



NAVIGATING THE BPA MARKET: OVERCOMING CHALLENGES FOR NEW ENTRANTS

Abstract

From healthcare to retirement benefits, employees seek security while selecting a company to work with. HR teams go to great lengths to maximise employee benefits to increase retention rates while remaining within the company's budget. With the increasing health and pharmacy costs, traditional benefits models may not work anymore. Employers need innovative benefits packages that are flexible, customisable, and meet the needs of different demographics. New entrants face an uphill battle and seek the assistance of third-party experts to remain agile with the changing benefits administration landscape.



Most employees consider benefits as one of the top reasons to stay with a company. Lesser churn means fewer business interruptions and lower costs of new hiring, onboarding, and training. Consequently, businesses leverage employee benefits as a key driving factor to ensure employee satisfaction, performance, and retention.

An employee benefits survey found

that the following benefits make the most significant difference in workplace experience:

- Health benefits (89%)
- Retirement benefits (81%)
- Leaves (81%)
- Family care (70%)
- Professional development (67%)

- Wellness benefits (49%)

Additionally, 91% of Gen-Z employees want companies to provide mental health benefits for workplace satisfaction.

Let's discuss the top challenges of BPA benefits plan administrators, possible solutions, and the reason to outsource benefits administration.

Top challenges in employee benefits administration

From rising healthcare and pharmacy costs to staying up-to-date with changing market trends and legal requirements, businesses may face a steep learning curve if they do not have an implementation plan or expert assistance:

Challenge 1: Staying updated with the changing markets and legal requirements

Legislation changes and market conditions have increased the burden on HR departments handling employee benefits. They must comply with regulations such as the Employee Retirement Income Security Act (ERISA), the Affordable Care Act (ACA), and the Consolidated Omnibus Budget Reconciliation Act (COBRA).

In addition to the day-to-day activities, the HR team must learn new skills to handle employee benefits and report to the IRS on time. Businesses often have several external insurance agencies they work with. Errors in recognising the compliances and rules to adhere to may result in lawsuits, penalties, and reputation damage.

Businesses can use one or more of the following solutions:

- Subscribe to industry publications or hire a full-time team to stay on top of legal compliances.
- Get new HR tools that track employee benefits in real time and integrate them with the payroll system.

- Distribute the workload between HR, finance, and accounts payable to lower the workload.

Challenge 2: Rising healthcare costs

Industry surveys show that healthcare and pharmacy costs could grow at a rate above 6% in 2024, which is the most significant rise in over a decade. The employer-sponsored healthcare plans may see an upward curve of up to \$15,000 per employee.

This burdens both parties and necessitates cost control. As the price of drugs and treatment rises beyond the inflation rate, businesses must alleviate it with comprehensive coverage that meets all requirements.

HR departments must explore alternative options to lower costs, such as telemedicine, onsite clinics, and preventive care. Focusing on disease prevention rather than cure reduces the need for costly medical intervention. Companies can also negotiate competitive rates and avail bulk discounts with insurance providers to further lower the financial burden.

Challenge 3: Balancing the day-to-day activities with multiple vendors

The core job of HR professionals is to manage recruitment, employee relations, workplace safety, payroll management, labour law compliance, engagement, and training and development. With so much already on the plate, managing employee benefits, designing strategies, budgeting, and compliance further stretches the HR team's limits.

Consider outsourcing the employee benefits program to reduce the workload on the HR department and to leverage the domain-specific expertise of a third-party expert. External experts bring extensive domain knowledge, which saves time and money.

Challenge 4: Educating the employees about the benefits

Large organisations with employees at different levels and geographical locations may have countless location-specific benefits packages. Employees can find this difficult to navigate without external assistance. At times, employees enrol themselves into a benefits program at the time of onboarding but do not know how to use it when in need.

The HR team is responsible for educating the employees about the available packages and guiding them towards the

ones that best suit their needs. Choosing the right benefits package and educating the employee can be challenging in the absence of an external expert.

Organisations can simplify the complex benefits options by adopting technology to manage the employee experience. The selected insurance partner must show results throughout the year, provide 1:1 benefits assistance, and foster an environment of understanding and appreciation.

Challenge 5: Creating benefits for all demographics

From millennials and Gen Zs just starting in the workforce or professionals with different personal and career journeys like starting a family, making it to senior management, or preparing for retirement, each demographic has unique benefits package needs. Designing a benefits strategy that caters to the requirements of all these demographics is exceptionally challenging. Some employees emphasise a flexible work schedule and vacation policy, whereas others want a robust health, dental, and 401(k) plan. Different people value different things based on their life's responsibilities and priorities.

One solution does not fit everyone. Communicate to the employees that the organisation understands their needs. Analyse the current benefits package to make decisions about offering diverse options with add-ons to appeal to different demographics.

Challenge 6: Making unbiased decisions

HR professionals work in the best interest of both employees and the company. It is their responsibility to design the best policies for a high employee retention

rate at a cost that the company can comfortably pay. With access to so much employee information, including their health records and performance reports, one can become biased. For example, if an employee is taking too many leaves due to health issues, employers may be tempted to rethink this employee's future with the company.

Design and implement strict procedures for sharing employee confidential information. Discuss employee confidential information only if the situation demands it. By making one person responsible for maintaining employee information confidentiality, an employer can prevent it from being accessible to the whole department.

Challenge 7: Technology integration

Managing the custom employee benefits and liaising with several service providers may become challenging in the absence of the right technology. In large companies where several employees join, resign, and retire every month, managing their benefits without making manual errors is difficult. The HR department cannot be firefighting constantly.

Companies must leverage technologies such as cloud-based platforms, employee-facing mobile apps, blockchain, and artificial intelligence to streamline the employee benefits process. This personalises the benefits program, keeps the employees constantly updated, and improves information security. Other innovations include telehealth, flexible benefits with optional add-ons, gamification to some degree, and self-help and wellness programs.

Outsourcing benefits administration

By outsourcing employee benefits to a third-party service provider, organisations can lower the burden on the current HR team and ensure that the organisation meets all legal and regulatory compliances. Here are the benefits in detail:

- **Leverage benefits administrator expertise:** Outsourcing gets businesses access to extensive experience that may not be available locally. It is also helpful to have a dedicated team to manage legal compliance, claims, and benefits options. A third party

can handle benefits administration requirements for all demographics across geographies.

- **Get full-time support:** In-house employees work only for specific hours and may be able to service employee queries only at some hours. However, a third-party supplier has teams working in shifts that provide extended support.
- **Reduce operational costs:** Third-party vendors work with multiple companies and divide their time and price based on the needs of each company. Employers

pay only for the services they ask for. There is no need for full-time staff, and one can scale the services up or down.

- **Get additional benefits plans:** Small or mid-sized companies may not be eligible for some insurance plans or benefits on their own because of lower volume. But when they sign up with a third-party vendor, they join forces with other companies, opening gates to more benefits plans that were earlier inaccessible.



Selecting the right partner for outsourcing employee benefits

While selecting the vendor, one must ask the following questions. This will help an organisation select the right partner that meets its needs:

Q1. How does the communication channel with the vendor work?

Ask the vendor if they communicate only with the HR team or directly with the employees. This is important because different departments may need to access their services and have queries at different times. If the HR team must act as the intermediary, they must prepare accordingly and decide the communication lead times.

Q2. What does benefits administration service cost?

While the original question might sound too obvious, the idea is to know the vendor's fee structure in detail. The goal should be to achieve cost savings with a higher quality and consistency of service. While some vendors offer a package cost with a flat fee, others provide a fixed base cost and add-ons.

Q3. What is the experience of the benefits administration service provider?

Organisations must select a service provider that has worked in a similar

domain and with companies of comparable sizes. This is because benefits can significantly vary based on industry type and the number of employees, and one needs a vendor who understands this. With domain experience, the service provider can answer employee questions with excellent expertise.

This is not an exhaustive list of questions. These questions depend on the nature of the business, the budget for providing benefits, the size of the company, and much more.

Endnote

Managing employee benefits is a complex process that demands a 360° approach. Employers must thoroughly understand a diverse workforce, communication strategies, compliance and regulations, and

advanced technology. Then, these factors must be meticulously set up to work in tandem.

A third-party expert offers comprehensive [benefits plan administration](#) and

technology services to assist organisations in tailoring benefits packages, optimising costs, navigating legal complexities, and promoting engagement.

For more information, contact infosysbpm@infosys.com



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