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# **Improving Benefit ROI...** ***Making Value Count*** ***Through Communication***

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## **What We'll Cover**

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Improving your benefit ROI

By using measures that matter.

By communicating better:

- getting the “say” and “do” in sync.
- showing the value – not just the cost.
- eliminating communication techniques that don't work.

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What's the most  
important reason  
for the existence  
of benefit plans?

### Why Have Benefits

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To build **employee commitment**  
...which builds **customer commitment**  
...which builds **earnings and  
returns for shareholders.**

(Dave Ulrich, University of Michigan)

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## Why Have Benefits

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What is employee commitment?

- A business word for **enthusiasm** (perhaps even *passion*) – **employees who are intellectually and emotionally attached to their work and employer.**
- Built on shared values.
- Requires trust, respect, and recognition.
- Results in aligned efforts to accomplish clear and common goals.

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## Why Have Benefits

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Commitment is an intangible

- Not easily measured.
- Not readily valued on the books.
- Other important intangibles include:
  - Innovation
  - Trust
  - Leadership
  - Clear, consistent strategy
  - Work structure flexibility
  - Shared values
  - Talent...knowledge, skills, and energy

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## Why Have Benefits

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If employee commitment is part of your organization's people strategy, shouldn't your benefit plans' ROI be measured to some extent by how well they drive that strategy?

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**What's the most important thing you can do with benefits to support your organization's business strategy?**

*Does this sound right?*

Use benefits in a  
highly efficient and effective way  
to help  
recruit,  
retain, and  
reward...

...**high-performing**  
employees who are  
**committed**  
to achieving your company's  
business goals, and who have  
**essential skills**  
to achieve those goals...

...your  
**M**agnificent  
**E**mployees  
– **ME**, for short.

Your Magnificent Employees - ME

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Whether you count **ME**  
as 100%, 50% or 10%  
of your workforce...  
shouldn't benefits  
be a positive reward  
for **ME**?

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## Your Magnificent Employees - ME

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For \$20,158

– the average annual cost employers' pay to provide each employee's benefits – you could buy every employee a new car each year.

(U.S. Chamber of Commerce)

Wouldn't that make  
**ME** happy?

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## Your Magnificent Employees - ME

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Average employees' benefit satisfaction: a dismal **39%** (MetLife)

Average customer satisfaction for new cars: around **85%**  
(they pay the full cost) (J. D. Power)

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## Your Magnificent Employees - ME

Employees who are very satisfied with benefits

- 65% are also highly satisfied with their job.
- 67% feel strong sense of loyalty to their employer, and
- 69% say benefits are an important reason they stay with their employer.

(MetLife)

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Measuring  
What Matters

## Measuring What Matters

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For benefit professionals, the scariest business cliché...

**“What gets measured gets managed.”**

In benefits, the easiest thing to measure is **cost**.

*If a benefit plan or part of it is strictly a cost that is only hurting the organization's competitiveness – cut it.*

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## Measuring What Matters

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Measuring **costs** is relatively easy – add up the price tags, identify and measure the consequences...and add or subtract them.

Measuring **value** is not the same – it's measured by those who receive it...not by who gave it.

**The value of benefits is not the cost the employer assigns...it's the worth employees place on them. That's a communication issue.**

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## Measuring What Matters

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### **Benefit costs are critically important!**

*(But not the focus of this presentation)*

For several years, no other business expense has risen so fast...with few controls or solutions.

New sophisticated financial modeling being used by Pitney Bowes and others is helping show where savings can be made without hurting productivity and where *increasing* the employer's costs for certain treatments can lower the overall cost of health and boost productivity.

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## Measuring What Matters

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### **Is cost the only measure of your benefits' ROI?**

If not, give management other measures – otherwise, are you sending the message that you view benefits as simply a cost ...with no strategic value?

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## Measuring What Matters

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More business clichés...

**“You cannot get there unless you know where there is.”**

You must have a strategic plan – a vision of what a “perfect benefit program” would do for your organization and for *ME* – and the measures of that success.

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## Measuring What Matters

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More business clichés...

**“You cannot plot your course through rear-view mirrors.”**

“Benchmarking” and “best practices” show where other organizations that may not share your intended destination (vision) have been – not where they are now or where they’re going.

Good to know...but not a strategy.

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## Measuring What Matters

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More business clichés...

**“Leaders do not look for paths to follow...they follow their vision of attaining perfect organizational health.”**

Have you communicated to senior leaders what your benefit program will be contributing to your organization to make the business vision happen?

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## Measuring What Matters

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83% of senior leaders of “top tier” organizations say the HR function contributes to the business success to a “great” or “very great” extent... compared with only 43% saying that in other organizations.

(Sibson)

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## Measuring What Matters

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Senior leaders' strategic priorities are people-related...

1. Attracting and retaining skilled employees.
2. Changing the culture and employee attitudes.
3. Changing leadership and management behaviors.
4. Improving workforce performance.
5. Improving customer care and service. (Accenture)

**Is your benefit program aligned to support these?**

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## Measuring What Matters

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What competencies in HR matter the most to senior leaders...

- 43% say strategic contribution.
- 23% say personal credibility.
- 18% say HR delivery.
- 11% say business acumen of HR.
- 5% say HR technology. (U. of Michigan)

**Are your benefits aligned with the business and people strategies...are you demonstrating your value?**

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# Creating a Picture of Your Organization's Health

## Picturing Your Organization's Health

### 1. Business strategy

How will the organization be working when it is:

- Achieving long-term income and growth goals.
- Rewarding shareholders.
- Satisfying customers.

## Picturing Your Organization's Health

### 2. People strategy

How will your organization's people be working when the business strategy is being achieved?

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## Picturing Your Organization's Health

### 3. Benefit strategy

How will the benefit program be working to directly support the people strategy in:

- Recruiting **ME**
- Rewarding **ME**
- Retaining **ME**

...this is your vision of how your "perfect benefit program" will contribute to your organization.

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## Picturing Your Organization's Health

### 4. Measures

How will you know the benefit strategy is working?

- Leading/short-term indicators.
- Lagging/long-term indicators.

*Here' a starting point – not a panacea...*

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### Benefit Value Summary

Name of Benefit Plan \_\_\_\_\_

Annual Investment \_\_\_\_\_ (Cash and other resources)

	Strategic Link (a committed workforce with competencies needed to make the strategy work)	Tactical Value (how the benefit supports the strategy)	Investment Return Measures			Assessment A. Essential B. Competitive Advantage C. Neutral D. Questionable
			Short Term (Lead Indicators)	Long Term (Lag Indicators)	Planned Efficiencies and Results	
<b>Recruiting</b> talents that must be acquired						
<b>Rewarding</b> accomplishments that must be recognized						
<b>Retaining</b> skills and knowledge that must be kept						

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### Benefit Value Summary

Name of Benefit Plan ABCorp Health Plan

Annual Investment \$12,654,329 (Cash and other resources)

| Strategic | Tactical | Investment Return Measures | Assessment

Name of Benefit Plan \_\_\_\_\_  
Investment \_\_\_\_\_

Strategic Link  
(a committed workforce with competencies needed to make the strategy work)

Tactical Value  
(how the benefit supports the strategy)

Short Term  
(Leading Indicators)

Example	Strategic Link (a committed workforce with competencies needed to make the strategy work)	Tactical Value (how the benefit supports the strategy)
Recruiting talents that must be acquired		
Rewarding accomplishments that must be recognized		
Retaining skills and knowledge that must be kept		

**attract the people we need**      **designed in "magnet" features sought by the people we need & highlighted in recruiting communication ...giving us a competitive advantage for talent.**

Example	Strategic Link (a committed workforce with competencies needed to make the strategy work)	Tactical Value (how the benefit supports the strategy)
Recruiting talents to be acquired		
Rewarding accomplishments that must be recognized		
Retaining skills and knowledge that must be kept		

**reward accountability**      **introduced "health achievers" program to reward employees' (& enrolled family members') health improvement & maintenance**

Example	Strategic Link (a committed workforce with competencies needed to make the strategy work)	Tactical Value (how the benefit supports the strategy)
Recruiting talents that must be acquired		
Rewarding accomplishments that must be recognized	<b>show loyalty matters</b>	
Retaining skills and knowledge that must be kept		<b>added service-based credits for employees in top 2/3rds of performance range to use for certain health expenses.</b>

↓

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Investment Return Measures	Investment Return Measures			Assessment
	Short Term (Lead Indicators)	Long Term (Lag Indicators)	Planned Efficiencies and Results	A. Essential B. Competitive Advantage C. Neutral D. Questionable

## Benefit Value Summary

Name of Benefit Plan \_\_\_\_\_

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			Short Term (Lead Indicators)	Long Term (Lag Indicators)	Planned Efficiencies and Results	

Recruiting talents that be acquired

Rewarding accomplishments that must be recognized

Retaining skills and knowledge that must be kept

Using this type of approach can help you discuss with senior management the alignment of your benefits with the business and people strategy ...and focus on value - not just costs.

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## More About Measures and Strategy

### Measures Matter

- A “consensus” or “perception ratings” – J.D. Power-type customer ratings – may be the best starting measure.

Do senior leaders, recruiters, and **ME** believe you are achieving your benefit vision?

**Ask them.**

In absence of perfect data, measures, and research on intangibles, use what makes sense...and strive to improve the assessment.

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## Linking What the Strategy 'Says' with What the Benefits 'Do'

### The Need for Alignment

Say one thing (business/people strategy) and do another (benefits and HR actions) kills trust and prevents commitment



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## The Need for Alignment

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### Link benefits to organization's strategy

- Listen to what your company **says** it values in employees.
- Do you hear... *"The company values... personal responsibility...honesty... productivity...commitment...leadership ...adaptability...self motivation...team work..."* – and similar things?

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## The Need for Alignment

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### Link benefits to organization's strategy

- Look at what you **do** – the benefits offered.
- Do your benefits reinforce the values (not all benefits will link to each value).
- Are there gaps that benefit plans or features could fill?
- Are there benefits that **do** the opposite of what you **say**?"
- Can the gaps or contradictions be fixed?

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## The Need for Alignment

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If the organization says...  
We pay  
for performance.

But pay and benefits do...  
The across-the-board-  
increase will be 2.5%  
this year.

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## The Need for Alignment

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If the organization says...  
Speed is essential  
to our success.

But pay and benefits do...  
Your Flex Spending  
Account reimbursement  
will be made within  
45 days.

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## The Need for Alignment

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If the organization says...

Our people are our  
most valuable asset.

But pay and benefits do...

Medical coverage  
starts after 180 days  
...disability coverage  
begins after one year.

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## The Need for Alignment

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If the organization says...

We treat our employees  
with respect.

But pay and benefits do...

To approve your  
hardship withdrawal,  
your detailed request  
will be reviewed by  
members of the HR  
department.

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## The Need for Alignment

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If the organization says...  
We are a family-friendly  
company.

But pay and benefits do...  
Dependent coverage  
is available at full cost.

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## The Need for Alignment

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If the organization says...  
We value long-term  
commitment.

But pay and benefits do...  
Our service-based  
pension plan has been  
frozen...we've improved  
the 401(k), which is  
better for short-career  
employees.

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## The Need for Alignment

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If the organization says...  
We strive for simplicity.

But pay and benefits do...  
Here's your new 280-  
page summary plan  
description. Please  
read it carefully.

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## The Need for Alignment

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If the organization says...  
We all share in our  
shareholders' success.

But pay and benefits do...  
Stock-based plans are  
available only to  
executives.

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## The Need for Alignment

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If the organization says...

We are all colleagues who treat each other with mutual respect.

But pay and benefits do...  
Managers in band 8 and above do not pay for their LTD.

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## The Need for Alignment

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If the organization says...

Our employees are empowered to make decisions.

But pay and benefits do...  
Before you are hospitalized, you must contact the authorization agency to review and approve the covered services.

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## The Need for Alignment

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If the organization says...  
We are  
customer driven.

But pay and benefits do...  
Bonuses are based  
on volume produced  
or sold.

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## The Need for Alignment

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If the organization says...  
We trust our  
employees.

But pay and benefits do...  
STD benefits are  
payable only with a  
doctor's signed and  
notarized form.

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## The Need for Alignment

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If the organization says...

Teamwork is what  
makes our company  
work.

But pay and benefits do...

Our performance and  
pay programs reward  
each individual's  
contribution.

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## The Need for Alignment

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There is no universal right or wrong  
answer for what your strategy  
should “say” or what your benefit  
plans should “do”... but to build trust  
(and avoid cynicism) shouldn't they be  
in sync?

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## Does Your Organization Act Like Health Plan Costs Matter?

- 81% of senior leaders say health plan costs are one of the top benefit concerns.
- Only 27% of employers offer wellness programs (smoking cessation, exercise regiments, weight management, or cancer screening). (MetLife)

### Act Like Health Plan Costs Matter

#### **If you say health plan expenses are a business problem, do you act like it?**

- Put signs in company cafeteria to show content of food...why offer poor choices?
- Remove high-fat snacks and candy from worksite.
- Post signs in smoking areas showing the plan's cost for tobacco-related illnesses.

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### **Act Like Health Plan Costs Matter**

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- Health care professionals conducting onsite workshops...health assessments and stop-smoking programs.
- Explain how wellness programs help control health plan costs.
- Consumer updates in employee newsletter
  - prices charged for services and Rx
  - success stories of employees acting like savvy health care consumers

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### **Act Like Health Plan Costs Matter**

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- Point-of-use reminders...at that moment.
- Wallet cards: things to ask your doctor:
  - for generic or non-prescription medicine
  - if similar, less expensive name brand would work (list possible exchanges)
  - for mail order Rx for long-term medications
  - about side effects
  - what foods/other medicines to take or avoid
  - how to avoid condition in the future

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## Say What Matters Most to *ME*

### Treat *ME* as a Valued Employee - Not a Cost

Employees who believe they are **valued** by their employer tend to be more productive. (Watson Wyatt)

Does your benefit communication  
show how your organization  
values *ME*?

“To receive recognition for one’s  
achievements is one of the most  
fundamental of human needs.”

(David Sirota)

## Treat ME as a Valued Employee - Not a Cost

### **Top-performers say...**

- Only 22% are satisfied with rich benefits when the value is poorly communicated ...and turnover of top performers runs **17%**.
- 76% are satisfied with less costly benefits when the value is effectively communicated ...and turnover of top performers runs **12%**.

(Watson Wyatt)

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## Treat ME as a Valued Employee - Not a Cost

### **Good communication...top-performers satisfaction up and turnover down**

- If you reduced turnover by just one or two top-performers, would that pay the cost of better communication?
- Estimated cost of turnover of non-exempt is 50% of annual pay...for exempts, 100% to 200% of annual pay.

(Saratoga Institute)

**Poor communication  
is very expensive.**

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Benefit communication should  
**make *ME* feel valued...**  
not like a cost or expense.

**Show “What’s in it for *ME!*”**

And strengthen the “say/do” by telling *ME*  
the purpose of the plan...then provide stories  
and examples of how the purpose is achieved.

**Treat *ME* as a Valued Employee - Not a Cost**

**Show *ME* the VALUE...Health Plan Example**

“One way ABCorp shows how it values the  
contribution you make to the company’s  
success is by providing an extraordinary  
high-level of financial protection through  
the ABCorp Medical Plan...coverage you  
have earned.

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## Treat ME as a Valued Employee - Not a Cost

### Show ME the VALUE...Health Plan Example

“Our Medical Plan assures that, in the fortunately rare occurrence, if you or an enrolled family member has extremely high medical expenses – for example \$100,000 or even \$500,000 – the most you would pay out of your pocket in a year for services from network doctors, hospitals, and other facilities is \$3,000.”

How much do your employees think they'd pay?

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## Treat ME as a Valued Employee - Not a Cost

### Show ME the VALUE...Health Plan Example

“Our Medical Plan provides you and each enrolled family member with **\$5 million** in financial protection from the potentially enormous costs of a catastrophic illness or injury during their lifetime.”

*This financial protection is the real value of the plan...as measured by those who receive it!  
Do your employees know the value?*

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## Treat ME as a Valued Employee - Not a Cost

### Show ME the VALUE...

“Our Medical Plan has protected our employees by paying: (follow HIPAA privacy rules)

- \$ 44,000 for a knee replacement
- \$ 55,000 for a heart attack
- \$360,000 for a kidney transplant
- \$960,000 for a premature baby.”

...and the most employees paid out of their pockets in a year for network services was **\$3,000.**”

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## Treat ME as a Valued Employee - Not a Cost

### Emphasis on wrong things?

- Deductibles and copays
  - ✓ copays make doc visits cheaper than haircuts
    - many employees think that's the entire cost
    - “The company must hate us...doubled our prescription costs – from \$10 to \$20!”
  - ✓ emphasizing the small costs implies the plan is intended to cover all costs.
- Cost to the employer vs. value to employee

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## Treat ME as a Valued Employee - Not a Cost

### The cost is *not* the value

- “Last year, it cost the Company \$7,289 to provide your family’s health insurance.”
- Not bad...but not a “*we value you*” message.
- May make **ME** feel like a cost...not a contributor who has earned a reward.
- Do benefit statements send positive messages to **ME** or just non-ME...ask them.
- Can create mistrust and misunderstanding.

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## Treat ME as a Valued Employee - Not a Cost

### The cost is *not* the value

#### Look at your medical claims...probably:

- 10%-15% people have **no** expenses.
- 10%-15% use roughly 70% of plan costs.
- 60%-70% have less than **\$1,000** in expenses.
- Is this why 77% of employees believe health plans cost employers less than \$2,000 (MetLife)  
...and 69% don’t trust employers’ health communication? (Kaiser Foundation)

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## Treat ME as a Valued Employee - Not a Cost

### **The cost is *not* the value**

- If putting price tags on things increased understanding and appreciation, price tags on art in museums would make us art connoisseurs.
- Showing per-person plan costs is not a panacea...or it would have worked by now.

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## Treat ME as a Valued Employee - Not a Cost

### **Put costs into the big picture**

“Last year, our Plan paid \$8 million in medical claims to protect our employees from major health care expenses. It also cost \$500,000 to administer the Plan. These expenses were paid with money the Company and enrolled employees contributed to our self-funded Plan. Of this, the Company paid \$6.8 million and employees paid \$1.7 million. The Company’s contribution averages \$7,289 for each employee.”

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## Health Plan Business Issues

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***“What’s all the fuss about rising health care costs?”***

***Isn’t that why we have our health insurance?”***

(Focus Group Participant)

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## Health Plan Business Issues

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### **Huge Employee Communication Failure**

- **66% of employees say health costs do not or may not impact employers!** (Towers Perrin)
- **75% of participants in self-funded plans believe they are spending an insurance company’s money.** (Medco)
- **“I need to spend \$7,289 so the insurance company won’t keep the money.”**

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Explain the business issues of health plans...  
 and the limited choices the business faces...  
 and kill “it’s the insurance company’s money”.

### Health Plan Business Issues

<u>Sources of Costs</u>	<b>must be balanced by</b>	<u>Sources of Funds</u>
<ul style="list-style-type: none"> <li>▪ Claims paid</li> <li>▪ HMO memberships</li> <li>▪ Administration (5% - 8%)</li> </ul>	^	<ul style="list-style-type: none"> <li>▪ Employer</li> <li>▪ Employees</li> </ul>
<p><b>Reduce costs...</b></p> <ul style="list-style-type: none"> <li>▪ <b>cut coverage</b></li> <li>▪ <b>lower benefit amounts</b></li> </ul> <p>These increase amount employees pay for services</p>		<p><b>Company has less for:</b></p> <ul style="list-style-type: none"> <li>▪ <b>expansion</b></li> <li>▪ <b>materials</b></li> <li>▪ <b>advertising</b></li> <li>▪ <b>pay</b></li> </ul> <p>Or increase employees' cost to enroll. Or both.</p>

Communicate In a Way  
That Makes *ME* Feel  
You Value *ME*

### Better Communication Adds Real Value

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Ask *ME* which...

- Benefits are valued the most?
- Techniques show the benefit value the best?
- Channels (print, electronic, or people) are most effective in communicating the value?

Best way to ask...

- Directed or coded surveys.
- Discussion groups and design team participation.

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## Better Communication Adds Real Value

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### Do your benefits sound like rewards?

- Do your benefit materials read like high-value rewards...or a mix of legal documents and instruction manuals?
- Does your call center treat you like the company's most important asset?
- At new employee orientation meetings, are the benefits describe as high-value rewards (last chance at a great first impression)?

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## Better Communication Adds Real Value

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### Do your benefits sound like rewards?

#### *Kill the jargon*

- “You pay the Member responsibility plus the bridge payment amount.”
- “...an Open Access Point of Service Plan.”
- “Your contingent annuitant must provide...”
- “Subrogated amounts are due...”  
...on and on.

The communication should  
make **ME** feel valued.

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## Better Communication Adds Real Value

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### Do your benefits sound like rewards?

- Take your communication materials to the factory floor or break area...ask some employees to circle each word or phrase they think needs to be better explained.
- Show results to communicators...ask for a jargon-free, “rewards” tone draft ...retest it.

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## Better Communication Adds Real Value

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### Do your benefits sound like rewards?

- Use skilled employee communicators who are also benefit content specialists.  
(you can't explain what you don't understand.)
- Test them on-the-spot – don't assume...
  - ✓ communication consultants know content.
  - ✓ content specialists (benefit administrators) are skilled employee communicators.
- Require good outcomes – more satisfaction and better understanding...and test for it.

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## Eliminate Benefit Communication Techniques that Don't Work

With all the money, time, and energy  
invested in pay and benefit communication,  
*why don't employees get it?*

### Better Benefit Communication

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#### “Insurance Companyization”

- *Plan Name* – change “Monolithic Insurance Plan” to “ABC Corp. Medical Plan.”
- *Premiums* – say “your enrollment cost.”
- *Drop “insurance”*...“the insurance company pays...see the insurance form...et al.

## Better Benefit Communication

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### “Employees as Customerization”

Do **not** treat your employees like customers – do not sell to them, do not hype your message to them, do not use your customer advertising themes on them.

Do treat your employees like

- adults.
- valuable resources.
- perhaps...adult family members.

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## Better Benefit Communication

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### “Employee Decision Makingization”

- Employees prefer choices – just ask them.
- What if survey or a focus group tells you?
  - ✓ “Give us lower-cost insurance – my neighbor has Acme Health Insurance and she pays less.”
  - ✓ “Increase our benefits.”
  - ✓ “Reduce our premiums.”
  - ✓ “Males don’t need maternity coverage – give us a refund.”
- What will you do with this information?

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## Better Benefit Communication

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### “Advertizingization”

- Do **not** send out “teasers”...don’t start communicating about specific plan design changes months in advance...don’t give them bite-sized pieces.
- Why tease employees about emotionally sensitive benefit issues?
- Adults want to take action and understand the big picture of “why” and “what.”
- Do provide an ongoing flow of background info.

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## Better Benefit Communication

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### “Passivevoiceization”

Often, the legal reasons for negative things or odd actions are never explained:

- hardship and loan provisions.
  - use it or lose it in spending account.
  - limits on 401(k) contributions.
  - summary annual reports.
  - summary plan descriptions.
- on and on...

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## Better Benefit Communication

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### Too Often Overlooked

People-to-people is most powerful technique – especially through “people of influence.”

(web is best information access technique)

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## Better Benefit Communication

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### Too Often Overlooked

“Why” is often a missing element

Why have a medical plan?

- is it to provide financial protection from expenses that can stem from catastrophic illness or injury?
- that’s why there’s a deductible.
- and why there’s an out-of-pocket limit and millions of dollars in coverage!

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## Summary

### Summary

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- Show how your benefits vision drives the business and people strategies.
- Add value measures for intangibles that matter.
- Get the “say” and “do” in sync.
- Find out what **ME** value...and communicate it.
- Explain the business issues and financial reality of the health plan.
- Make benefits real rewards by showing the value they receive...not just the cost.
- Understand the cost of poor communication.

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