



Healthcare Programs: Employee Benefits Selection Can Be Made Easier Through Technology

Mobile HR and other new technology can help employees better understand their benefits options.

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Executive Summary

Employers that offer company-sponsored employee health-care benefits are facing an upswing in multifaceted challenges. Among the most daunting is the necessity to control costs, while providing competitive benefits that will help to attract, retain, and motivate the workers needed for their businesses to survive and succeed. In addition, changes required under Health-Care Reform¹ add a new level of complexity to employer-sponsored benefits.

The ADP HR / Benefits Pulse Survey was conducted in July 2011 by the ADP Research Institute (a specialized group within ADP® that conducts studies on current topics of interest to Human Resources and payroll professionals.) The survey engaged 501 HR decision makers to determine how (and how much) employers are utilizing (and are planning to utilize) technology to provide employees with better access to benefits information and benefits engagement. Midsized companies (50-999 employees) and large employers (1,000 or more employees) participated in the online survey.

Overall survey results reflect a need for employees – across organizations of all sizes – to receive improved access to benefits information and increased benefits decision-making capabilities.

Technology – High-tech capabilities are increasingly enabling employees to manage and communicate benefits programs more efficiently and effectively than ever before. They are embodied in online benefits communications, decision support tools, mobile applications, and Web-based portals. Tech-assisted solutions are creating a fresh path toward increased employee satisfaction by empowering employees to not only gain a more comprehensive understanding of the value of their benefits, but also access them with greater convenience.

Cost – Health-care costs continue to increase in excess of the rate of inflation – with the average annual cost of employer-provided family coverage now exceeding \$15,000.² New plan designs emphasizing employee engagement and increased consumerism, coupled with a revitalized focus on wellness, offer employers an opportunity to slow the rate of cost escalation – and still provide competitive plans.

Health-Care Reform – The Affordable Care Act (ACA) is changing the employee benefits landscape. Employers will have to support significantly enhanced communications activities (i.e., Exchange Notifications, Auto-Enrollment, Uniform Summary of Benefits, etc.) along with enhanced decision support tools, enabling employees to make fully informed decisions. An overwhelming majority – more than 85% of HR decision makers – believe that the cost of providing employee benefits will increase as a result of the ACA.³

1 The Patient Protection and Affordability Care Act (P.L. 111-148) as amended by the Health Care and Education Reconciliation Act (P.L. 111-152) are referred to herein as the Affordable Care Act (ACA) or Health-Care Reform.

2 Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2011.

3 Source: ADP Pulse Survey of Employers, February 2011.

Introduction

Employer-sponsored benefits have become a vital component of an employee's total rewards and compensation. Robust competition for skilled talent is driving employers to maintain comprehensive benefits packages.

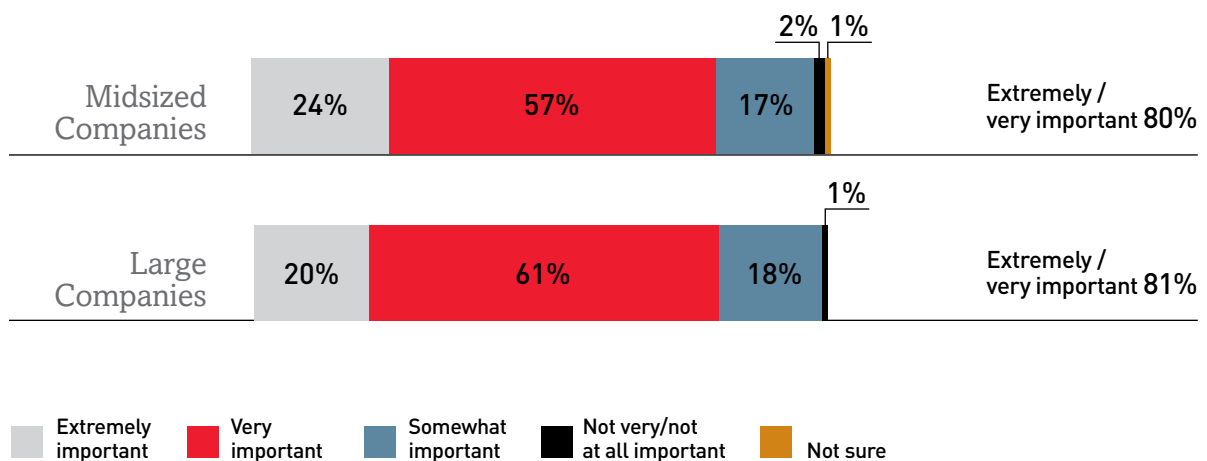
Technology helps to increase the perceived value of those benefits by empowering employees with rapid, direct, and convenient access to benefits choices, instantaneous exchange of information, and the means to perform transactions that increase satisfaction.

Key topical areas where employers can differentiate themselves include *employee benefits communications*, and the use of *decision support tools*, *mobile applications*, and *Web-based portals*.

Employee Benefits Communications

While the vast majority (81%) of large company HR decision makers believes it is important for employees to have a full understanding of their benefits options, they estimate that only 58% of their employees actually have that level of understanding. The balance (42%) of employees don't fully understand their current benefits – never mind the changes that are coming over the next several years as both consumer-driven plans and Health-Care Reform change the benefits landscape.

IMPORTANCE OF EMPLOYEES HAVING A FULL UNDERSTANDING OF BENEFITS OPTIONS

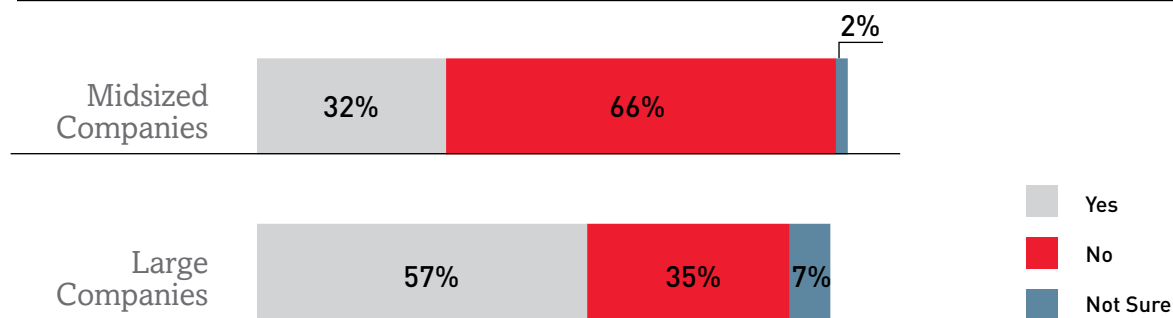


Though **81%** of large companies think it's important for employees to fully understand their benefits options, they estimate that just 58% actually have that level of understanding.

This lack of employee understanding appears to correlate to the amount of benefits communications that employers provide. In spite of the large amount that companies spend on health-care costs (in excess of \$15,000 annually, per family, according to the Kaiser Family Foundation⁴), it was surprising that more than a third (35%) of large companies, and a significant majority of midsize companies (66%), responded that they do not have an employee communications budget related to their benefits plan.

35% of large companies and **66%** of midsize firms don't have an employee communications budget related to benefits.

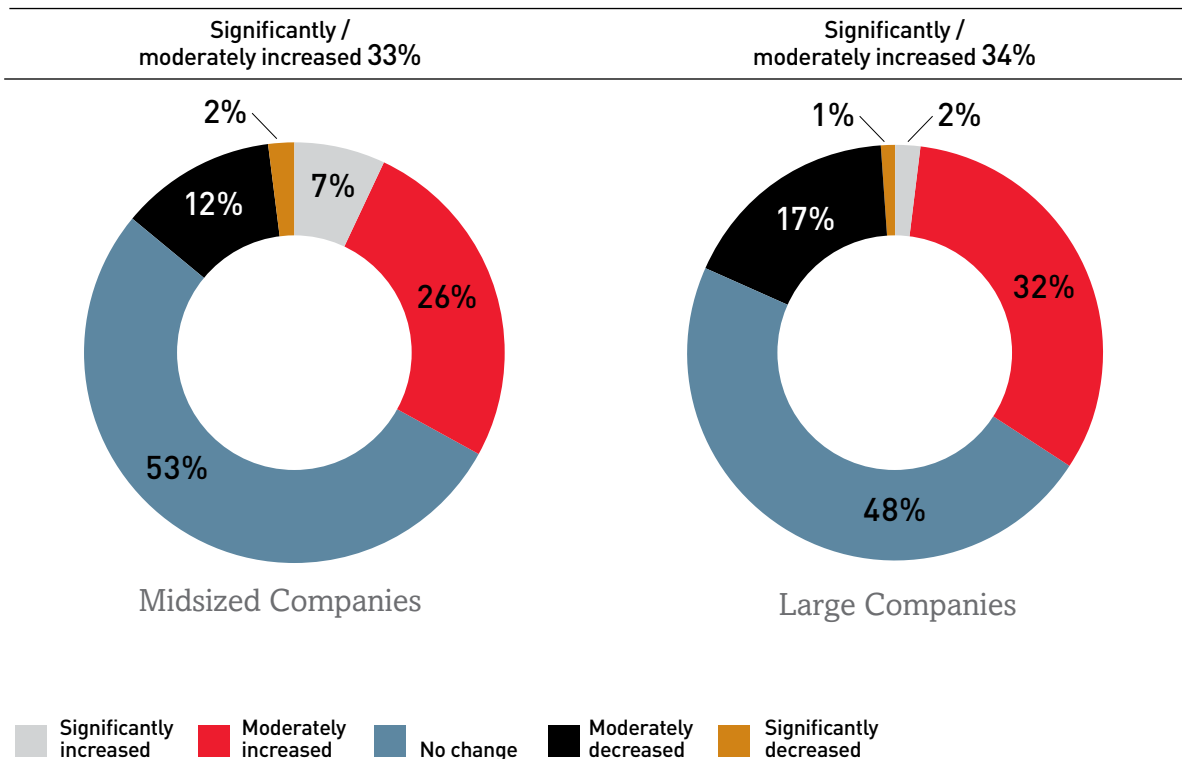
COMPANIES WITH A BUDGET FOR EMPLOYEE BENEFITS PLAN COMMUNICATIONS



The good news is 57% of large companies and 32% of midsize companies responding to the survey do report having a budget for employee benefits communications. While close to half of their budgets have remained the same year-over-year, about one-third of respondents indicated significant or moderate budget increases from the previous year.

⁴ Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2011.

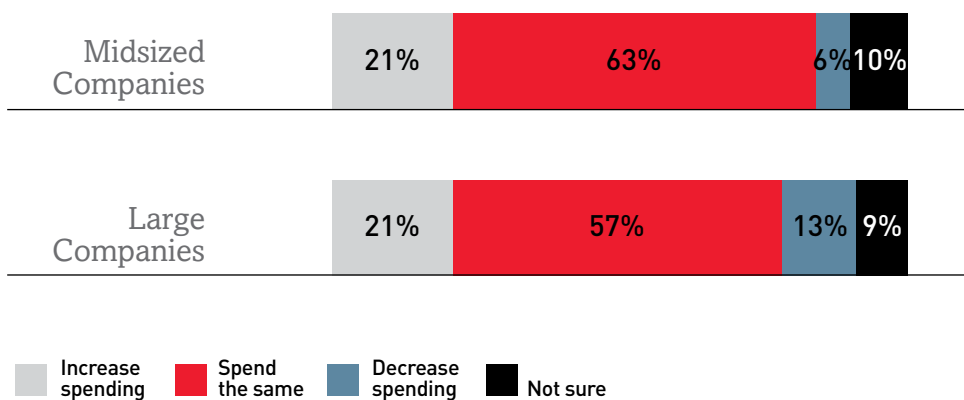
CHANGE IN SPENDING ON EMPLOYEE BENEFITS COMMUNICATIONS IN PAST YEAR



Projected future investments in employee benefits communication do not give much hope that employee understanding of benefits will improve – or that employers are fully preparing for the effort that will be required under Health-Care Reform between now and 2014 alone.

Approximately 60% of both mid-sized and large companies plan on spending only what they have spent in the prior year – while only about one in five companies plan on increasing spending.

SPENDING FOR EMPLOYEE BENEFITS PLAN COMMUNICATIONS IN NEXT 1-2 YEARS



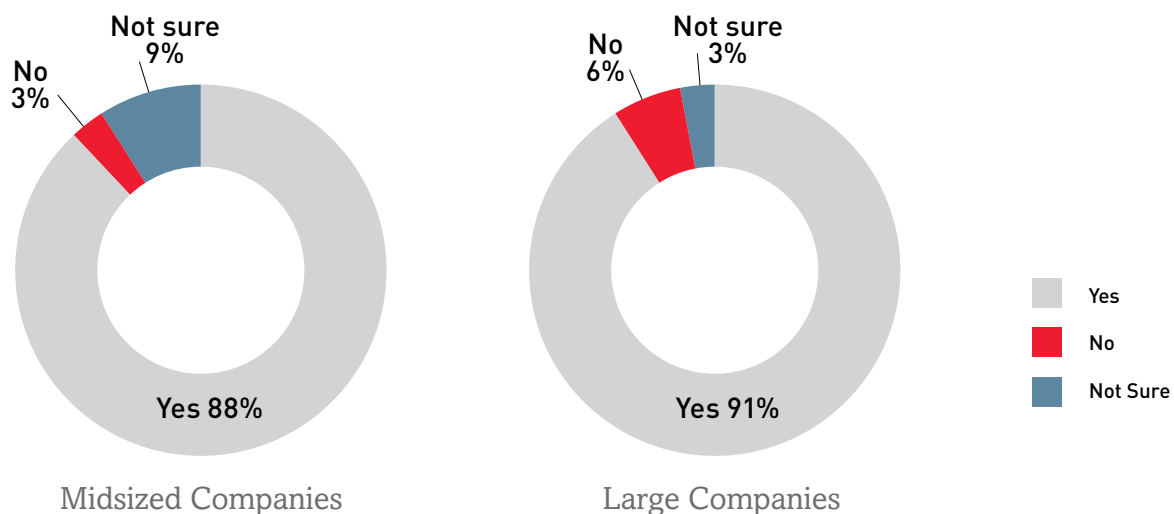
Decision Support Tools

The survey also assessed the use of decision support tools. These tools are typically software applications (usually accessed through an organization's Web portal – and increasingly via tablet-based mobile devices) that give employees the ability to compare and evaluate different health-care plans in order to determine which plans best meet their needs.

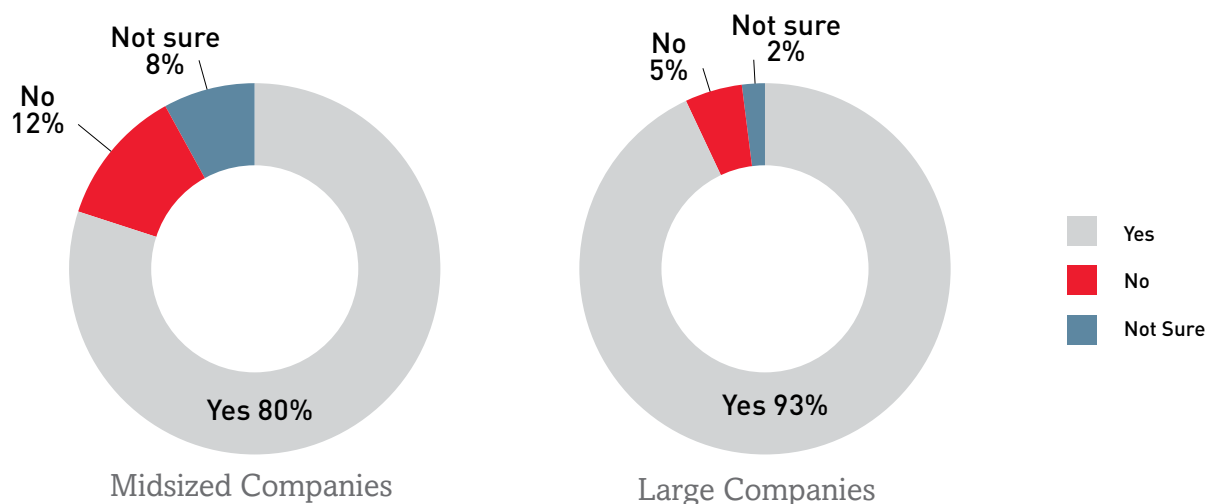
In a world of more differentiated plan choices, the ability to provide employees with effective tools that simplify the process of choosing a benefits plan each year is obvious.

ADP Pulse Survey findings indicate that among companies that are currently offering decision support tools, they truly understand the value of such tools. The vast majority of midsized and large companies believe that these tools increase employee understanding of benefits and their overall engagement.

DO DECISION SUPPORT TOOLS INCREASE UNDERSTANDING?

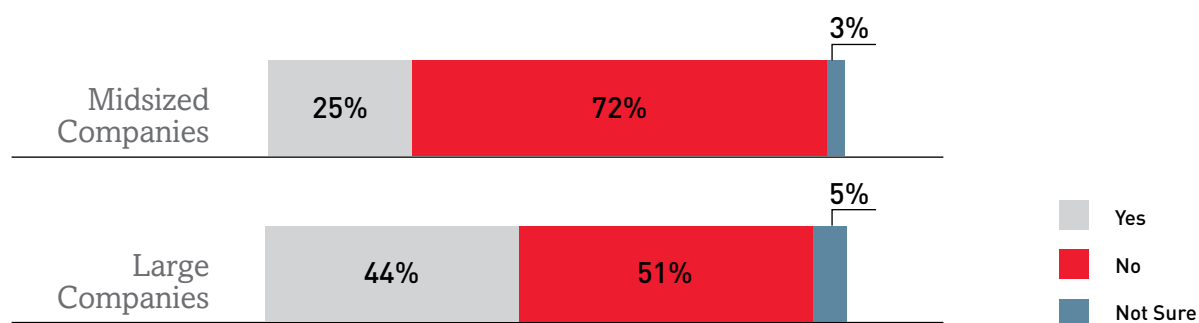


DO DECISION SUPPORT TOOLS INCREASE ENGAGEMENT?



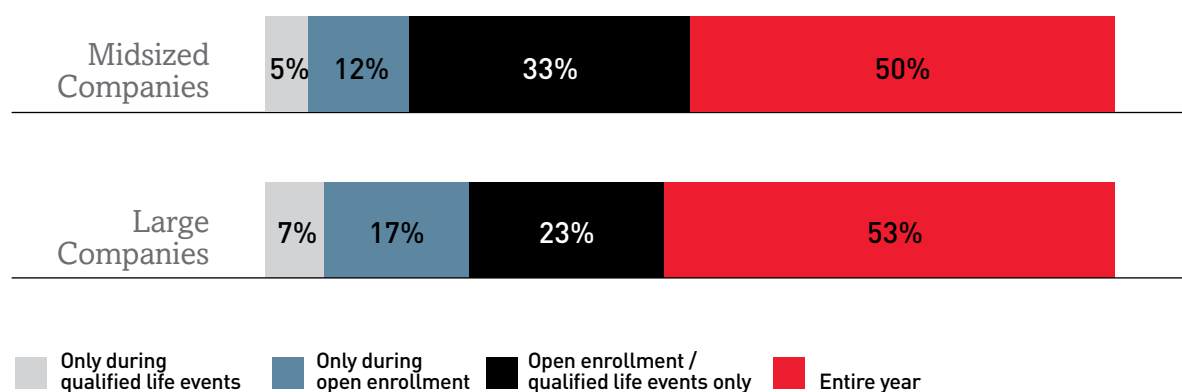
Surprisingly though, seventy-two percent (72%) of midsize companies (50-999 employees) and fifty-one percent (51%) of large companies (1,000 employees or more) do not provide such tools.

PROVIDE EMPLOYEES WITH DECISION SUPPORT TOOLS



Among the companies that do provide decision support tools, approximately half of BOTH large (53%) and midsize companies (50%) offer these tools throughout the entire year, while about one-quarter of large companies (23%) and one-third (33%) of midsize companies provide them ONLY during open enrollment and for qualified events.

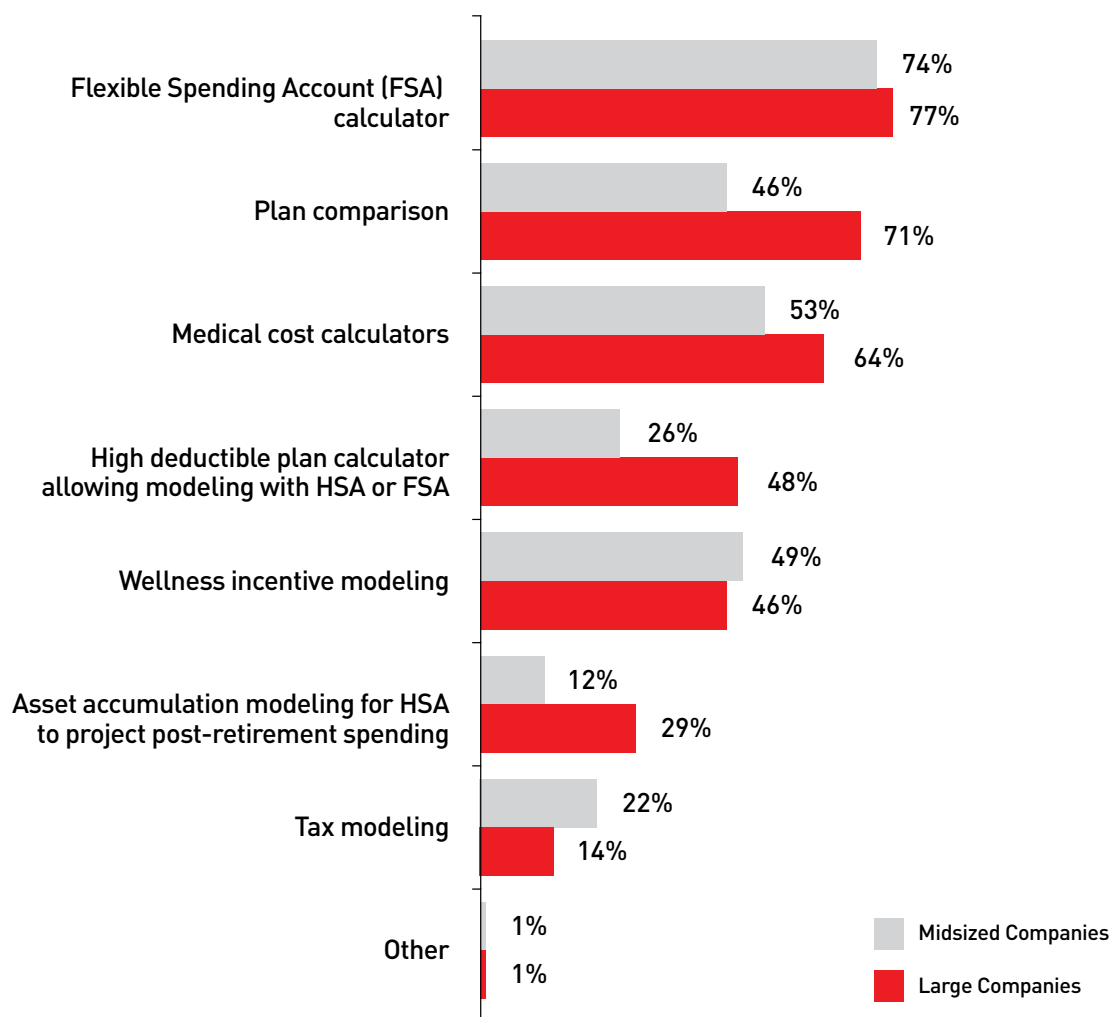
WHEN DECISION SUPPORT TOOLS AVAILABLE



Despite recognizing the impact of decision support tools on employee engagement, 72% of midsize companies don't offer such tools.

In general, the tools offered today provide valuable support with the most common tools reported being a Flexible Spending Account (FSA) calculator, plan comparison chart, medical cost calculator, and wellness incentive modeling.

TYPES OF DECISION SUPPORT TOOLS OFFERED

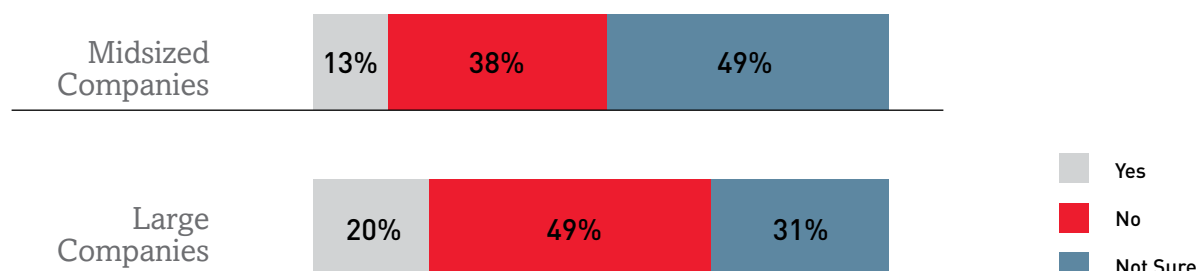


It is unclear why more companies have not yet embraced these tools.

One hypothesis is that most current tools do not offer a high degree of sophistication – especially in the area of health coverage – that would enable employees to evaluate multiple variables when making decisions. For the most part, today’s tools focus primarily on cost, for example, helping employees rank plans by total cost (contributions plus an estimate of out-of-pocket costs). While this is a valuable aspect of these tools, the real value will be in supporting additional areas that are important to each individual employee.

One in five large companies that do not provide decision support tools plan to do so in the next couple of years. Of the midsize companies that currently do not provide decision support tools, only 13% plan to do so in the next two years.

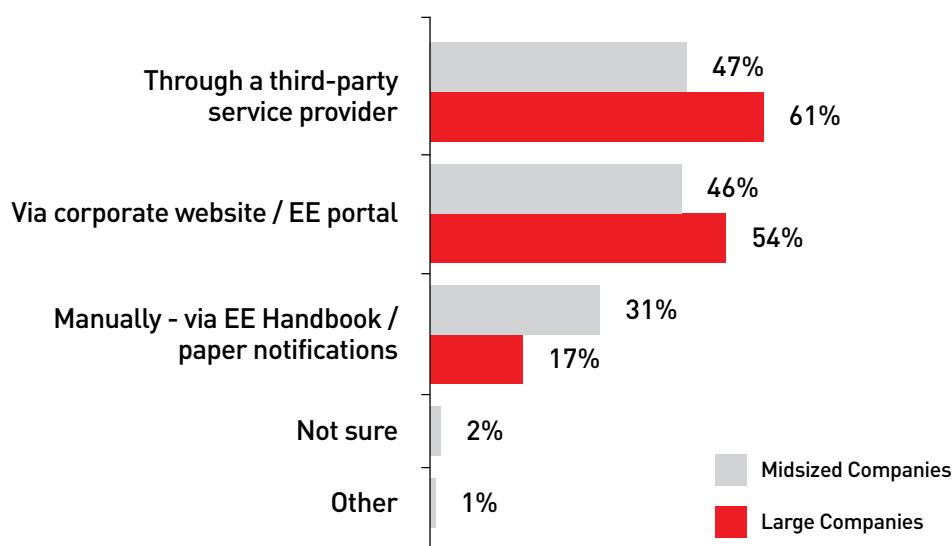
PLAN TO OFFER DECISION SUPPORT TOOLS OVER THE NEXT 1-2 YEARS



Cost and implementation time are the two most important criteria among companies choosing decision support applications. So it is not surprising that outsourcers have gained a firm foothold in the decision support tools marketplace – with their ability to leverage technology across multiple customers ensuring a lower total cost than if each employer were to implement their own solution.

Nearly half of midsize companies and almost two-thirds of large companies currently utilize a third-party service provider to deliver decision support tools to their employees. For companies picking an outsourced solution, ease of use and customer service rank right behind cost and implementation timing in driving the selection process.

HOW DECISION SUPPORT TOOLS ARE DELIVERED TO EMPLOYEES



Editor's Note: After assessing the projected needs of the marketplace, ADP recently acquired Asparity, a firm which delivers Web-based, decision support technology and advanced consumer behavioral data analytics. Asparity's *PlanSmartChoice* brand of decision support tools provides decision support and data solutions that enable the employees of its clients to directly manage their health care and benefits.

Mobile Applications

The ADP Pulse Survey asked companies about the use of mobile applications to communicate benefits information. Mobile technology offers users remote access to email, Web browsers, and third-party applications via smartphones, tablet computers / iPads®, laptops, and netbook computers.

The use of mobile applications has skyrocketed for both business and personal use. According to the research firm **MARKETSANDMARKETS**, the total global mobile applications market is expected to record a CAGR of 29.6% between 2009 and 2014.⁵

Furthermore, according to a recent report from AMI Partners, smartphone ownership among midsized businesses in the United States is expected to grow by 40% within the next 12 months. Tablet ownership is set to expand by 85% during that time frame.⁶

“The current generation of workers is never without their mobile devices. These workers already use mobile devices to email and browse the Web,” said Prashanth Motupalli, survey research analyst at AMI. “But they are now looking for more sophisticated business applications while not in the office. This opportunity means much more than spreadsheets and documents.”

It is clear that as mobile technology continues to expand and becomes an essential aspect of doing business, companies will look for apps that can support workplace needs – including Benefits and HR solutions.

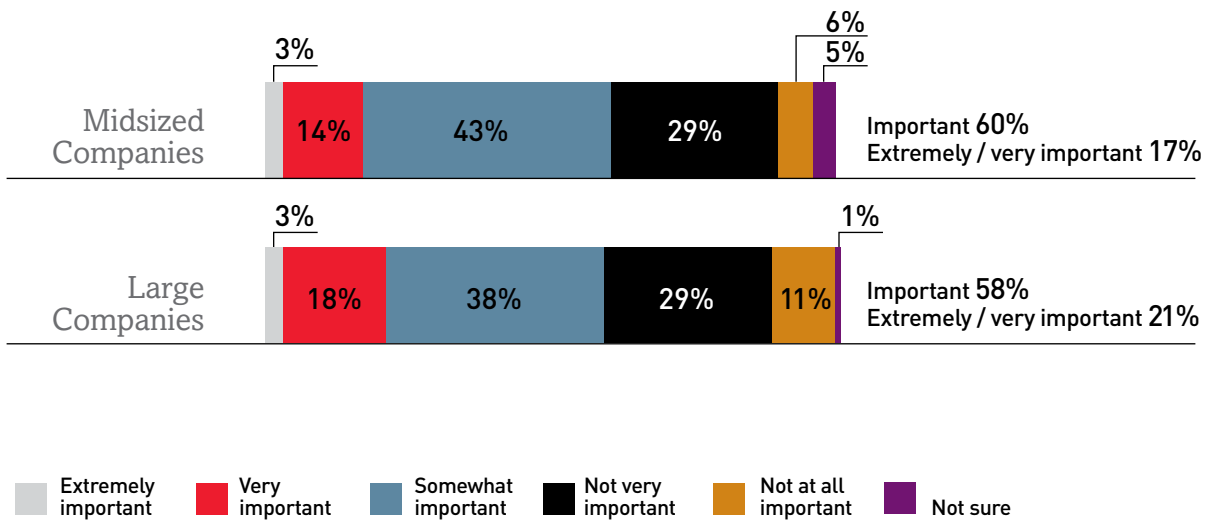
ADP Pulse Survey findings revealed that mobile access to benefits information is important to a majority of respondents – approximately 60% of HR decision makers. Yet, fewer than half of the companies surveyed currently provide mobile access (46% of large and 39% of midsized companies).

Despite the importance of mobile access to benefits information — ranked high by 60% of respondents — less than half of the companies surveyed offer it.

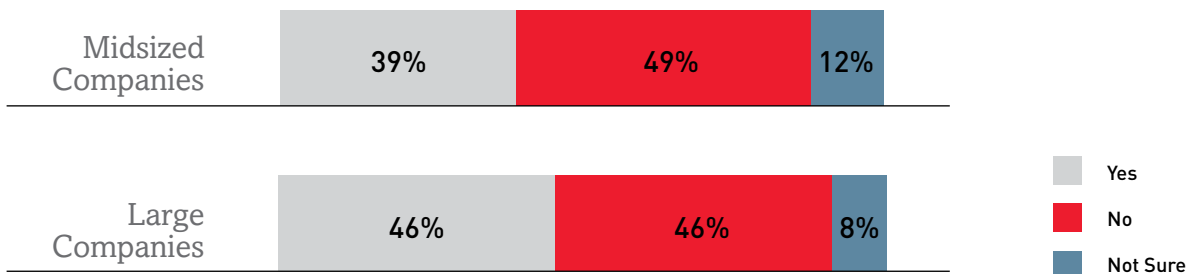
⁵ MARKETSANDMARKETS, World Mobile Applications Market: 2010 – 2015.

⁶ AMI Partners, 2011 U.S. SMB Cloud Playbook - Strategic and Tactical GTM Planning Guide.

IMPORTANCE OF PROVIDING MOBILE ACCESS TO BENEFITS INFORMATION



EMPLOYEE ACCESS TO BENEFIT INFORMATION USING MOBILE TECHNOLOGY



The preferred mobile applications of HR / Benefits decision makers include: health-care provider information, plan descriptions, benefits alerts and reminder capabilities, virtual insurance card information, and emergency contact information.

HR / Benefits decision makers estimate that, on average, about two out of five employees use mobile technology in their regular workday activities and close to half anticipate the percentage of employees using mobile technology in their regular workday activities will increase over the next two years.

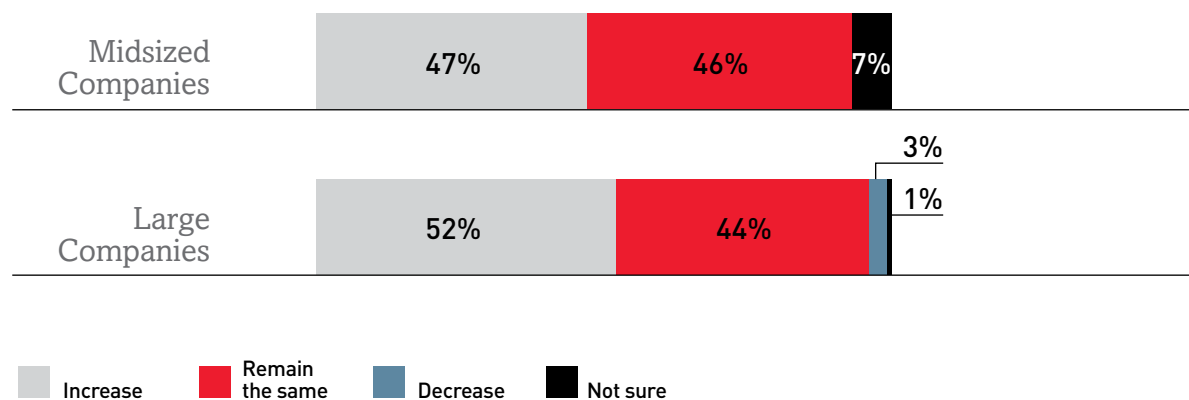
This is consistent with International Data Corp. (IDC) estimates that the mobile workforce is growing at an annual rate of 15%.⁷

⁷ International Data Corp. (IDC), More Than One Billion Mobile Workers Worldwide by Year's End, Feb. 2010.

MEAN % OF EMPLOYEES USE MOBILE TECHNOLOGY FOR WORKDAY ACTIVITIES



EMPLOYEES' USE OF MOBILE TECHNOLOGY OVER THE NEXT TWO YEARS



A VDC Research Group, Inc. (VDC) / ADP Research Institute survey conducted in 2011⁸ found that over 70% of companies believe that mobile HR solutions will improve workforce satisfaction, real-time decision making, and worker productivity. Still most companies surveyed have not yet fully embraced mobile solutions.

However, as the use of mobile technology increases, so should the adoption of mobile apps.

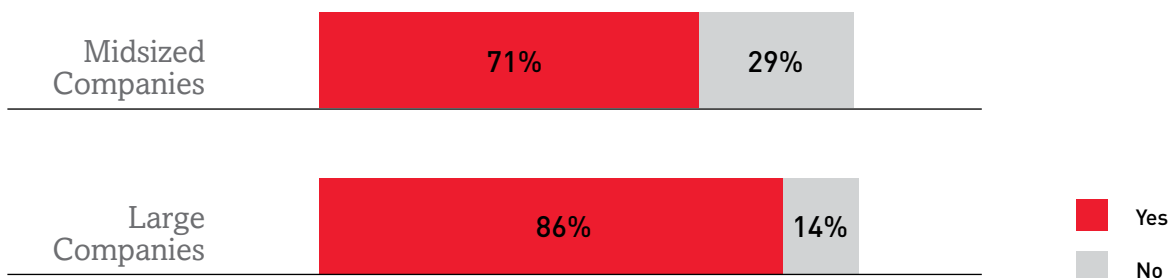
⁸ VDC Research Group, Inc. (VDC) / ADP Research Institute, Mobile HR Solutions: Connecting and Empowering Your Workforce, 2011.

Web-Based Portals

Dr. Vu-Thanh Nguyen, Research Analyst in AMI-Partners' Singapore office, predicted "...PCs are becoming smaller to be more mobile...portable PCs – especially light-weight convertibles, hybrids, and large-screen slates – will continue to be the computer of choice for businesses compared to small-screen netbooks and tablets."⁹

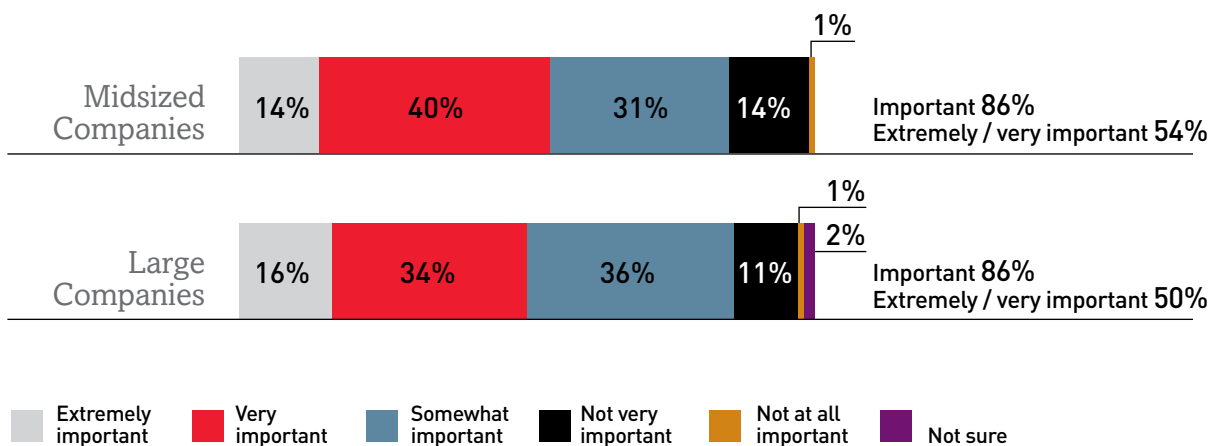
It is not surprising, therefore, that ADP Pulse Survey results show that Web-based portals have become one of the most ubiquitous technology tools used by companies and their employees today. Nearly nine out of 10 large companies (86%) and seven of 10 midsize companies (71%) have a Web-based portal that hosts employee benefits information.

HAVE WEB-BASED PORTAL TO ACCESS BENEFITS INFORMATION



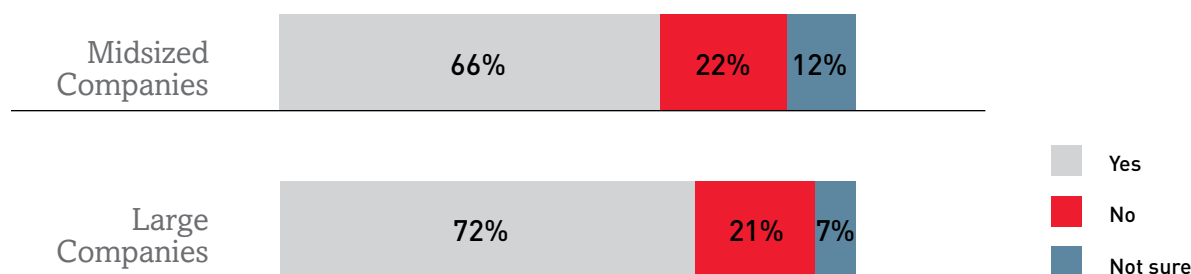
A vast majority (86%) of companies think it is important for employees to have 24/7 access to benefits information, yet only 72% of large companies and 66% of midsize companies provide this access.

IMPORTANCE OF 24/7 BENEFIT ACCESS



⁹ AMI, Global SMB Insights and GTM Strategy Consulting, http://www.ami-partners.com/index.php?target=news&mode=details&news_id=189

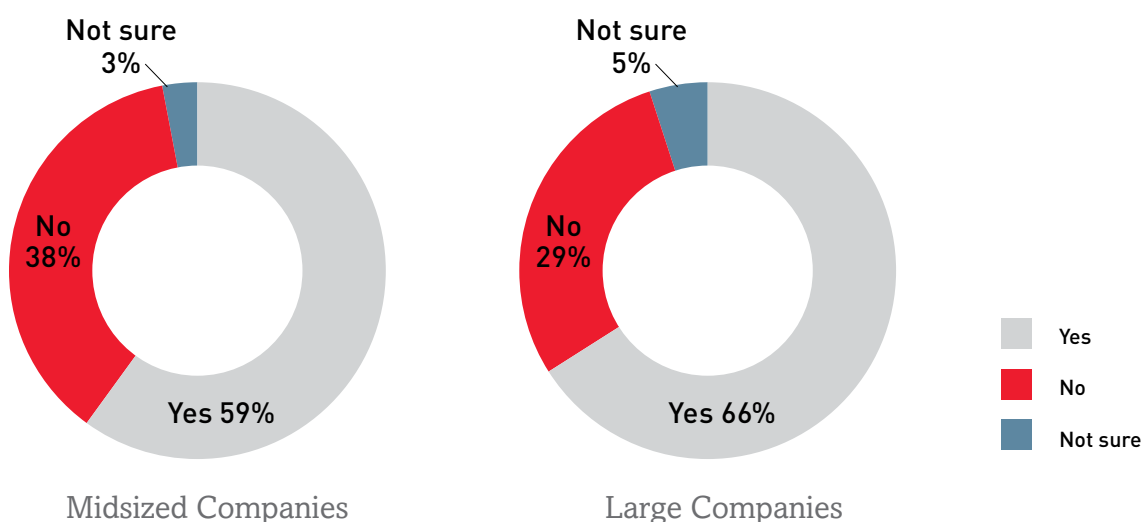
24/7 WEB-BASED PORTAL ACCESS



Of the companies surveyed, about half employed a single portal for benefits, HR, and payroll use and a like amount offer portal access utilizing multiple portals for each of those functional areas. However, among companies that currently use multiple portals or have no Web-based portal access, about seven out of 10 expressed an interest in a single Web portal solution.

Among those organizations that provide any variety of Web portal capability, 66% of large and 59% of midsize companies allow employees to modify their personal information, most commonly, home address, annual benefits enrollment information, tax withholding information, and life changes.

ALLOW EMPLOYEES TO MODIFY PERSONAL INFORMATION



By allowing employees direct access with the ability to modify their own data, HR decision makers surveyed see three benefits: 1) updated information is more accurate, 2) there are fewer calls to the HR / Benefits department, and 3) there is an overall perception of a reduced administrative burden within the organization. Additionally, among the companies surveyed, approximately 57% of large companies and 44% of midsize companies are using a third-party vendor to host their portal.

Conclusion

- Employers share a major, complex business challenge – how to control the cost of employer-sponsored health-care benefits, while providing comprehensive, competitive employee benefits.
- Health-Care Reform legislation will add to this challenge – and employers expect that costs will rise as a result of new requirements under the ACA.
- Most survey respondents acknowledge that it is important for employees to have a full understanding of their benefits options.
- While the use of decision support tools enhances an employee's understanding of his or her personal benefits choices, relatively few respondents utilize these tools.
- Of those that do, nearly half of mid-sized companies and almost two-thirds of large companies outsource that responsibility.
- Although six out of 10 respondents indicated that mobile access to benefits information by employees is important, less than half of the surveyed companies currently utilize mobile applications for that purpose.
- Web portals are already widely used to communicate and provide access to employee benefits.
 - However, companies offering Web-based portal access for benefits information are split between offering a single portal for all benefits and multiple portals for benefit, HR, and payroll tasks.
 - About half of respondents think 24/7 portal access for employees is either “extremely” or “very” important.
- Most respondents expressed a high regard for the current capabilities and the potential that technology – online communications, decision support tools, mobile applications, and Web-based portals – provides to HR decision makers.

Research Methodology

The ADP Research Institute conducted this Employee Benefits survey in July 2011 among 501 HR decision makers in U.S. enterprises. These include 251 participants from midsize organizations (those with 50-999 employees) and 250 from large organizations (those with 1,000 or more employees).

Statistically projectable samples of 251 midsize respondents were interviewed in each of two size groups: enterprises with 50-99, and 100-999 total U.S. employees; and 250 large respondents were interviewed in each of three sizes: 1,000-2,499, 2,500-999, and 10,000 or more total U.S. employees. The resulting data achieved statistical reliability at the 95% confidence level both overall and in each of the size groups.

Respondents had to be key decision makers (evaluators, recommenders, final decision makers) for employee benefits policy or major benefits system or service purchases within their enterprises.

Five out of every 10 (51%) midsize respondents and three in every 10 (31%) large respondents were the actual heads of HR or employee benefits within their organizations.

About ADP

Automatic Data Processing, Inc. (NASDAQ: ADP), with about \$10 billion in revenues and approximately 570,000 clients, is one of the world's largest providers of business outsourcing solutions. Leveraging over 60 years of experience, ADP offers a wide range of human resources, payroll, tax and benefits administration solutions from a single source. ADP's easy-to-use solutions for employers provide superior value to companies of all types and sizes. ADP is also a leading provider of integrated computing solutions to auto, truck, motorcycle, marine, recreational vehicle, and heavy equipment dealers throughout the world. Reach us at **1.800.225.5237** or visit the company's website at **www.ADP.com**.

About ADP Research Institute

The ADP Research Institute is a specialized group within ADP that conducts studies on current topics of interest to Human Resources and payroll professionals.



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