



BENEFIT *Advisor*

In This Issue

In this tenth issue of the McGrawWentworth Benefit Advisor for 2005, we will discuss the process of moving certain administrative tasks to the realm of “electronic” processing. The process of moving paper-based administrative tasks to an electronic “paperless” realm holds appeal for many human resource professionals. Administrative tasks and their corresponding paperwork is cumbersome. However, electronic-based administrative systems have their challenges as well. In this Advisor, we will review electronic administrative options and the advantages and disadvantages of adopting these processes.

We welcome your comments and suggestions regarding this issue of our technical bulletin. For more information on this Benefit Advisor, please contact your Account Manager or visit the McGrawWentworth web site at www.mcgrawwentworth.com.

“Electronic Communication & Data Management”

As many organizations enter into the busy open enrollment season, the same question pops up every year – how can open enrollment be made simpler? Usually, the discussion turns toward using the Internet to expedite the enrollment process or to collect data. Many organizations use electronic communication and data management as tools to streamline administrative processes. While these tools, in many instances, eliminate paperwork and ease administration, you must use them properly to manage your data effectively.

This Advisor discusses the various electronic tools an organization can use to manage communication and enrollment. These tools include:

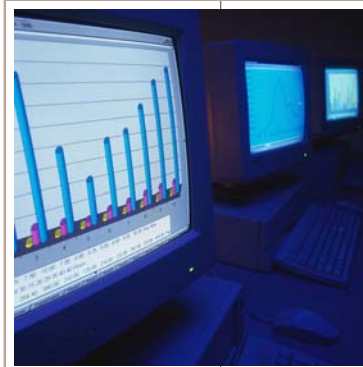
- Electronic communication options
- Vendor programs for data management
- Software programs for managing specific tasks
- Internet enrollment software

This Advisor will discuss the advantages and disadvantages of each of these tools and the key issues to consider before your organization adopts any strategy.

Electronic Communication Options

Communicating electronically is a beginning step to using technology to simplify administrative processes. The following options can help when you begin to offer electronic communication:

- **Electronic documents:** Technology has come a long way in the last 10 years. Your organization can convert many of your communication tools to ADOBE PDF files and e-mail them to your employees. The wide availability of ADOBE has made an electronic communication more feasible. ADOBE also limits the ability of anyone to alter any document communicated in that format. In addition, many carriers offer electronic enrollment and communication materials. You can e-mail electronic documents to your employees or post the documents on your Intranet, instead of sending them through the mail.
- **Intranet Site:** Many companies have designed Intranet sites as a corporate communication tool. These sites offer corporate information, training, employee news and benefits information.



Some organizations will simply post electronic documents on the Intranet site and use the site to streamline information requests. Other organizations will use the Intranet site more as a communication tool.

They will include descriptions of benefit plans, discussions of when changes can be made, frequently asked questions, instructions for filing claims, and so on.

- **Internet Benefits Website:**

You can also use Internet

websites to post benefit information. Using the Internet frequently means an outside vendor will host the site. Your organization can choose a vendor that specializes in Benefits and Human Resources Websites. These vendors may offer a more polished site and better navigational tools than your organization can create in-house. Moreover, it is easy to expand content when you use an outside vendor to develop the Internet site. If security is an issue, you can use security protocols to keep your content accessible only to your employees.

Your organization has tremendous flexibility in deciding what benefit information to include on its site. Information to consider includes:

- New hire benefits information
- Open enrollment information
- Employee handbook

- Human Resource forms and procedures
- Information on wellness initiatives
- Summary Plan Descriptions
- Privacy Notice

Every organization will want to include different information. The best way to determine what information

you can provide electronically is to examine all your standard employee communication. Then decide which information you can put on an

internal or external site.

Key Considerations

In general, communicating electronically is more efficient than sending material by U.S. mail. However, certain documents have delivery restrictions:

- **Summary Plan Descriptions (SPDs):** The Department of Labor does allow employers to deliver SPDs electronically. However, a number of requirements must be met in order for the document to be considered delivered. The final regulations address two categories of individuals:
 - Employees with regular computer access as part of their job duties at the workplace.
 - Individuals without regular computer access at the workplace.

The requirements for employees without regular computer access are more restrictive and difficult to administer.

The requirements for both categories are outlined on page 3.

Your organization will need to carefully consider what makes sense in deciding if SPDs should be delivered electronically.

- **COBRA General Notices:** While COBRA notifications must generally meet the same standards as SPDs for electronic document delivery, the electronic method will not meet the requirement to deliver the notice to all qualified beneficiaries. Therefore, COBRA notices should not be delivered electronically.
- **Privacy Notices and Medicare Creditable Coverage Notices:** Both of these notices have more stringent electronic delivery requirements than the DOL standard requirements. If either of these notices is delivered electronically, your organization must receive affirmative consent for electronic delivery. This makes the electronic process less efficient.

Another concern your organization should address when moving to electronic communications is content management. Your electronic resources must deliver correct information. It is imperative to know the content you are maintaining electronically in order to make any necessary changes.

Finally, many organizations have built extensive communication networks, only to discover their employees do not use the electronic resources. It makes sense. Benefit issues only occur periodically during the year; therefore, the old

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habit of calling human resources with requests will die hard. When you launch your Intranet or Internet website, keep in mind how your organization will compel employees to use the site. Include a section for "What's New" and encourage your employees to check the "What's New" section frequently. Once an employee becomes accustomed to using your site to check the latest news, using the site for benefits information will be less daunting.

Vendor Programs for Data Management

Vendors often offer their clients tools to simplify the administrative process. For example, Blue Cross Blue Shield, Aetna and others allow employers to enter eligibility changes electronically. Blue Cross currently uses a dial-up connection. Aetna allows additions, terminations and changes to be processed over the Internet. In these arrangements, the benefit administrator will be responsible for managing the plan's enrollment. While it seems this process would require more time to administer, organizations report this approach saves time and improves efficiency.

Key Considerations

To begin evaluating your options, ask your vendors what programs they offer and decide whether those tools will simplify your administrative process.

Evaluate how useful the tool will be to your organization. For example, Aetna offers electronic enrollment through its website. However, if your organization offers three other health plan options and uses different dental and life carriers, only a small segment of your administrative process can be managed electronically. It will probably end up being more work to

collect paper data for some carriers and electronic data for Aetna.

Software Programs for Managing Specific Tasks

Your organization could consider purchasing software designed to manage certain benefit administration processes. Many software options are available, including:

- COBRA tracking and management software
- Leave of absence software

- Training programs available electronically (COBRA, FMLA, HIPAA Privacy, and so on)

These programs focus on managing one aspect of benefits administration and generally will not integrate with any of your other data management systems.

Key Considerations

Generally these cost-effective programs will improve your administrative process. For organizations

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Employees With Regular Computer Access

In order to meet ERISA requirements, your organization must:

- Create a delivery method that notifies you when the information has been received. When you e-mail the documents to an individual, your e-mail system should have a way to notify you of undelivered mail.
- Ensure the delivery method protects the confidentiality of each individual's personal information relating to the benefit plan.
- Provide the materials consistent with style, format and content requirements of the specific document.
- Include a message with the document that explains the significance of the document and the individual's right to request a paper copy free of charge.

Employees Without Regular Computer Access

In order to e-mail documents to individuals who do not have regular computer access, you must request consent to deliver electronically that:

- Identifies any software/hardware necessary to receive information.
- Advises them that they may withdraw consent to receive information electronically at any time and explain how to withdraw consent.
- Informs them that they can request a free paper copy.

You must receive consent in order to deliver the documents electronically.

- If you intend to e-mail the documents, the employee must provide an accessible e-mail address.
- If you change the format for sending information, you must notify the employee of the revised hardware/software needs, remind the employee he or she may still withdraw consent and have the employee confirm in writing his or her consent to receive the document in the new format.

that still manage many of these processes manually, software programs can be a tremendous help. If your organization does not have a reliable record keeping system, these software programs also will help manage the administrative records.

However, these programs do have drawbacks. They are discrete software packages and, therefore, may not easily integrate with your current HRIS or benefit administrative system. These programs may not result in a significant reduction of paperwork as they generally manage the process and cannot replace any necessary notice requirements.

Internet Enrollment Software

Internet enrollment software is designed to allow your organization to collect data at open enrollment. Some software packages can also handle new hire enrollment and mid-year status changes. Using the Internet as a data collection tool for enrollment information should streamline the enrollment process. Many vendors will sell their services with the idea that enrollment becomes paperless. In many cases, that will not be true, but certainly paperwork will be reduced.

Electronic enrollment is far from easy or simple. In fact, the process takes a great deal of oversight and auditing to ensure it is effective. Initially, it may even take your organization more time to manage an electronic enrollment system. These systems are not magic; it is essential to consider the process for collecting data over the Internet carefully before you implement an enrollment system.

Typically, the process includes setting up a designated website where an employee must enter a user name and a password the employer has usually assigned. Almost all enroll-

ment programs require employees to change their passwords when they log into the enrollment system. The enrollment system then prompts the employee through a series of screens to collect enrollment information for all the employer benefit plans. When you build an enrollment website, consider the following:

- What plans should be included?
- What business rules should be established to manage the process effectively?
 - Time frame for enrolling a new hire.
 - Time frame for allowing changes in family status.
 - Control of permissible changes when family status changes.
 - Management of new hire waiting period.
 - Optional life insurance or evidence of insurability limits.
 - Vendor limits that may affect your organization's ability to collect data for your process. For example, many Michigan employers charge an additional premium to cover dependents age 19-25, typically called family continuation. While this is somewhat common in Michigan, it is not common in other states. Can your vendor program handle the family continuation option?
- How will life insurance beneficiary designations be handled? The enrollment software can collect the designation, but you need to ask whether your life carrier will allow the electronic collection process.



Some carriers will require employees to complete their beneficiary designation form. Completing the form should be part of the enrollment process.

- How will evidence of insurability be administered for a voluntary life program? Many carriers will require hard copies of their evidence of insurability forms. If this is the case, these forms must also be integrated into the enrollment process. Can the system handle processing only life insurance amounts up to the guarantee issue amount until any additional amounts have been approved by the carrier?
- How will the initial data be imported into the Internet program? Initial data entry is necessary so individuals can log onto the website and have their enrollment process personalized. Typically importing this data can be done with a file extracted from payroll or your HRIS system, but you need to understand the details of this process. It often helps to have historical and personal data loaded into the system to limit the amount of information employees need to input.

Your enrollment steps must coordinate with your enrollment vendor's standard process.

The other key area of electronic data management is exchanging enrollment data electronically with the necessary vendors. Once your organization sets up the enrollment site, the information is collected and stored in a database, but that is only part of the process. The next step involves extracting the data to be fed to the various vendors that need the information:

- HRIS system
- Payroll system
- Medical plan vendor
- Dental plan vendor and so on

These data exchanges are more difficult than a vendor will lead you to believe. The data files can be extracted in two ways:

- **Changes only file** – this type of extract pulls data only from the database if there has been a change since the last data transfer. Changes only files include only a subset of the total enrollment and reflect only the records to which changes have been made.
- **Positive load file** – the positive load file is a full eligibility file. The information on a positive load file completely overwrites the current eligibility file in the vendor's system.

Both of these options are difficult and errors do occur. When an error occurs, quite frequently, the subscriber record with the error will be erased from the carrier system. Your organization should regularly audit the eligibility files in your Internet enrollment database with your carrier's eligibility file to make sure enrollees are not inadvertently losing their coverage.

Vendors for Internet enrollment solutions vary. Some vendors sell enrollment software. HRIS vendors will frequently offer a module that will allow for electronic data collection. Payroll companies have jumped on the bandwagon as well and have begun to offer Internet enrollment capabilities.

Vendors differ significantly on the support they offer with their products. Some vendors will simply sell the enrollment software and provide training. Your organization is responsible for creating the site and managing the data extract process. Other vendors offer much more help in creating the site and managing data exchanges. You need to know how involved your vendor will be in helping you manage the enrollment process.

Key Considerations

Electronic enrollment is complicated and needs to be managed properly to ensure its effectiveness. You need to consider a number of issues:

- **Compatibility**- the vendor you select should be able to electronically communicate with your other vendors. Find out how successful their data exchanges have been and whether your enrollment vendor currently transfers data for other clients with your vendors. If you purchase a software process from a current vendor (such as your HRIS vendor or your payroll vendor), will updates between these systems be automatic and occur in real time?



- **Carrier Feeds:** Data transfers with carriers, payroll and HRIS are more complicated than they appear. Make sure one person in your organization understands the process completely and coordinates with the various vendors. Regular audits of database accuracy are essential.
- **Access to System:** Access has really two components. The first is physical and technological requirements. The second is comprehension issues such as literacy, language barriers and comfort with using Internet.

Physical and technical issues can include:

- *Browser compatibility* – some systems will require a certain type of browser as well as a certain version of the browser. While the company can offer the correct browsers at work, do not forget to consider browsers employees access from home.
- *E-mail filters* – E-mail filters may become an issue if you send an e-mail to employees to link them to the enrollment site. This e-mail may be considered spam and blocked by a spam filter.
- *System updates:* How often does the vendor release new versions of their software or provide updates? Will these updates affect system capabilities, browser requirements, e-mail filters and so on?

- *Access for all:* Access for employees that work with computers all day long should not be an issue; however, do not lose sight of employees who do not use the computer every day. Your organization needs to create areas where these employees can access the Internet to complete the enrollment process.

Comprehension issues may be more difficult to resolve:

- *Language barriers:* If many employees speak a language other than English, you will need to overcome the language barrier so the system can be used effectively.
 - *Illiteracy:* This issue is a concern for any enrollment process. If an employee's only access to the enrollment site is at work and he or she cannot read, the tool will not be effective.
 - *Comfort level:* If your employees are not comfortable with the Internet, the enrollment process will be difficult. It may make sense to teach them the Internet basics before you launch an online enrollment tool.
- **Pended records:** Pended records will also pose problems. The most common pended record will occur when an individual applies for a life insurance amount above the evidence of insurability threshold. It is important to understand how the pended record is handled in the enrollment database, how the records are communicated to the employee and applicable

vendors and also, how the record will be finalized.

These issues are only a handful of considerations for Internet enrollment. If your organization is launching a new enrollment site, you need to understand the process in detail. You must also test the application thoroughly before you activate it for all employees.

Conclusion

Managing employee benefits plans has become more complex over the years. Organizations are looking at many options for streamlining the benefit process. A natural choice is to use the Internet or your company Intranet to communicate with your employees and to enroll them in benefit plans. This electronic communication will speed the process. In addition, employees will become more self-sufficient when they can easily access information electronically.

The simplest way to streamline the process is to deliver communication materials electronically. The enrollment process, however, is a

complex data collection operation. Many organizations looking to streamline this process are beginning to offer Internet enrollment. In the long run, this approach should save time and be more effective than the manual process. But it is a process that will require a tremendous amount of work initially in setting up the system and monitoring its effectiveness. In addition, many vendors oversell their system capabilities making it more difficult to implement their programs.

Organizations should thoroughly review their options before they adopt an electronic system. These programs require regular maintenance and tenacious management in order to be effective enrollment tools.

Launch these initiatives only after you have carefully investigated program capabilities and checked references.

If you have any questions about electronic communication and data management, please contact your McGraw Wentworth Account Director. **MW**



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