White Paper Provides Benchmarked Benefits Administration Costs Using Total Cost of Ownership (TCO) Model

Sourcing Analytics, Inc. (www.sourcinganalytics.com), a leading provider of HR, payroll and benefits consulting services, today announced the results of the first-ever comprehensive study on the Total Cost of Ownership (TCO) for health and welfare benefits administration.

MARIETTA, Georgia (PRWEB) January 9, 2006 -- Sourcing Analytics, Inc. (www.sourcinganalytics.com), a leading provider of HR, payroll and benefits consulting services, today announced the results of the first-ever comprehensive study on the Total Cost of Ownership (TCO) for health and welfare benefits administration. The study was conducted by Sourcing Analytics, an independent consulting firm specializing in the evaluation of HR service delivery. The study captured the TCO of benefits administration for 36 companies, all with more than 1,000 employees, and provides never before published benchmark data comparing companies that outsource benefits administration to those that keep the responsibility in-house. TCO was defined as the total costs, direct and indirect, related to the design, implementation and ongoing management of health and welfare benefits administration.

Key study findings include:

• Organizations that outsource benefits administration experience a 17 percent lower average TCO than companies that keep the responsibility in-house. ($199 vs. $165 per employee per year)
• Employers that integrate call center support within their benefits outsourcing arrangement, find that average TCO decreases further to become 24 percent less than in-house administration.
• Study participants outsourcing benefits administration are more than four times more likely to offer Web-based annual benefits enrollment, and more than 18 times more likely to offer Web-based enrollment on an ongoing basis to manage status changes and year-round benefit options.
• Companies outsourcing benefits administration reported low or no costs related to Sarbanes-Oxley compliance.
• The cost savings achieved through outsourcing were true for all size and complexity groupings in the study.

Additional survey results and a free White Paper prepared by Sourcing Analytics entitled, "Benefits Administration – The Impact of Outsourcing on the Total Cost of Ownership" are available by visiting the Sourcing Analytics web site: http://www.sourcinganalytics.com/benefits_admin.htm.

While the study provides insight into the cost dynamics of outsourcing, it also provides something not available elsewhere in the market: a database of information specific to benefits administration. With this information, Sourcing Analytics can now provide benchmark financial analysis unlike any other company.

Howard Gerver, CEO of HR Best Practices states: "So much work has been done to analyze the cost of benefits programs, while the data just wasn't there with regard to administrative costs." Furthermore, benchmarking administrative costs can provide indicators of inefficient and risk laden administration. Says Gerver, "The claims audit work HR Best Practices performs often reveals serious problems related to proper eligibility determination and enrollment administration. Benchmarking costs in these areas can be a first step in identifying and fixing critical administrative shortcomings."

This is the third TCO outsourcing study that has captured TCO information for payroll, HRIS and benefits

administration for more than 250 companies with more than 1,000 employees. Donald Glade, President of Sourcing Analytics, is excited to have been involved in all three studies. Glade said "TCO is a powerful tool for analyzing costs which can be used in determining the ROI of change, identifying inefficient process, or better managing risk. In fact, the TCO studies all point to another key finding; there are right ways and wrong ways to outsource!"

Indeed, the study demonstrated that in the outsourcing environment, outsourcing fees as a percent of TCO can be as low as 20% or as high as 80%: the higher this percentage, the lower the TCO. The study showed that the companies with the highest TCOs in an outsourcing environment retained the highest in-house costs, suggesting that companies can often reduce costs even further through internal process enhancement and effective relationship management.

About the Study

More than 35 companies participated in the study between July and August 2005. Approximately half of the companies were administering benefits in-house, and the other half were in an outsourcing relationship. These companies represented a broad range of industries, and had an average number of 4,155 benefits-eligible employees.

For the purposes of this study, the TCO of health and welfare benefits administration was defined as the processes of: determining eligibility for a set of benefit plan types; communicating eligibility and plan options to employees; managing enrollment for benefits at hire, during open enrollment and upon a status change; managing the flow of data to the network of carriers/benefit providers; and, managing the flow of benefit deduction information to the payroll system(s).

Sourcing Analytics developed and administered the surveys to calculate the total costs for health and welfare benefits including medical, dental, vision/hearing, basic life insurance, short- and long-term disability, personal liability, accidental death and dismemberment, flexible spending accounts, commuter benefits, long-term care, supplemental insurances, and voluntary benefits. Clarifying calls were made to review and normalize against other responses based on many factors including company size, operating environment, and benefit process complexity.

About Sourcing Analytics

Sourcing Analytics was founded in 2003 to assist providers and their clients in supporting the HR services relationship. Sourcing Analytics brings unique perspective, professionalism and methodologies and is committed to supporting the service partnership; ensuring that it is managed for success.

Success in managing partnered solutions is not just desirable; it is essential. The costs of failure can be staggering. For the provider - purchase, renewal, and leasing revenues are at risk, along with implementation, training, and support investments that may rise into the millions of dollars. For the employer, it is much the same picture – time, expense, and business disruption, as well as management and employee dissatisfaction from unmet expectations.

As such, Sourcing Analytics analyzes, quantifies, recommends, and monitors solutions that enable companies to optimize their HR / benefits / payroll service partnerships.

For more information about Sourcing Analytics, call 770-509-4816 or visit the company's Web site at www.sourcinganalytics.com.

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