



## **Benefits Administration Solutions**

### **Executive Summary for Sample Company**

OutsourceOne's specialization and expertise in providing Benefits Administration Solutions will dramatically improve Sample Company's operations in these focus areas:

1. **Employee Benefit Enrollment** – Each year employees are offered an open enrollment window to change their benefit elections and/or dependents covered by their plan. Also, throughout the Benefit Plan Year Sample Company will have new hires that must be offered the opportunity to enroll, as well as existing employees that will experience Qualifying Life Events warranting the opportunity to change their benefit elections.

**Problem:** All of these enrollments currently generate a significant amount of paper that is processed in Sample Company's corporate home office. This paper enrollment method is slow because it has to be distributed to the various stores, completed, collected, and sent to various insurance providers and internal departments in a completely manual fashion. The paper method is also prone to errors such as: employees will forget to fill in certain information on the form, they may have illegible handwriting, or they may miss the deadline to submit the form.

**Solution:** OutsourceOne provides an online enrollment experience for the employee that is customized for Open Enrollment, New Hire Enrollment, Life Event Changes, and any differences there may be in the plan offerings from one employee to the next. During the enrollment process, the system is set-up to ensure the employee enters the information accurately and timely. The process prevents the problems listed above and common errors like forgetting to enter a birth date of a dependent, or selecting family coverage and then not providing information on the dependents to be covered.

2. **Employee Communication, Education, and Benefit Perception** – Each year companies like Sample Company devote a tremendous amount of resources to educate employees on the plans available, address changes taking place, and to create awareness of the large investment made by the company to offer plans that "benefit" employees.

**Problem:** As a paper based process, this campaign is expensive, time consuming, and challenging in the attempt to reach each employee household or store location.

**Solution:** Using a web-based platform can significantly improve each of these problem areas. Paper and postage costs are drastically reduced. The communications campaign can be an integrated portion of the employee's personal benefit portal and woven into their enrollment experience. The communication and enrollment application then becomes interactive with many tools available to help in the decision making process. Several enrollment tools assist employees with their plan choices and help simplify the enrollment process



by providing budgeting exercises and interactive predictive modeling components designed to anticipate an employees costs based upon the number of dependents covered and their utilization. All of this is hosted by OutsourceOne's internet platform within Sample Company's Benefit portal which ultimately reduces much of the coordination, printing, collating, sending, and timing issues involved with the traditional process.

- 3. Eligibility Management and Transmission to Insurance Carriers** – Once the various enrollments are completed, currently on paper, they must be manually transmitted and data entered into each of the insurance carrier systems, and the employee contribution amount must be calculated and data entered into Company's payroll system.

**Problem:** Once again, paper lends itself to a slow and manual process that is prone to human error. The exact same information is being entered into several different systems which effectively creates multiple databases with asynchronous information.

**Solution:** OutsourceOne's online system captures employee enrollment data in an electronic format in real-time, instantly. Each week HIPAA compliant data files are sent with all enrollments and changes to each of Company's insurance carriers, which are then automatically imported to their system. This is fast, accurate, reliable, and removes the element of human error. The same process is implemented to automatically calculate each employee's deductions which are then transmitted to Sample Company's payroll system for automated import. This effectively creates a single point of data entry, and allows for a synchronized set of data between all involved systems and parties.

- 4. Data Ownership** – The insurance carriers each maintain their own proprietary database for Company's employee population.

**Problem:** At the present time Sample Company does not have "real time" access to their employee benefit enrollment/eligibility data. Without control of this data in a synchronized environment, it becomes more difficult to access, study and generate reporting for strategic plan management. For example, if Blue Cross delivers a renewal increase that is unacceptable and Sample Company wishes to explore other options or select a different insurance provider, they must request census information from Blue Cross in whatever format is available in order to conduct a marketing for new bids. If a new plan is chosen, all employees must actively re-enroll which requires Company HR and all employees to go through the exhausting process all over again. In addition, Company HR has no choice but to accept the "List Bills" that insurance carriers like Blue Cross send each month. These bills must be manually audited and reconciled to ensure that Blue Cross has accurately data entered all enrollments, terminations and changes.

**Solution:** When Sample Company "owns" their employee benefits data on an independent eligibility system such as the OutsourceOne system, all of these data management issues are eliminated. Powerful reporting capabilities provide necessary census information within seconds and generates in a user-friendly Excel format for flexibility and further manipulation. If a new insurance carrier is



chosen, or Sample Company decides to self-fund their medical program with the same plan design that is currently in place, the employees would not have to go through the Active Enrollment process. OutsourceOne can simply roll the existing data for employees, dependents, and elections to the new insurance provider. Finally, from this same OutsourceOne eligibility platform, Sample Company can transition to a consolidated "self-bill" environment. This means that each month OutsourceOne can send Sample Company a detailed billing report showing all employees and all premiums due for each line of coverage within the same report. The report can be further customized to sort or subtotal by store location, and Exempt vs. Non-Exempt employees, for example. This billing report also automatically reconciles all of the terminations, new enrollments, and changes and displays the adjustments for a three-month look-back period. Best of all, Company can simply cut one check to OutsourceOne for all premiums due and OutsourceOne will disperse these funds to each carrier in the appropriate amounts that have been reported.

5. **Integration vs. Complexity** – Many companies utilize several different systems, service teams, and vendors to accomplish the tasks in focus areas 1-4 listed above. They may also use separate entities to provide COBRA and HIPAA Administration and Flexible Spending Account Administration.

**Problem:** For each additional system, service team, or vendor, it's that many more independent data sets to keep updated and synchronized, as well as a constant vendor management challenge.

**Solution:** OutsourceOne provides Online Enrollment, Eligibility Data Management/Reporting, Electronic Data Feeds to Carrier and Client Systems, Consolidated Billing with Automated Reconciliation, Automated COBRA/HIPAA Administration, Flexible Spending Account Administration, and Employee Call/Fulfillment Center Services all from One Integrated System, One Service Team, and One Company. This is very unique in the Benefits Administration Industry.

6. **Compliance with IRS Regulations** – Employer Benefit Programs, the Health & Welfare Industry, and the Program Delivery Models continue to become more complex every day.

**Problems:** Training internal company staff and monitoring internal systems and processes to keep your programs in compliance is an expensive, full time job. The IRS regulations surrounding COBRA and HIPAA, Flexible Spending Accounts, 834 Compliant Data Exchanges, and Data Privacy requirements are more than most companies want to tackle on an in-sourced basis. Sarbanes-Oxley is one of the most challenging pieces of recent compliance legislation that has been imposed on publicly held companies. Specifically, rigorous internal controls must be in place to ensure that processes are sound and financial reporting is accurate.

**Solutions:** OutsourceOne is an industry expert in each of these subjects. The technology, processes, and administrative service teams have all been specifically built to help address these problems for clients. By outsourcing above functions



to an Internet-based provider, our clients inherently avoid many of the privacy and security dangers that are present in paper-based, in-sourced administration.

**COBRA and HIPAA Administration** are heavily legislated requirements for all companies. For each benefit eligible employee that terminates from Company's health plans, a COBRA Notice must be sent within 14 days. Failure to meet this requirement can be enforced by both the IRS and DOL with fines of up to \$210 per day for each former employee. Employers can also be responsible for paying any claims incurred by the former employee during this time period. OutsourceOne would completely automate this process by receiving an electronic file feed each week from Company. The file triggers the system to generate, print and mail the customized notice to the participant within 24 hours. Company HR no longer has to go through a tedious, manual COBRA notice process in addition to remembering to do this within the 14-day compliance window.

**Flexible Spending Accounts** also require strict adherence to the IRS rules and regulations. Both the employer payroll tax savings and employee pre-tax savings are in jeopardy and can be fully taxed if the program is out of compliance. OutsourceOne ensures compliance by reviewing all claims against the guidelines of eligible vs. ineligible expenses, monitoring employee effective dates, account balances, and Plan rules, and performing non-discrimination testing annually. Furthermore, FSA Programs involve sensitive Private Health Information (PHI) that needs to be protected and administered carefully by an external organization with industry expertise.

As of October 16, 2003 the Department of Health and Human Services requires all "covered entities" (Health Plans and Employers) to use the **834 HIPAA Compliant format for all Electronic Data Transactions**. In order for a company to move to a paperless benefits environment, they must possess or hire the technical expertise to facilitate the construction, transmission, and maintenance of these Electronic Data File Feeds. OutsourceOne manages all elements of these data feeds to and from the Payroll System, Insurance Carriers' Systems, and the OutsourceOne Eligibility System. The OutsourceOne system serves as the primary data exchange hub and is also used to collect and warehouse employee elections and comprehensive benefits information.

From the Benefits Administration perspective, OutsourceOne assists our client companies with **Sarbanes-Oxley** compliance in these key steps:

- a) Analyze the Processes
  - OS1 continuously analyzes, evaluates, improves and develops new processes that support compliant benefits administration
- b) Model the Processes
  - OutsourceOne models the processes in a development environment, and allows client access to test the system prior to final implementation
- c) Automate the Processes
  - The WebOne application and related administrative processes are rules-based and highly automated to remove the element of human error
- d) Integrate the Processes with other systems
  - OS1 processes are seamlessly integrated with the client's Carriers, Payroll, & HRIS System, and Billing Process



- e) Manage, Control, and Monitor the Processes
  - OS1 provides real-time, on-demand information and reports that clients can use to satisfy Sarbanes-Oxley compliance within a secure user environment