

A Curcio Webb Article

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21805 Field Parkway, Suite 340  
Deer Park, IL 60010  
(847) 279-7340  
[www.curciowebb.com](http://www.curciowebb.com)

## Health & Welfare Administration: Rounding Third and Heading for Home?



By: Paul Neeson

## The Issue

We frequently receive requests from organizations that feel pressured to evaluate the feasibility of bringing H&W administration in-house. While everyone loves an inside the park home run, it's always a good idea to check-in with the third base coach before heading home.

## Advantages

While many organizations would consider the transition from an outsourced delivery model to an insourced solution a rather daunting task, the hurdle may not appear as high for organizations that have robust Enterprise Resource Planning (ERP) systems (e.g. Oracle, SAP, etc.), considerable IT resources, or call centers as part of their core operations.

Some of the apparent advantages associated with an insourced delivery model include:

- Regaining control of service delivery resources, cost, and quality,
- Proactively managing costs associated with plan design or delivery model changes, and
- The opportunity for greater flexibility and control over payroll deductions and adjustments.

These advantages, coupled with the idea of having one less provider to manage, are what typically make the concept of bringing H&W administration in-house an attractive option for some organizations.

There are, however, quite a few cost and risk considerations plan sponsors should take into account before proceeding down the path of insourced H&W administration.

## Cost Considerations

### *Participant Call Centers*

Organizations that don't have call centers as part of their core operations are already at a significant disadvantage. When items associated with call center overhead (e.g. office space, physical and data security), and investments in call center technology (e.g. case management /workflow, knowledgebase, call recording equipment) are taken into consideration, building a participant call center quickly becomes a cost-prohibitive proposition for many organizations.

One other key item to take into consideration is your participants' current call center experience. Matching the call center service level your participants have come to expect from providers whose core competency is providing H&W customer service may require significant investments in the ongoing recruitment and training of qualified representatives.

Even if providing customer service may be a core competency of your business, providing your own employees with adequate, privacy rule compliant, H&W customer service takes the requirements of most call centers to another level.

### *Systems & Services*

The costs associated with ERP system development for H&W administration can be significant. In addition to the initial and ongoing IT and ERP resource requirements, the same cost considerations associated with outsourcing (e.g. data conversion, user acceptance testing, system and data maintenance) still apply.

Some organizations don't take into consideration the number of ERP

customizations that would be required to bring H&W administration in-house. These customizations can lengthen the implementation project timeline or create a backlog of future system upgrades.

Examples include:

- Adding and linking HSA enrollment to a HDHP
- Changing the basis of contribution strategies (e.g. based on employee pay), and
- The creation of a self-billing process, carrier interfaces, and financial reports

H&W administration providers continue to make significant investments in their website functionality (e.g. single sign-on links, and leading edge online decision support tools). Trends in online functionality include integrating participant claim data in decision support tools and incorporating HRA, wellness, and biometric data into the H&W administration processes. Attempts to create and maintain industry comparable tools and functionality can add to the insourced administration price tag.

In addition, there are some services most organizations would find difficult to support internally. These include:

- COBRA/HIPAA administration
- Direct billing
- Communications and fulfillment

### **Exposure to Risk**

The passage of the Healthcare Reform Act creates compliance issues that will impact H&W administration for several years to come. Organizations considering bringing H&W administration in-house must have the resources to stay on top of pending federal, state, and local legislation.

The organization that brings H&W administration in-house also assumes all of the risk associated with errors that may result in eligibility issues or HIPAA violations. Each participant's Protected Health Information (PHI) must be securely guarded and H&W administration, technology and physical security measures must comply with minimum regulation requirements.

Other cost and risk considerations include the establishment of adequate backup and disaster recovery procedures. These typically require regularly scheduled tests, audits, and appropriate alternate locations for operations and call centers with adequately trained representatives.

### **Summary**

Even if operating customer service centers is a core competency of your organization, it is nearly impossible to replicate the capabilities of H&W providers whose large client bases and competition drive their investment and constant improvements in technology.

Like a good third base coach, we can tell you what's going on in the out(sourcing) field and recommend other, less time and resource consuming options. These options typically include renegotiating contract terms, conditions and performance standards with the existing H&W provider; benchmarking provider fees and services; or evaluating the pros and cons of co-sourced and outsourced delivery models.

*Please contact Jamie Curcio at [jcurcio@curciowebb.com](mailto:jcurcio@curciowebb.com) with comments or questions.*