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Insurance Agency, Inc.

How technology can help businesses solve the benefits puzzle

Getting benefits administration right can support broader business growth and goals

The talent shortage is putting more pressure on all businesses to improve their benefits offerings. A great benefits package can be critical for attracting good employees without having to outbid the competition on salary, particularly for small businesses that operate on thinner margins.

But there's a catch: Without the right systems in place, developing and administering benefit packages can be resource intensive, reducing the effectiveness of your benefits package and organization's overall return on investment.

"Great benefits mean different things to different people. That's why a great benefits package should do two important things. It should offer a choice of options that fit the needs of the employee and their families, while also controlling costs for both the employee and the employer," says Michael Loban, vice president of sales and licensed Health & Benefits agent at Automatic Data Processing Insurance Agency, Inc. (ADPIA®), an affiliate of ADP®.

In June 2022, *Arizent Research* and *Employee Benefit News* conducted an online survey on behalf of ADPIA to better understand how businesses are meeting the challenge of providing benefits to their employees. Survey responses were gathered from benefits decision-makers at small businesses. Insights from that survey point to technology-based strategies that businesses can use to up their benefits game.

98%

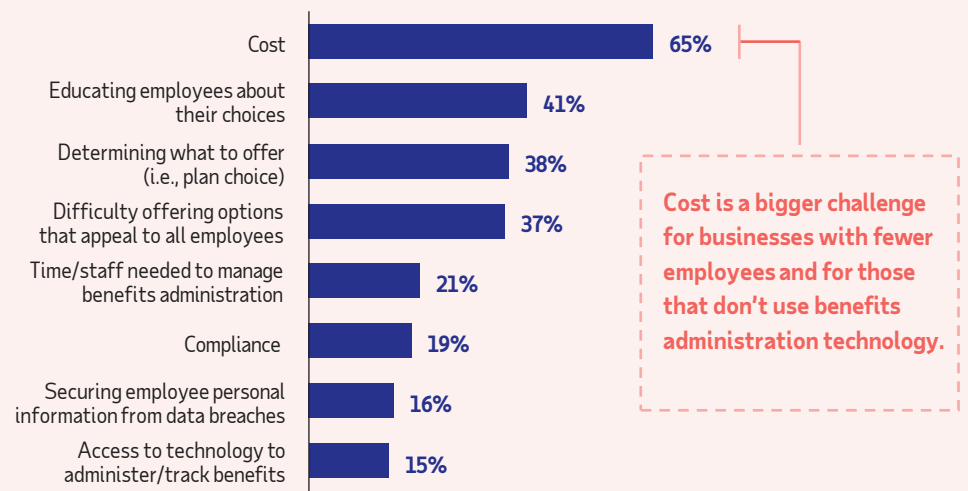have challenges when it comes to offering group health benefits.

Businesses face challenges managing group health benefits

There are two big issues the surveyed businesses identified:

1. Challenges with offering group benefits packages
2. Pain points experienced while administering group benefits packages

When asked about their top three challenges with offering group health benefits packages, cost, educating employees about their choices and determining what to offer were at the top of the list (see Figure 1).

<u>Figure 1</u>: Top Challenges When Offering Group Health Benefits

Challenge	%
Cost	65%
Educating employees about their choices	41%
Determining what to offer (i.e., plan choice)	38%
Difficulty offering options that appeal to all employees	37%
Time/staff needed to manage benefits administration	21%
Compliance	19%
Securing employee personal information from data breaches	16%
Access to technology to administer/track benefits	15%

Cost is a bigger challenge for businesses with fewer employees and for those that don't use benefits administration technology.

"Cost" response, by number of employees				"Cost" response, by use of benefits administration technology	
14 or fewer	15 to 49	50 to 74	75 to 99	Use	Don't use
81%	70%	48%	57%	57%	81%

Source: Arizent/*Employee Benefit News*, 2022

However, these challenges are not uniform for all organizations. Eighty percent of the surveyed businesses not using benefits administration technology cited cost as a top challenge, but for firms using benefits administration technology, that share fell to 57%. This suggests that the tools companies use to administer benefits could influence the effectiveness of those programs overall.

"Benefits administration technology provides the transparency business owners need to make data-driven, better-informed decisions," Loban adds.
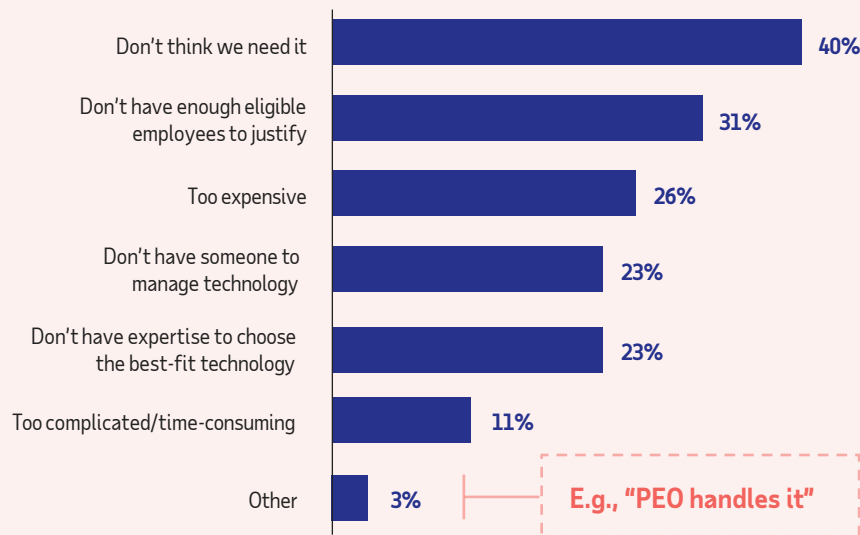
Looking to the top pain points for the surveyed businesses, the same story emerges. Finding the right plan and a variety of options at the right price, costs and employee education are at the top of the list. While many of these issues could be mitigated through the use of technology, many businesses have yet to embrace these solutions.

Businesses are using antiquated tools to manage their benefits

About a third (35%) of organizations reported not using any benefits administration technology at all. Instead, they generally rely on printed documents and Excel spreadsheets to manage their needs. Four in 10 don't see a need for a benefits administration tool; 31% don't believe they have enough employees to justify using such a tool; and 26% believe the technology is too expensive to implement (see Figure 2).

"Businesses that don't take advantage of benefits administration solutions take significant risks they might not be aware of, such as errors that commonly happen when keying information multiple times and the impacts of those data entry errors, as well as data privacy issues, to name just a few," Loban says.

Figure 2: Why Companies Do Not Use Benefits Administration Technology

Reason	Percentage
Don't think we need it	40%
Don't have enough eligible employees to justify	31%
Too expensive	26%
Don't have someone to manage technology	23%
Don't have expertise to choose the best-fit technology	23%
Too complicated/time-consuming	11%
Other	3% — E.g., "PEO handles it"

Source: Arizent/*Employee Benefit News*, 2022

## The pluses of a benefits administration platform

Simplicity. Data is housed virtually in one platform that can be used to communicate with carriers, brokers and managers.

Compliance. Platforms run on rules-based systems, where administrators set the rules, which streamlines processes and can help businesses stay compliant on a consistent basis.

Efficiency. Platforms are used to automate processes that would otherwise be done manually, saving time and increasing accuracy.

Transparency. Data can be easily accessed as needed by both employees and employers. Employees can view costs, carrier networks and coverage options, while employers can examine overall reporting, expenses, enrollment numbers and other decision-making content.
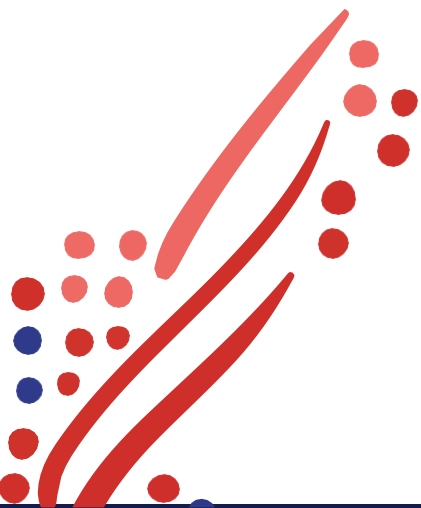
Building a thoughtful benefits program

Benefits administration technology tools can help employers dial in the right combination of offerings for their employees' needs. As companies increase the number of insurance carriers they use to provide their benefits, the value of an effective administration tool grows. Six in 10 firms report that they use between two and three carriers to round out their benefit offerings.

The vast majority of firms using more than three carriers use benefits administration technology to help keep their offerings straight.

The ability to use more carriers means more flexibility in what benefits and plan options a business can offer.

Businesses that use a benefits administration technology tool are more likely to offer other health and wellness benefits in addition to medical insurance.
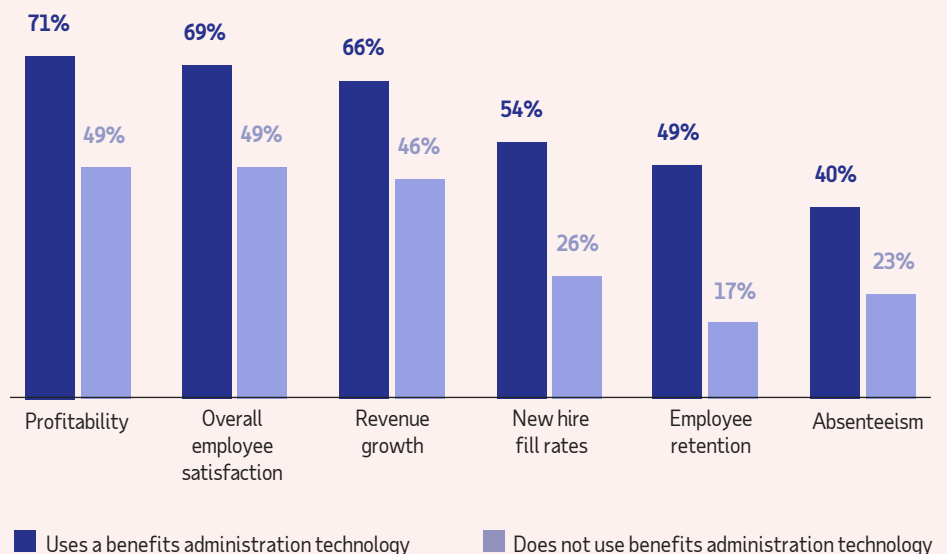
Not all benefits technology is created equal

Even those companies that do use benefits administration technology aren't always getting as many features and capabilities as they should. Only about half (51%) have access to benefits dashboards that allow them to assess the utility of their offerings. Around the same share (49%) get a self-service benefits portal to make it easier for employees to view, enroll in and use the benefits available to them, but only around a quarter (26%) have administration technology that integrates with third-party carriers to reduce the administrative burden on HR.

The right online benefits platform supports business goals and growth

Using effective benefits administration technology can unlock broad advantages for businesses. Tools that include elements such as self-service portals and educational materials can help employees better understand the offerings available to them and drive better utilization. This dynamic may help explain why overall employee satisfaction is much higher among companies that use benefits administration technology (69%) than those that don't (49%) (see Figure 3).

"It comes down to transparency," Loban adds. "Employees get self-service access to their plan details, like deductibles, any time. For employers, it means they can spend less time answering employee questions and more time on their business."

Figure 3: Correlation Between Benefits Administration Technology Use and Key Metrics

Metric	Uses a benefits administration technology	Does not use benefits administration technology
Profitability	71%	49%
Overall employee satisfaction	69%	49%
Revenue growth	66%	46%
New hire fill rates	54%	26%
Employee retention	49%	17%
Absenteeism	40%	23%

■ Uses a benefits administration technology   ■ Does not use benefits administration technology

Source: Arizent/*Employee Benefit News*, 2022

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Tools with utilization dashboards can also help employers determine whether they are providing the right mix of benefits for their employees. Getting that mix right can help attract and retain key great people.

Calculations using the survey findings show that employers using benefits administration technology have better new-hire fill rates (54%) and employee retention (49%) compared with organizations that lack such technology (26% and 17%, respectively).

Benefits administration technology tools that help employers build meaningful offerings and ensure employees know those offerings are available when they need them create a better overall employee experience. A clear understanding of their benefits and plan options can increase employee participation and make it more likely that employees will get the help they need when they need it — which can increase productivity, satisfaction and retention.

Because benefits administration tools give businesses a view of how employees use their benefits, they make it clearer where businesses are getting the best return on their investment for their offerings—and where they are not. That level of transparency can change the way leaders think about the cost of the benefits packages they offer, because it's easier to connect that expense to their organization's gains.

"The flexibility to adjust your offerings and get the most bang for your buck can help preserve scarce resources for the many other things that drop through to the bottom line, generating a cycle that can improve business efficiency, as well as employee satisfaction," Loban says.

Methodology

This research was conducted online during June 2022 by Arizent/*Employee Benefit News*, sponsored by ADP. To qualify, the 100 respondents had to be involved in benefits decision-making at a company with fewer than 100 employees that does business in one of 18 target states.

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If you are competing for talent and talent is scarce, it's important to have the ability to offer medical, dental and vision, in addition to voluntary lines, such as long- and short-term disability and worksite benefits that supplement medical insurance. Offering these benefits could help give you a competitive advantage in a tight market."

Michael Loban
ADPIA licensed agent

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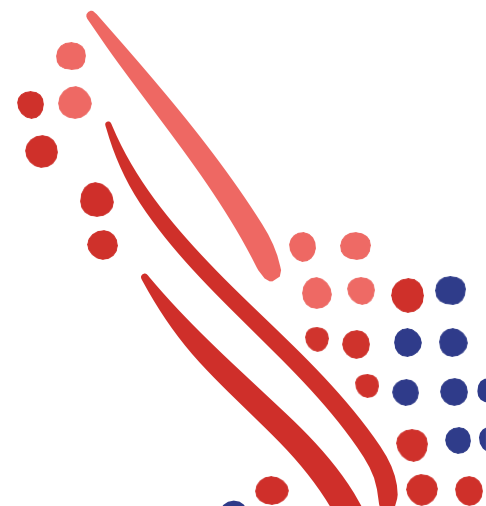## About Automatic Data Processing Insurance Agency, Inc. (ADPIA)

Providing access to workers' compensation, business and health insurance, ADPIA is dedicated to meeting the insurance and benefits needs of small and midsized businesses. ADPIA is an affiliate of ADP, Inc.

Learn more at insurance.adp.com

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