern ESS systems such as HROffice have the benefit of being quick to install, and easy-to-use for HR and employees alike, offering a rapid payback in terms of greater accuracy, improved cash flow, and the ability for the HR department to improve the performance of what they do now, whilst freeing up personnel to perform more strategic planning for the overall long-term benefit of the company.

“Software and technology still hold the key to increased productivity and efficiency – it can save employee’s time, help them work smarter, and require less peoplepower.”
- Workforce Management