

## Breaking the Myths:

There are many miss understandings and myths about the use of technology and use of the internet to administer employee benefits. Information is power and we at Innovative Benefit Solutions can help you find the right technology solution for your organization. Below you will find four concerns or myths you may hear about using a web based solution are:

### **Myth #1**

“I heard the Internet is not safe.”

Worried about security over the internet? It is a prudent concern and one that demands professional insight from an internet based company to fully answer. Learn more below.

We'd agree. Surprised? Don't be. The fact of the matter is, you're right. The Internet isn't a 100% secure environment. Neither are banks or cars, and yet people still open savings accounts and entrust automobiles to safely tote their families around. Nothing exists that cannot be eventually penetrated, worked around, or otherwise convinced to reveal what's inside. Security is a relative thing: effective only in comparison to what is less or more. On the one hand you have a bank, and on the other a hole in the ground. While both methods boast degrees of security, we'd all prefer our money in the vault than buried in our backyard.

But before one can decide on a bank vault, it's important to evaluate what qualities comprise a thoughtful security system, and how the administrators define and maintain those qualities.

Any business partner entrusted with sensitive information should be able to provide information on how they address all security concerns, not just Internet-based vulnerabilities. Consider the whole lifecycle of the information:

- **Communication:** How is information exchanged with third parties? Not just from you, but with other downstream parties necessary to complete business transactions (such as carriers). Are all such communication links secured and authenticated?
- **Storage:** Where is the information physically stored? In a server that is physically accessible? A classic rule of computer security is that anyone with physical access to the hardware can eventually gain access to the information. What about backup copies? Are those afforded the same level of protection?
- **Access:** How is internal and external access to the information authorized and audited? What is done to prevent accidental disclosure within the business partner?
- **Modification:** What controls exist to authorize and audit changes to the information you have provided? Is such information available to you at your request?

The answers to these questions are critical in defining what a secure lifecycle actually means for your information. Without that knowledge, you've no idea if the bank vault is any better than the hole in the ground.

If your company isn't using the Internet to enroll, then you are likely utilizing a paper-based system. This is tantamount to burying your employees' personal information in the backyard and hoping no one notices. Examine the security risks involved with a paper-based system by paying special attention to points where the data is transferred, handed off, or otherwise manipulated by human operators. This allows the subtle vulnerabilities to surface.

The first flaw in the assumption that hardcopy data is protected begins with the employees themselves. Perhaps they fill out an enrollment sheet incorrectly and before going to print out a new form, toss it in the trashcan. The trashcan is then collected, and the contents eventually find their way into a local dumpster. Not exactly the most secure location, is it? Think about what kind of information is laying there: social security numbers, addresses, phone numbers... the same type of information crucial to successful identity theft.

The completed enrollment forms are then given to HR, often via fax or e-mailed documents that need to be printed. This leads to papers languishing on the fax or printer where they are open to anyone passing by. When HR eventually keys the data into their system, they send the same fax or e-mail off to the carrier while filing their copy in a cabinet.

Assuming the information ever arrives, security risks at the carrier are similar to the problems identified at the HR level: mounting faxes or printed documents containing sensitive information available to anyone who happens to

pass by, another copy keyed into the computer, and yet another copy shoved into a filing cabinet or even thrown out.

The simple truth is this: Adhering to antiquated benefit administration processes is costing your company tens of thousands of dollars a year, if not much more. The cost of investing in an online system is significantly less. Stop losing money.

How can any of this be less secure than the Internet? Would you rather your data be stored in an environment shielded by state-of-the-art firewalls, encrypted data transfer, and a staff of vigilant IT professionals, or languishing in a discount file cabinet with a lock no bigger than a quarter? Or maybe that information hasn't even made it to the cabinet yet, and is sitting at your fax machine or printer available for anyone who has the mind to grab it.

So what kind of security should you be looking for? What is the bar for the successful safekeeping of your information?

At all times, encrypted data should be the rule governing the exchange of information. In the event of misappropriation, having your data encrypted will ensure your information is guarded from procurement.

The choice of storage facilities is equally important. Is the server a single box running openly underneath someone's desk, or is it an array of high-powered, dedicated servers situated in a temperature-controlled, flame-resistant environment that can only be accessed by authorized personnel with the correct identification cards? You'll both want and need a powerful back-up system, and to know that these back-ups are being placed in a location as secure as the data itself. As a final effort towards redundancy, you'll want to inquire about the company's disaster recovery plan. Power-outages on any scale and for any reason have the potential to disrupt the information exchange process, and you'll sleep better knowing there's a contingency plan in place for exactly this kind of situation.

Who has access to your data? Full-time employees who are answerable to the company or contractors whose obligation and loyalty extend only as far as the contract? It's important to gauge the level of dedication (and trustworthiness) among the people who will come into contact with your data. A reliable employee-base whose livelihood depends on their full-time commitment to the company can translate into the type of accountability that will keep your sensitive information safe and secure.

You'll certainly want to know how you can go about making changes to your data, and the verification process behind that system. Consider how many security filters the request needs to go through. Inquire as to the capability of holding a change in abeyance if a flag is raised regarding an inaccuracy, and if that happens what notification procedures follow.

For the first quarter of 2004 the Census Bureau of the Department of Commerce found that online sales rang in \$15.5 billion — representing a 28% increase over Q1 2003's \$12 billion. In 2003 the IRS reported 53 million individual returns were filed electronically. comScore Networks, a leader in the measurement and analysis of consumer behavior, found that 22 million users logged into their accounts in the nation's top ten banks in just the first quarter of 2004, an increase of 29% from Q1 2003. Why all the statistics? Well, they help show that if this overwhelming number of people trust the Internet to conduct actions as information-dependent like shopping, direct deposit, and filing taxes, then is there really an argument that proves paper is inherently a better, more secure method for benefits enrollment?

Caution is advisable even when deciding upon an online solution. Be sure to take the time to understand that company's capacities for secure data and how their technology copes with the unparalleled sophistication found in today's viruses, worms, and computer hacking techniques.

The Internet isn't 100% secure. But with the right kind of security measures, it makes a far more reliable and well-protected repository for sensitive information than paper ever will be.

## Myth #2

“My Employees don’t have access to the internet”

You think? While that may be true at work, you might be shocked to know that a vast percentage of employees utilizing online benefit enrollment services do so in the comfort of their own home. Want to learn more?

Actually, you’d be surprised. While your employees’ immediate work environment might not be equipped to connect to the World Wide Web, the information age has saturated all areas of modern life with quick, intuitive access to the internet. From cell phones to direct deposit banking to GPS systems to credit card swiping pads, it’s now practically impossible to ignore the technological surge that facilitates the real-time transmission of every conceivable type of data.

It’s even become main stream in places like educational establishments. Most schools have mandatory computer courses and requirements for students. It’s likely your employees are able to provide their children the very tool required by schools and necessary to provide a firm foundation for their educational future. According to US Census figures, in 1997 nearly half of all households with children between the ages of 6 and 17 had computers. Just three years later, the number had increased to nearly 67%. And it’s been four years since the last round of census figures so you can imagine a substantial increase.

Do your employees live in rural communities? Maybe you’re concerned about the reports of the lag of broadband access to homes in rural communities. Cable access and DSL are excellent near every major city, so it’s only a concern for rural outlying areas without the benefit of large business centers nearby. It’s important to remember that broadband access isn’t the only kind of access. Do they have a TV and a phone line? They may use web-based television or another equivalent service. And as long as they have a phone line, they can dial up to the internet via modem. Statistics show that as of 2001, rural internet usage was only 1% behind the national average. Good online services should be optimized for the lowest possible dial up connection of the home user, so even a low-end analog link is a feasible and effective alternative. More than 50% of our client’s employees enroll from someplace other than work.

Even if your employees aren’t connected at home there exists a variety of more obscure places to find internet access, including kiosks, coffee shops, copy centers, and even most public libraries. Online enrollment only takes about 15 minutes for a totally novice, first-time user.

And this isn’t a recent thing. According to the US Census Bureau, in 1997 more than one third of all households in the US had computers. In 2000 the US Census Bureau report indicated that half of all households in the US had computers. Eighty-eight percent of households with a total family income of \$75,000 or better had computers. Lest you think computer ownership and internet usage is limited to more educated and well-compensated individuals, there has been a steady increase of 25% a year in internet use by families with a total income of less than \$15,000. Is it possible that your employees fall within these statistics?

To offer a final startling statistic, in February 2002 the National Telecommunications and Information Administration (part of the US Department of Commerce) reported that internet usage was increasing at a pace of two million new users per month. That’s just about the population of Philadelphia! Every month!

These numbers prove out the simple fact that your employees have access to the internet. The ones that don’t are so impossibly removed from business centers that you don’t employ them anyways. Work is just a single establishment, and not even the one where they spend most of their time. In the unlikely event your employees aren’t yet able to access the internet from home, numerous alternatives exist within their communities.

The information age has arrived. Even if it hasn’t reached your company just yet, the good news is that as far as enrolling for online benefits is concerned, it doesn’t need to.

Myth information and content comes from our partner Benelogic.

### Myth #3

#### “My Employees Won’t Understand How To Use The Application”

Intuitive interface? Check. Reference material specific to your elections just a click away? Check. Online Help? Check. Of course, if you feel your HR staff should cope with the hassle of convoluted paperwork and calls from irritated employees then you probably won't want to discover the truth about our solutions.

While online application interfaces run the gamut in terms of simplicity, even the most complex fails to match the levels of frustration a paper form can inflict upon an employee, or the confusion imposed by navigating the arcane labyrinth of IVR menu options.

Do your employees currently enroll for their benefits using either of these methods? If they do, they'll have no trouble at all acclimating to a web environment. In fact, it's likely they and your HR staff will have an easier time than they would by messing around with papers and/or phone menus.

Built-in business rules ensure a high level of fidelity in each enrollment. Gone are the days of employees mistakenly opting for incongruous elections, or incorrectly adding up the total deductions cost. And if they need access to your company's plan options, they have it! Online resources, including benefit guides and documents, are typically just a click away and easier to pursue with context sensitive search capability.

Making changes no longer equates to blurry eraser marks or dollops of whiteout clogging the page. In a web environment evidence of these changes are invisible, and can be made at any time in the process. Furthermore, your employees are treated to a final review and confirmation page that they can keep for their own records. Even after they finish enrolling the rewards don't stop. When they enroll next year all of their previous information will still be there for each individual's convenience.

All of this is well and good, but why should you believe us? Hewitt Associates, a benefits consulting firm, reported that in 2003 the percentage of employees choosing to enroll for their benefits via the Internet was 70%. Not surprisingly this has amounted to a reduction in the percentages of employees enrolling for benefits via IVR and call centers. A meager 8% enrolled through IVR compared to 30% in 1999. Call centers fared a little better, with year 2003 seeing a modest 23% enrollment rate, but still down from 34% in 1999. Clearly these trends wouldn't exist if employees didn't find the online process easier to understand.

But just how much easier to understand do they find it? And in what capacity? Hewitt's data suggests that 93% of US employees enrolling for benefits online were satisfied with the experience. Ninety-five per cent were also satisfied with the ease of enrolling and the time it took, while eight out of 10 participants felt that they had access to all of the information necessary to enroll. Can your employees boast similar satisfaction levels regarding your current enrollment method?

The advantages aren't restricted to your employees. HR administrators also benefit greatly from an online enrollment system. How? Well, for one, everything is legible which means there's no scramble to decipher bad chicken-scratch. How many errors do you think this alone will resolve? Secondly, instead of rifling through reams of files and folders, they find an employee with just one click, as well as make status changes without sinking into the laborious paper process. Terminations, marital status, and new hires can all be done in near real-time. Another point to consider is that with an online system you are automatically covering your bases as far as privacy, HIPAA, and security requirements are concerned. We're talking bare minutes as opposed to weeks. Which would you prefer?

Carriers will have cause to smile, mainly because they also realize that paper is fallible. Access to a complete online list of clients, employees, and elections lets them respond to and implement changes more efficiently. As a further bonus, a good system will customize the electronic transmissions for the carriers, a measure to ensure even more accuracy in the data.

Claiming your employees won't understand how to use an online application is tantamount to saying they can't write their own names, check boxes, or flip through printed material. The fact is, they'll find online enrollment easier to understand, will enroll more quickly, and commit fewer errors. There's nothing hard to understand about that.

## Myth #4

“It would be great to have but it costs too much.”

So you love the idea but think the price tag is out of your reach. What if we said that enrolling for your health benefits online actually saves you money? Sound too good to be true? We invite you look at the facts.

So, you see the merits in the concept of employee self-service and accountability, but don't think you can afford it? Perhaps you see the surface advantages, but unless you've truly come to a deeper understanding of just how much money your company is losing by not moving towards a more streamlined approach to benefits enrollment, you don't have the full picture.

Sure, you understand that you'll save the costs of distribution and printing, and it's more than likely you realize how many hundreds of hours you'll be saving in data entry. It's even possible you acknowledge the fact that online self-service simplifies the enrollment process with accurate, system-enforced business rules.

But those are the obvious qualities; the ones you can see. What about the invisible costs your company incurs today? Are you even aware of how much money is unnecessarily flowing out of your company at this very moment?

These invisible costs aren't a surface phenomenon. They comprise an expensive and transparent undercurrent that stems from a company's inaccessibility to flexible and timely data, the type of data offered with a connected online enrollment system.

Still not convinced? Need an example? When was the last time you presented your prescription card at the pharmacy? Or what about taking a look at how your terminations are handled? What's the lag-time between terminating an employee using a paper system and actually cutting off his health benefits plan? A couple days? Maybe a week or two at best? That's time where your company might be paying for claims made to that plan; claims allowed because of the discrepancy between what's active in the carrier's system and what's active in yours.

The small costs of these types of claims is what usually allows them to go unnoticed, but what if a terminated employee incurs a large claim, one representing a significant amount of money? In the majority of self-insured arrangements there is stop-loss coverage to protect the employer from large claims. If the claim is for a person no longer eligible there is now protection, therefore payment made to the care provider is not the carrier's responsibility. It falls upon the employer to pay up on an unfair claim. A connected online enrollment system facilitates the communication of timely terminations between all parties so you aren't left out in the cold, paying for what you don't owe.

Of course, you're not simply saving the hard dollars by going online; you're saving time. Reorient HR with the responsibilities they were hired for, like defining company culture, contributing to positive employee interactions, and recruiting strong candidates for open positions. A quality system also fosters responsibility and thought leadership within HR by allowing instant access to their company's entire directory of employees, including status, deductions, and the details surrounding each election. HR transforms into a true human resources entity and not simply a mob of expensive data entry personnel.

The savings to your company can be significant. FSA administration, COBRA liability charges, and overpayment of election premiums (like with terminations) all conspire with other factors to inflict a cost of about \$180 per employee per year; assuming a very average 2.5% rate of error. Also, bear in mind this doesn't take into account the intangibles that vary widely between companies; costs like vendor fees, compliance risks, adding new programs, and billing reconciliation can all serve to boost this number much higher. But given a base average of \$180 annual cost per employee, it isn't unreasonable to consider a connected online system potentially bringing that down to \$40; a savings of \$125 per employee, and that's after FSA and COBRA administration costs are calculated. How big was your company again?

The simple truth is this: Adhering to antiquated benefit administration processes is costing your company tens of thousands of dollars a year, if not much more. The cost of investing in an online system is significantly less. Stop losing money.

However, in the end, it's more than just about not losing money. It's about savings; saving profits, saving time, saving people. How can you afford it? How can you **not** afford it?