

WHAT IS IT?

The outsourcing of all or some of the administration requirements associated with employee benefit plans. This can include initial and open enrollment processing, eligibility reporting and reconciliation, premium billing and reconciliation, post-employment (COBRA and retiree) services, employee communications and employee call centers.

WHY OFFER IT?

Off-loads non-core administrative work that can be time consuming and costly.

WHAT TYPES OF EMPLOYERS OFFER IT?

Employers with limited internal expertise, complex benefit plans, and those with multiple service providers are good candidates for outsourcing.

WHAT SIZE EMPLOYERS OFFER IT?

Any size employer. Cost justification is harder for smaller employers.

WHAT ARE THE CRITICAL UNDERWRITING OR PARTICIPATION REQUIREMENTS?

- Size of group
- Turnover rate - both company wide and in HR
- Services provided/required
- Number of carriers the administrator would be required to interface with

WHAT'S NEW IN THIS AREA?

- Some outsourcing vendors offer online employee self-service interfaces. This type of delivery system not only empowers the employee, but also permits the vendor to make use of a more cost-effective transaction medium.
- Some companies are looking to partner with outsourcing vendors offering human resource information systems (HRIS). The vendor acts as application service providers (ASPs), hosting and providing client's access to the employee database.

HOW MUCH DOES IT COST?

Approximately \$10-\$15 per employee per month.

INFORMATIONAL LINK(S)

- [The Benefits of Outsourcing](#)

PROS AND CONS

PROS

- Frees internal resources for core business functions
- HR can be more strategic, less administrative
- Improve HR processes
- Professional administration enhances overall experience for employer and their employees
- No employer responsibility for internal benefit recruiting, staffing, training
- Enhanced government compliance
- Lower cost of acquiring new technology (e.g., employee self-service)

CONS

- Cultural risk; employees may want internal "hand-holder"
- Significant investment of time required quantifying all existing plans and practices prior to handing off to outsourcer
- Quality of employee's "benefit experience" less controlled by employer
- Implementation costs can be significant

NOTES

Benefit Outsourcing is becoming increasingly popular with post-employment services, such as COBRA and Retiree administration.



This Fact Sheet is designed to provide a general overview of the benefit program, service, or regulatory act it describes. The information included in this document is not a substitute for legal or professional opinion relative to a plan sponsor's particular fact pattern. Your ArlenGroup consultant can answer more specific questions relative to its application for your organization.