# The Executive Buying Guide to Online Benefits Enrollment

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Welcome! For more than twenty years Best Software has been helping mid-size businesses in all industries choose and implement Abra Human Resource Management Systems (HRMS). Our experience has taught us that people need more than just product information to successfully select and deploy benefits open enrollment software solutions. That's what this buying guide is all about.

We've distilled what we've learned from our many successful Abra customers and have structured it as useful information you need to know, including:

• What is benefits open enrollment software and what bottom line value can it bring to your company?

• How does an online software solution change your annual benefits open enrollment process?

• What are the key software capabilities every benefits open enrollment software solution should have?

• What are some key considerations in planning and deploying your benefits open enrollment solution?

• How do you estimate the potential return on investment (ROI)?

Why would a software company write a buying guide that doesn't promote its own products? Because we've discovered that the more people know about benefits open enrollment software, the more likely they are to choose HRMS products from Best Software. An informed professional usually ends up being our customer, so we have a vested interest in sharing information with you.
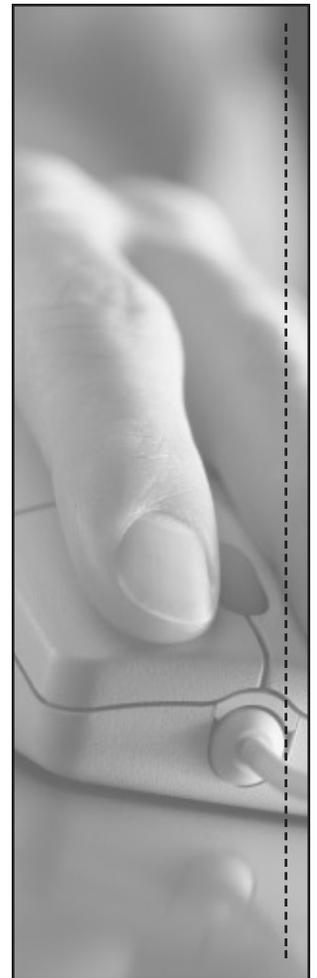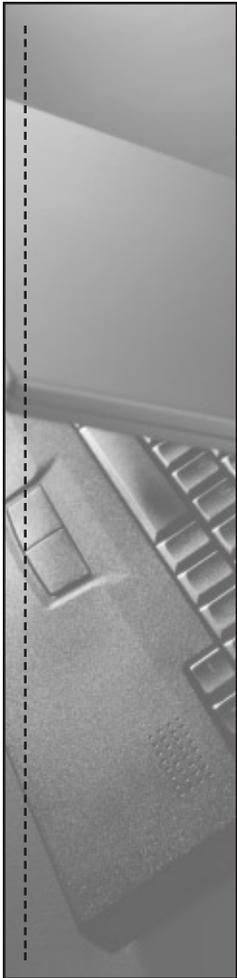
What is Benefits Open Enrollment software, and what value does it bring to my company?

With years of double digit increases in the cost of employee benefits and no reprieve in the forecast, human resources executives continue the search for effective cost-containment strategies. Most employers are re-evaluating benefit plan options, shopping for new providers, raising employee contribution levels and searching for increased efficiencies within their HR technology strategies.

Changes to benefit plans do not appear to be containing costs. And the inherent risk in reducing benefit choices or increasing employee contributions has a negative effect on employee satisfaction and retention. Employees are becoming less satisfied and increasingly nervous about the security of their benefits packages.

A 2002 Watson Wyatt study, New Rules for Managing Health Care Costs, concludes that while no single solution will eliminate the problem of rising healthcare costs, companies successful in containing costs:

- Empower employees to be responsible for health care
- Use data to make decisions about health care benefit changes
- Administer and deliver health benefit information online
- Are less likely to change providers
- Are less likely to reduce or abolish health benefits

Using the Internet to distribute and collect benefits enrollment information is rapidly gaining acceptance in the HR community. A 2003 MetLife study of employee benefit trends found that about two-thirds (69%) of the employers surveyed conducted benefits status changes (name, beneficiary, address) online and 51% used the Internet/intranet for benefits enrollment. Forrester found in a 2004 survey of US employees that 44% of employees of mid-sized businesses worked for companies that utilized online benefits web sites.

Substantial cost savings exist when the process for benefits enrollment is automated using an online software solution. Using technology to lower costs while providing better service to employees satisfies the needs of both HR departments and the employees they serve. Additionally, the time saved by the HR department through the increased efficiency of online benefits enrollment solutions allows HR to adopt a more strategic profile within the organization.

What is Benefits Open Enrollment Software?

Online benefits enrollment systems allow employees to use the Internet or their company network to access information about benefit policies and prices. Using a common Web browser employees are guided through the process of selecting the benefits they wish to

participate in and entering the required information into web-enabled enrollment forms. This data is immediately available to HR for review and approval. After approval, the data from the online enrollment system can automatically update the HRMS system, thus eliminating duplicate data entry. Online enrollment systems allow the HR department to define eligibility criteria so that employees are only presented with the benefits and plan options they are eligible for. The system also provides the HR staff with online tracking and reporting features that allow them to easily monitor the progress of each employee through the open enrollment process. Automatic email reminders can be delivered to employees who have not completed the enrollment process in a timely manner. Online benefit enrollment systems also allow newly hired employees to enroll in benefit plans, and allow all employees to update information from life events that impact their benefits.

Bottom-Line Benefits of Open Enrollment Systems

The key benefits of open enrollment systems that can contribute to the company's bottom line are:

• Reduced HR call volume – Using an online benefits enrollment system will result in far fewer questions posed by employees to the HR staff. This is because employees have access to a greater amount of explanation and detail in the online process, so employees can answer most of their own benefit questions.

• Shorter cycle times – While a paper-based open enrollment process generally takes 6-8 weeks (from assembling and delivering forms to receiving them back in the HR department), an online benefits enrollment system can enable HR departments to accomplish the same cycle in 3 weeks or less.

• Reduced transaction costs – Paper, printing and postage costs are diminished by removing paper from the process and pointing employees to electronic resources for forms and benefits explanation.

• Elimination of duplicate data entry – Online benefits solutions that integrate with a company's HRMS transfer the data to the HRMS database and possibly update payroll, depending on system integration. It is no longer necessary for HR staff members to manually enter the data into the system.

• Elimination or reduction of enrollment packet preparation – When enrollment forms and materials are moved online, the need for paper packets is reduced (perhaps reserved only for those without Internet access) or eliminated altogether. This represents a savings of materials as well as the time (or fees, if outsourced) previously required to collect, assemble and distribute the enrollment packets.

• Reduction in monitoring and tracking effort – Online enrollment systems reduce the time required for the HR staff to monitor and track progress to a fraction of that required with a manual paper system. At any time during an open enrollment period, an online solution can show the status of each employee in the process. Reminders
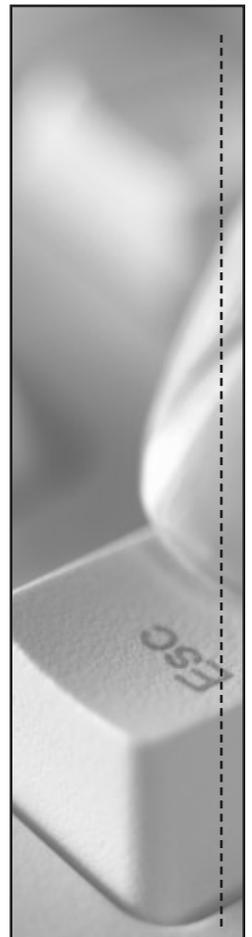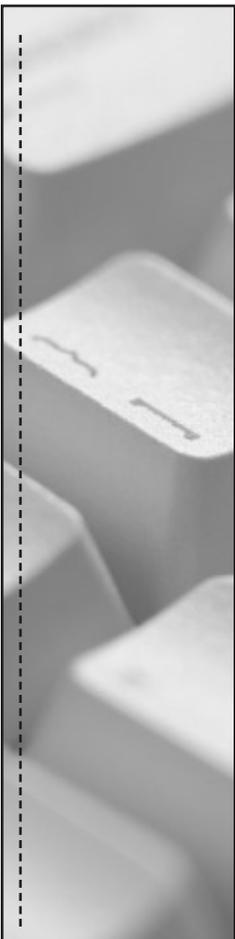
to employees who have not completed enrollment can be delivered automatically via email.

- Faster and more accurate analysis – Online benefits enrollment systems that integrate with an organization's HRMS can facilitate analysis of open enrollment more accurately and in a fraction of the time a paper-based process requires. HR staff can access metrics that show them what percentage of employees enrolled in each benefit program, as well as the amount of change the current enrollment represents compared to the previous year. These reports help HR executives to quickly report to financial executives whether their pre-enrollment estimates of benefit costs were accurate. They also help benefits managers during provider negotiations for the next open enrollment.

- Reduce or eliminate benefits billing errors – Online systems increase the accuracy of employee benefit elections and census data that are communicated to the benefit providers. Accuracy directly impacts the bottom line by reducing probability of provider billing errors and making such errors easier to catch and correct.

- Improve service levels and employee satisfaction – Online benefits enrollment is a more personalized and satisfying experience from the employee perspective. Employees can access the enrollment system from home, 24/7, where they can include others, such as spouses, in the decision-making process. Employees utilizing online benefit systems are more likely to recognize the full value of their benefits.

- Strategic HR Orientation – HR departments utilizing online benefits enrollment solutions can leverage the time savings gained to play a more strategic role within the company. Rather than being hampered by routine administrative functions, the HR staff can focus more energy on improving initiatives such as employee recruitment, compensation strategies and career development planning.

Technology Evolution in Human Capital Management

• Paper-based	• Intergrated data in central database	• HR/Payroll business process automation
• Error prone		
• Time intensive	• Increased accuracy with consolidated data	• Employees and managers update their own data
• Separate paper data files of HR functions	• HR inputs data manually	• HR less engaged in clerical tasks

Paper → **HRMS** → **Online Benefits Enrollment**

Administrative HR ⬜⬜▭──────────➤ **Strategic HR**
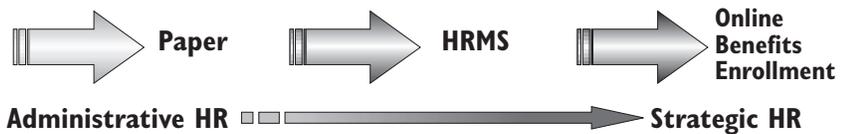
The Benefits Open Enrollment Process Evaluation

Before researching potential solutions, it is important to first evaluate how an online system impacts the benefits open enrollment process. The following chart outlines the typical steps and activities involved in the open enrollment process and points out where and how the online solution can have the most impact.

Step	Activities	Online Enrollment Capability
1. **Planning and Analysis**	Review and analyze previous year's open enrollment Determine changes, additions, deletions to benefits package Plan provider bids, selection and contracts	Benefits enrollment database and reports available for analysis
2. **Administrative preparations**	Prepare benefits enrollment & information packets Project coordination	Online open enrollment wizard assists administrator in setting up the plans, eligibility rules, and workflow to meet company needs
3. **Employee communications**	Distribute enrollment packets Communicate changes to benefits plans and the dates and procedures for the open enrollment	Email electronic document packets to all employees Central benefits enrollment & information web site Links to providers and other information web sites
4. **Open enrollment period**	Employees select plans, complete and return enrollment forms HR monitors progress and answers employee questions	Elections and data entered by employees through web-based online forms Online instructions and help to guide employees through the process Automated progress monitoring and e-mail reminders
5. **Data Verification**	HR reviews each enrollment form, verifies information and eligibility, acceptance Contact employees to correct errors and omissions	Rules-based data verification Exception reports to identify errors Corrections made online
6. **Data entry and transfer**	Enter enrollment selections and data into HRMS system Transfer the data to the benefits providers and verify Providers issue identification cards and provide additional instructions HR coordinates benefit start dates with employee payroll deductions	Integrate enrollment selections and employee data with HRMS database Electronic file output to benefit providers and payroll systems

Key Software Capabilities Checklist

Once the impact of online enrollment on the open enrollment process has been evaluated, it's time to compile a list of key software capabilities your company will need in an online benefits enrollment solution. The following checklist includes the minimum features that should be included in any online benefits enrollment software. Your company's unique requirements for an online benefits solution based on your business process evaluation above should be added to this list.

Feature	Description	✔
Employee ease of use	• System guides employee through enrollment step-by-step • "Save and Return" so employee can continue where he/she left off • Page design is intuitive and well-organized • Each page includes on-screen help and user tips • No employee user training is required	❏ ❏ ❏ ❏ ❏
Project creation & set-up	• Supports multiple open enrollment projects • System guides administrator through set-up step-by-step • Supports flexible employee eligibility criteria for each plan • Supports flexible plan set-up parameters	❏ ❏ ❏ ❏
Flexible workflow	• Changes/requests are automatically routed to each required role • Notifications are automatically sent to each required role • Notifications are sent by e-mail, as well as within the ESS system • The system supports SMTP email systems	❏ ❏ ❏ ❏
Multiple and separate role assignments	• Employee role • Benefits administrator role • System administrator role	❏ ❏ ❏
Progress monitoring	• Track and report status of each employee throughout the process • Send email reminders to individual employees	❏ ❏
Post-enrollment verification	• Rules-based data verification • Exception reports identify errors • Employees can correct errors online • Administrators approve/reject employee elections	❏ ❏ ❏ ❏
Ongoing life events and new employee processing	• New employees can enroll in benefit plans outside of open enrollment periods • Employees can enter dependent, beneficiary, marital status and other benefit-impacting changes outside of open enrollment periods	❏ ❏
Information control	• Administrator control of data to be viewed or changed by employees • Supports "mandatory" fields to collect critical data during enrollment	❏ ❏

Feature	Description	✔
Security	• Administrator determines and controls user log-in requirements • Administrator determines and controls data access by role • Supports database encryption • Supports 128-bit SSL encryption for data transmission	❑ ❑ ❑ ❑
Flexible URL support	• Supports links to internal plan documents, policies and other • Supports links to external plan provider information web sites	❑ ❑
Customization	• Supports company logos • Can change page color schemes • Can post customized company messages	❑ ❑ ❑
Data Integration	• Seamlessly integrates enrollment data with HR & payroll systems • Provides file output to benefits providers	❑ ❑
Support Contract	• Includes software upgrades • Includes telephone support during business hours • Includes 24x7 self-service support via the Internet	❑ ❑ ❑
Technology	• Supports prevalent Windows Server 2000 or later • Supports Internet Explorer 6 or later	❑ ❑
Modularity	• Can purchase and implement online benefits enrollment features separately from other ESS functionality	❑

Key Considerations in Planning and Deploying an Online Benefits Enrollment System

There are several key considerations that you should take into account in planning the transition from paper-based benefits enrollment to a new online enrollment system.

Project team – It is critical that HR include IT and plan provider team members throughout all of the stages of planning and implementing the online enrollment system to ensure all requirements are understood and any needed resources will be available for a successful implementation.

Document current open enrollment process – Breaking the process down into its component parts and documenting them is critical for several reasons. It is necessary in order to estimate the potential productivity improvements and cost savings. It is also necessary in order to "map" the manual process into the new online process.

Determine if any changes are needed to HRMS system – It may be required to modify how benefit plans are defined in the HR database to ensure smooth integration of data with the online enrollment system.

Configure and test – Map the manual process to the online automated enrollment process. This is a joint responsibility of HR and IT personnel. Next, exercise the new online enrollment process and verify results.
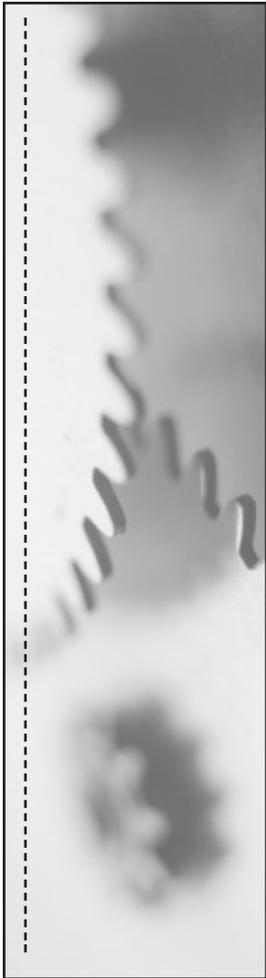
This should be done by knowledgeable HR personnel who understand the current process, benefit plans, eligibility criteria and what the desired results should be.

"Positive enrollment" – Consider having the first online open enrollment project be a positive enrollment. That is, the process requires all employees to select all their plans as if for the first time, and review and update all information. Conversely, a "negative enrollment" permits employees to simply indicate only changes to plan enrollments. Positive enrollment will allow HR to use the open enrollment process to have employees verify all information and enter required data that is missing from the database (such as plan beneficiary details).

Measuring the Return on Investment (ROI)

The following is a step-by-step procedure you can use to determine a three year average annual return on investment.

Determining the ROI involves these four steps: (1) calculating the total savings, (2) determining the initial and ongoing costs of the investment, (3) determining the average annual net savings, and (4) dividing the average annual net savings by the initial investment to obtain a percentage ROI figure.

The formula is:

$$\text{ROI} = \frac{(3\ \text{Year Net Savings})/3}{\text{Initial Investment}} \times 100$$

Step 1: Calculate the total savings

For the benefits open enrollment process being automated:

- Define each activity or step within the process
- Assign the manual costs to that activity
    - Labor (hourly rate x number of hours)
    - Other (materials, postage, etc.)
- Multiply by the number of times the process occurs each year
- Repeat the analysis for the new automated online process
- 1st year savings = cost of manual methods – cost of automated methods
- Repeat the analysis for year 2 and year 3

Step 2: Determine the initial and recurring costs of the investment

The major cost elements of the ESS investment are:

- Initial Investment
    - Software – The online enrollment software application, along with any other required HR management or database software.

- Hardware – Any computers and operating system software required to run the online enrollment application

- Consulting – Any business or technical consulting fees you may require to plan, install, set-up and configure the online enrollment software for your business

- Training – Any costs incurred to train the benefits and system administrators who will use the system. Note that the employees of the workforce should not require any special training to use the online enrollment software.

- Annual Recurring Costs – Any ongoing costs such as software and hardware maintenance and support agreements each year.

Step 3: Determine average annual net savings

- Add together the total savings of the process for year one, year two and year three from step 1.

- Add together the annual recurring costs for year one, year two and year three from step 2 above.

- Three year net savings = total savings – total annual recurring costs.

- Divide this three-year total by three to determine the average annual net savings.

Step 4: Determine the ROI percentage figure

Divide the average annual net savings (from step three above) by the initial cost of the investment (from step two above). Then multiply by 100 to get the percentage ROI figure.

Conclusion

When selecting and deploying an online benefits enrollment solution, there are many factors to take into consideration. Besides specific software features and functionality, it's important to choose a vendor known for experience in the HR software industry with a reputation for reliable business solutions and world-class customer support. Abra Suite by Best Software has been the industry leader in mid-market HRMS systems for 20 years. Our software is supported by a nationwide network of Certified Business Partners who are your local resource for implementation, training, service and support. For more information, please call us at 800-424-9392, or visit our web site at www.bestsoftware.com.

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