

# SAN DIEGO BUSINESS JOURNAL

A SAN DIEGO BUSINESS JOURNAL SPECIAL REPORT

## INSURANCE AND EMPLOYEE BENEFITS

### Benefits Specialists Are Welcome Allies In Lean Economy

**HUMAN RESOURCES:** Consultants Tap Expertise, Industry Connections

■ By MARTY GRAHAM

**W**hy would a business decide to outsource its benefits programs — one of the top functions of its human resources department? There are lots of different reasons and lots of different ways businesses can reach out for help, analysis and expertise when they're ready.

Companies that downsized in these tough times have probably given up human resources staff along with other workers, while the need for the skills remains. Some businesses, particularly smaller ones, don't even have a human resources person and may be buying benefits from an insurance agency or considering offering benefits for the first time. Bigger companies with large projects, such as starting a wellness program or figuring out ways to cut insurance costs, may look for an expert to finesse a one-time project — which is where Julie Adamik, principal with the local office of Employee Benefits Training and Solutions LLC, comes in.

"A lot of companies are running lean these days and they no longer have the bandwidth to handle the seasonal projects," Adamik said. "In smaller companies, most HR folks don't have a strong benefits skill set and most don't want to get involved because it's so complex."

Profit-driven thinkers often see human resources departments and benefits managers in general as expensive efforts that generate no revenue for their business, which can make outsourcing more attractive, according to Bob Scruggs, district manager at the San Diego office of Oasis Outsourcing.

"If a company can get rid of the burden of nonrevenue-producing parts, outsourcing becomes a no-brainer," Scruggs said. "It really depends on what goes on in the business, and it's often smarter to hire a specialist to get the best use of the business's money."

#### Tailoring Services to Client Needs

For each company and each set of needs, there are different services. Consulting companies usually have licensed insurance brokers and a broad base of insurers and plans, claims managers and analysts, licensed investment advisers for retirement plans and risk-management specialists. They build contracts with businesses based on what businesses want and what they can do for their clients.

"There is no such thing as a typical client," said Jean Strouf, president of Teague Financial Insurance Services Inc., a La Mesa-based company with a clientele of companies that have between two

and 200 employees. "Most of our clients have a human resources person in-house but they want the knowledge and expertise that comes with specialization."

Outsourcing companies including Teague Financial and Oasis Outsourcing have expertise and stables of providers for insurance plans, ranging from workers' compensation and health care to disability and life insurances. Because of their very up-to-date knowledge and longtime experience, they're in a better position to help shape a business's insurance offerings, Strouf said.

"Insurance and costs change constantly," she said. "We start by looking at how people are using their insurance to select the best programs for each client business."

Outsourcing companies tend to have knowledge of a wider range of products and have worked with their insurers over a period of time, giving them practice at navigating the sometimes unpredictable waters.

"We know the carriers and we're star brokers with them," Strouf said. "We know which ones are less of a hassle to deal with and which ones are best at delivering what they promised."

#### Making an Extra Effort

Done right, the benefits management is more than finding insurance plans. An involved broker will hold the employee meetings and teach them about best practices and cost savings.

"One way to use your broker is to have the broker help with auditing the carrier's bills. We always save the business more than it costs to have us do the work," she said. "Many businesses are paying for benefits for employees who aren't eligible or they're paying for insurance, like vision insurance, for the person who has perfect eyesight and doesn't use it."

Other examples of unnecessary spending include insuring employees who are eligible for Medicare, or those who are on leave or disability who are eligible for COBRA, Strouf said.

"The (business's) HR people may not understand how you can manipulate costs and benefits and do some creative tweaking to get more for the costs," Strouf said.

Teague's insurance brokers go out and run the open enrollment programs at their client businesses and hold seminars on how to make choices and how to save money. For example, they may provide information about using generic drugs and handle problems that come up with claims.

"We see ourselves not only as the licensed agent that helps find the best plan but as the advocates for your employees



Stephen Whalen

Jean Strouf, president of Teague Financial Insurance Services, offers assistance to companies looking to outsource their human resources workload.

who work directly with the employees when there's a problem," Strouf said.

#### Mixed Bag of Outsourced Options

Health benefits are just the beginning. Employers can look to outsourcing agencies to run their workers' compensation plans, employee assistance programs, individual retirement accounts and risk management.

The recent health care reform package will probably push more employers to outsource their insurance plans, Scruggs said.

"They have to start tracking to W-2 value of the benefits and they're going to be required to provide statements about benefits to the IRS," he explained. "There are great tax incentives for providing benefits but you have to make timely reports or businesses will face penalties."

"Larger companies with technology already in play will have no problems with that because they're already doing similar tracking with workers' compensation reports," Scruggs added. "But smaller companies will have a struggle with it and it will hurt if they don't keep up."

It may take nothing more than putting a computer program in place, but businesses will have to find that program and train people to run it — something that Adamik knows how to do.

Adamik contracts with businesses, usually larger companies with between 1,000 and 4,000 employees, for focused, complex projects. She says her more than 30 years of experience in human resources lets her come in as a "benefits manager in a box."

"In this kind of work there are seasonal needs and the rest of the year is maintenance," she said. "It's hard for CEOs and

CFOs to talk to HR because HR doesn't talk business talk, but if HR can make a business case for benefits programs, for example, to cut absentee rates, they will listen."

#### Value of Using Outside Resources

Adamik says that cost savings are her best argument for being hired.

"I have yet to go in and not save companies more than they spent for me," she explained. "There's a lot of low-hanging fruit."

Many companies already outsource their payroll and income tax functions, so the transition to outsourced benefits, or the decision to provide them for the first time, isn't that tough. Nor is it difficult to find companies with the skill set, licensed and certified experts, and a stable of satisfied clients.

Outsourced benefits occasionally can get into some thorny situations, however, according to Cal State San Marcos professor Martin Gannon.

"Who is liable for glitches and problems? If something goes wrong, does the agency represent the interests of the employer or employee?" Gannon asked. "And the core question for all outsourcing is, 'Do the benefits exceed the costs?' A study in Germany found that companies needed a 40 percent cost reduction to actually save money."

What appears to be a savings at the start can disappear if something goes wrong that leaves the employer and the agency squabbling or being sued.

"A mistake can wipe out savings for a long period of time," Gannon warned.

Marty Graham is a freelance writer for the San Diego Business Journal.