



Navigating the New Era of HR and Benefits

How to Upgrade Your Benefits Program for the Future

Benefitfocus[®]

Introduction

Over the course of the past two years, HR and benefit professionals have been compelled to take on new and ever-expanding roles. Acting as legal counsel and chief people officer, they're asked to stay on top of pandemic-related mandates and determine return-to-work strategies. As financial advisor, they're asked to rein in health care costs while mitigating unpredictable COVID-19 costs. Finally, those leaders are also asked to figure out how best to support employees' mental, physical and financial wellbeing.



With employees' needs and industry dynamics rapidly evolving, the ability to accomplish all the business objectives listed above is dependent on an employer's ability to adapt their benefits strategy. Yet, often, HR and benefit leaders are asked to accomplish them without sufficient infrastructure or team resources.

In this eBook, we'll start by exploring what HR and benefit leaders are up against today and the implications. Then, we'll turn our focus to what's needed for them to succeed, and how they can take control by identifying their current pain points.

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The Cost of COVID-19

The pandemic threw how we anticipated health care costs into a tailspin. Deferred care, combined with the steep COVID-19-related costs, has the potential to wreak havoc on future employer health care spending. With some requiring vaccinations and regular testing, costs could exponentially rise for companies covering the expense.

15%

of employees deferred some care between March and September 2020

\$20K

is the average hospitalization cost of COVID

\$148

is the median cost of testing

Source: KFF HealthSystemTracker

The Toll on Total Wellbeing

While demand for mental health services drastically increased, population health decreased throughout the pandemic. Plus, many also found their financial wellness tested. The strain on employees and implications for employers will likely be felt far into the future.

4x

People with behavioral health diagnoses have around 4x the average health care spend of those without

Source: McKinsey

17%

increase in average employer spending on mental health care since 2018

Source: Benefitfocus State of Employee Benefits: Health Trends Edition

The Great Resignation

The pandemic provided an opportunity for people to reevaluate how they were spending their time, leading many to explore and redefine themselves professionally. The outcome has been a seismic shift in the workforce impacting workplaces everywhere.

48%

of employees have thought about changing their careers

53%

are willing to retrain in a completely different field or industry

Source: Prudential



Implications for Employers

The challenges outlined lead to two main implications for employers:

1. Higher costs for everyone

Health care spending is expected to grow to levels that exceed those that would have been expected in the absence of the pandemic. That's due to the return to pre-pandemic health care utilization trends and ongoing COVID-19 vaccine, testing and treatment costs.

Deferred care is also now catching up to everyone. More intervention needed to treat health issues like prediabetes that developed into full-blown diabetes or late-stage cancer diagnoses due to delayed screenings is predicted to increase utilization and spending in 2022.

Source: PwC: Medical Cost Trend: Behind the Numbers 2022

2. Higher employee expectations

If the Great Resignation has shown us anything, it's that employees are willing exit a company even without a backup plan in order to create the career and personal life they crave. They want employers that are willing to expand total compensation packages to support their holistic health and wellbeing – from workplace flexibility to benefits and perks that align with their interests and passions.

The types of benefits offered matter to them, but it's also increasingly important to them that they understand how those benefits add value to their lives. Employees have high expectations when it comes to that support whether it's 24/7 digital access or face-to-face support from a benefits professional.

Here's the catch. It's not as simple as passing on costs to employees or adding new or altered benefit offerings.

Yes, creating a comprehensive benefits program is important. And yes, it can be a differentiator for an employer. But for a benefits program to lead to higher employee retention, improved health outcomes and substantial cost savings for everybody, it must be innovative and thoughtfully designed.

An innovative benefits program operates with a high level of strategy and agility and is optimized for everyone involved – employees, HR and benefit teams, and the business itself.

It doesn't happen by chance – it's the result of deliberate, data-backed planning. To get to this point, organizations must understand what HR and benefit leaders need to be able to serve employees in their charge.



Introducing the Benefits Innovation Scale

To make a difference and really address the issues plaguing organizations today, HR and benefit leaders must be handed the right technology and support. **When employers replace administrative burden with automation and insights, innovation can happen.**

The first step, however, is understanding where your benefits program currently stands. That's where the **Benefits Innovation Scale** comes in. Where employers fall today on the scale depends on the extent to which their technology solutions and vendor relationships enable them to optimize their benefits strategy.

Determine where you are on the scale by selecting the statement in each row of the chart that best describes your current benefits management strategy. Then, add the numbers for each column for your final score.

 Level 1: Stagnant Score = 1-7	 Level 2: Complicated Score = 8-12	 Level 3: Practical Score = 13-17	 Level 4: Innovative Score = 18+
Degree of Automation and Integrations			
I spend most of my time manually entering benefits data. 1	Some benefit tasks are automated, but I spend a lot of time manually reconciling data across systems. 2	Implementing new benefits requires building new data integrations each time. 3	Established data integrations enable faster implementation of new benefits and efficient administration. 4
Amount of Engagement and Communication			
I always do a passive open enrollment because employees forget to enroll. 1	Open enrollment is a burden for employees because the system is confusing. 2	Most employees actively participate in open enrollment, but I spend a lot of time answering questions. 3	My benefits platform makes it easy to engage employees during OE and all year long. 4
Level of Service and Support			
We sometimes recruit other HR team members to help with benefits enrollment and administration. 1	I rely heavily on my internal IT team for technical support related to benefits enrollment. 2	My benefits technology vendor has a technical support team, but it takes a long time for issues to be resolved. 3	My benefits technology vendor provides a dedicated team for technical support as well as strategy guidance. 4
Degree of Outsourcing			
I don't work with any outside vendors other than my carriers to support administration or employee engagement. 1	Certain administrative tasks like COBRA are outsourced to various third parties. 2	Compliance administration is fully outsourced, but our team handles employee support in house. 3	My benefits technology vendor provides end-to-end services for compliance, billing and employee support. 4
Use of Reporting and Data Insight			
I have very limited visibility into plan performance and costs. I adjust premiums to stay on budget. 1	I review plan costs with my broker once a year to evaluate plan design changes that fit my budget. 2	I know our benefits are competitive, but I don't know what the impact is on improving employee health. 3	I have full visibility into plan costs and can measure the ROI of the different programs we have in place. 4
Total =	Total =	Total =	Total =
CUMULATIVE TOTAL =			



Assess Your Results



At Level 1, your benefits strategy can be characterized as stagnant:

- Efficiency levels are low, limiting employee engagement.
- Burdensome paper-based processes leave room for error and non-compliance.
- Administrators are too overwhelmed to take on any additional work.

Often, benefits professionals at this level feel more like a **task horse**. You're likely heads down in manual paper-based processes and time-consuming administrative tasks, leaving little to time to answer employee questions or focus on improving your benefits program.



At Level 2, your benefits strategy can be characterized as complicated:

- Inflexibility limits efficiency and administrators' ability to creatively consider benefits strategy.
- Tedious processes drain time and resources, putting employee engagement at risk.
- Administrators are positioned in a reactive role.

At this level, benefits professionals characterize their role more as a **circumnavigator**. You're maneuvering your systems with manual workarounds. It's not always easy and one small change could result in a cascade of consequences. You feel limited by what your systems can do and as a result your effectiveness is limited.



At Level 3, your benefits strategy can be characterized as practical:

- Administrative efficiency is there, but clunky systems and processes make it difficult to strategically manage benefits.
- Administrators adhere to budgets but are unable to measure how their program and costs relate to employee behavior and health.
- Greater emphasis on communication elevates employee engagement, but the level of effort compared to value is difficult to assess.

Here, benefits administrators typically feel like a **people pleaser**, trying to balance leadership directives while meeting the needs of employees. You feel your benefits program is better than most but acknowledge there are missing pieces to take things to the next level. You want to have a strategic benefits program but are restricted by your benefits administration provider.



At Level 4, your benefits strategy can be characterized as innovative:

- Automation combined with the ability to outsource certain tasks means administrators' focus is on benefits strategy and engagement.
- Data and insights are easily accessed for visibility into ROI and areas for further refinement.
- Administrators are in a proactive role, optimizing benefit investments and helping employees take full advantage of their benefits.

Benefits administrators at this level have reached **innovative** status. You're a trailblazer that feels empowered in your role and solid in your benefits plan design and refinement process. Your benefits administration provider is a help, not a hindrance. You're actively putting employees in a position to get the most out of their benefits.



How to Reach Innovative Status

If you're currently operating at a lower level, you can start by identifying where your current benefits administration solution is falling short within the categories of the innovation scale. Here are some key fundamental questions to focus on in your evaluation.

Are data integrations established in a way to remove the burden on time and resources?

Benefits are notoriously complex, and legacy HR systems don't allow for flexibility. It's so taxing on time and resources to the point that staying stagnant seems easier than making changes. HR and benefit leaders are asked to be more vigilant with optimizing their health plan, but they need infrastructure to support it.

Is the communication toolset robust enough to drive effective employee engagement and measure the impact?

Every HR and benefits leader wants their employees to understand the value of the benefits they have. Often though, they aren't equipped with the tools needed to make communication easy or measure how well their employees are engaging with their benefits.

Can my team rely on customer support for both technical issues and strategic guidance?

Beyond implementation and technical support, HR and benefits leaders are frequently left to their own devices. This leaves them with virtually no insight into how to optimize the experience for employees. Whatever level of technology, lack of support can result in a negative return on investment.

Are there options to get administrative help from a broader team?

It's not uncommon for benefit departments to be a team of one or two people. At the same time, they're asked to do so much while taking on expanded roles. Without an external partner to help with tedious administrative tasks like compliance, billing, and employee support, it's impossible to accomplish it all.

Does my team have insight into plan performance?

Balancing costs with employee needs and expectations is an incredibly difficult job, especially when organizational leaders or other parties are prescribing a budget to stay within. HR and benefit leaders often aren't empowered to know the impact of their plan design on costs and health outcomes.



Get a full checklist for benefits technology evaluation in the 2022 Buyer's Guide for Next-Level Benefits Administration.





Take the Next Steps

Ready to make your move toward benefits innovation? Request a guided tour of Benefitfocus Benefitplace™.

Request Tour



About Benefitfocus

Benefitfocus (NASDAQ: BNFT) unifies the entire benefits industry through innovative technology solutions that bring efficiency, cost savings and simplicity to employee benefits administration. Our powerful cloud-based software, data-driven insights and thoughtfully designed services help employers, insurance brokers, health plans and suppliers address the complexity of benefits enrollment and engagement, while bringing easier access to health, wealth and lifestyle products through a world-class benefits experience.



Our mission is simple: to improve lives with benefits. Learn more at www.benefitfocus.com.

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