

# Simplifying Benefits Outsourcing By Adopting the TBO Approach

A total benefits outsourcing, or TBO, strategy can be an important step on the road to HR transformation—especially for mid-sized organizations.

By Jeff Miller



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As providers of HR outsourcing solutions carefully customize their services for employers and enhance the value of their partnerships, it's becoming clear that total benefits outsourcing (TBO) represents a natural progression for benefits outsourcing. It's the next step in an evolution from best-of-breed point solutions to a model that unites economies of scale with improved services across the benefits board.

It's not surprising, then, that industry data indicates that TBO is gaining traction in the marketplace, and is estimated to grow at 20 percent annually for the foreseeable future.

For companies that have turned to it, TBO's bundling of benefits services makes unequivocal sense. Indeed, any HR decision-maker considering TBO is likely to face some difficult realities in the increasing cost, complexity, and growing technology requirements of managing and delivering benefits. This requires access to expertise often not available in-house—for example, managing the transition from defined-benefit to defined-contribution retirement plans, or evaluating options such as health savings accounts or consumer-directed health plans.

TBO is, first and foremost, a means of simplifying benefits management, relying on one partner to coordinate all benefits administration and delivery, as well as streamline communication and support services for employees. It creates an efficiency potential that is already apparent to the largest employers—those with more than 25,000 lives to benefit-manage—and is increasingly relevant to mid-sized firms, which range from 2,500 to 25,000 employees. These smaller organizations, which typically have outsourced only part of their benefits management, are now evaluating the strengths inherent in the TBO model versus the growing challenge of doing things on their own and deciding to make the most of TBO.

It's all part of a market shift in which the consolidation of HRO providers has led them to increase the breadth of their services and solutions. For clients, that makes it easier to choose a single partner for TBO services—especially when that partner may already be pro-

viding other services to the organization. This allows for the leveraging of institutional knowledge that results from an existing relationship and makes the TBO partnership less a leap of faith to outsourcing and more a move toward a more integrated business strategy. For the HR departments of mid-sized firms, TBO can be another transformative step on the path from transactional grunt work to the much-vaunted strategic partnering that HR achieves in the largest organizations.

In the real world, of course, organizations understandably are slow to take the TBO path. A multi-million-dollar total outsourcing purchase may be culturally difficult for a company that has followed a piecemeal approach to benefits outsourcing, with no single provider commanding the bulk of the budget. At the same time, companies recognize the value and power of a one-organization, internal-branding strategy, in which all employees enjoy the timely delivery of accurate benefits information and are carefully guided toward self-service transactions. And that's exactly the sort of seamlessness TBO provides, relying on a trusted provider whose institutional knowledge and advanced capabilities can create operational synergies to serve employees on a 24/7 basis, enhance the corporate brand for employees, and create vital efficiencies for the organization.

As more companies of every size embrace the TBO solution, these advantages are increasingly apparent. There is also an emerging sense of what clients should expect from a bundled strategy, and it confirms the thought leadership of service providers who are making the market for TBO. For example, research shows that plan sponsors view cost savings in the range of 10 to 50 percent as the most important initial reason for buying bundled services, combined with efficiency and time-savings, the clear value of a single contact point, and improved plan-sponsor and participant services.

But when it comes to reasons for switching their bundled providers, plan sponsors point to the higher quality of their new single point of contact as the predominant reason. If anything, TBO is about better service, total service, and true partnering—factors that can only help firms as they grow in size and strive to fulfill their value propositions for their employees. **HRO**