



Digital Overdrive

**The market is ready for the next milestone in
benefits technology innovation**

The Guardian Life Insurance
Company of America
New York, NY

guardianlife.com

Introduction

The digital revolution continues to alter the landscape of human capital management (HCM). Increasingly, organizations are turning to technology that will integrate benefits administration applications with payroll, talent acquisition, and workforce management platforms. The COVID-19 pandemic will likely accelerate employers' desires to expand their use of technology to improve efficiency, as well as create workflows and processes that support a growing remote workforce.

The digital adoption curve continues to bend upward, thanks to the growth of the software-as-a-service (SaaS) model, which enables large and small employers alike to gain more affordable access to cloud-based applications for handling various aspects of human capital management. Use of HCM technology has increased significantly in the past three years for recruiting and staffing, but especially in benefits administration and enrollment.

Employer technology adoption is exploding

Percentage of employers using a system/platform for each function

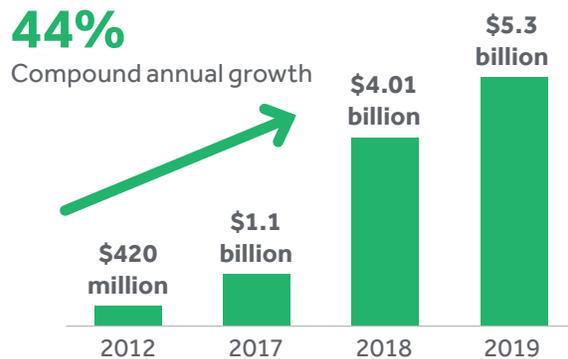
			% change vs. 2017
Payroll	92%		+17%
Benefits enrollment	73%		+24%
Benefits administration	70%		+26%
Recruiting	59%		+29%
Learning & development	55%		+17%
Performance management	55%		+20%
Onboarding	48%		+18%

A majority of employers have increased their spending on benefits-related technology in the past five years, with more than 50% expecting further increases in the next three years to address their top benefits challenges, including controlling costs, increasing efficiency, ensuring legal compliance, and improving workforce engagement.

Benefits technology is among the fastest-growing categories of HCM venture capital

The availability of HCM-related technology is expanding rapidly with investors steering more than \$5 billion into software and platforms in 2019, up 44% annually since 2012. Much of the 2019 investment growth was in core HR and employee benefits functionality and integrated platforms for midsize organizations (i.e., 100–1,000 employees). Core HR services, including benefits enrollment and administration, nearly doubled as a share of total HCM venture capital from 2018 to 2019 (51% from 27%).¹

HR technology investment growth¹ 2012–2019



The migration from paper to digital benefits administration has climbed steadily in the past five years. Today, nearly two-thirds of employers report that their benefits processes are more digital than paper-based, and many have experienced efficiency gains and improved user experience. Nonetheless, many organizations feel HR technology has yet to fully achieve their company's goals. Nonintegrated systems, lack of industry standards, and dependence on electronic files and data transfer are cited among the primary obstacles.

The advent of real-time connectivity, made possible by application programming interfaces (APIs) between carriers and platform vendors, may prove to be an inflection point for benefits technology. As API solutions become more readily available in the marketplace, more employers will reap the rewards.

¹ Global HR Tech Venture Capital Look-back, HRWinsby Laroque, 2020

More than 90% of employers use a technology system/platform to manage some aspect of their HR or benefits functions.



Employers continue to ramp up spending on HR technology

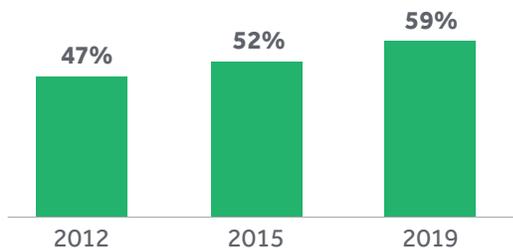
Technology is receiving greater attention from C-suite executives seeking simplification of their HR functions, including benefits administration. The costs associated with providing benefits and the complexity of administering them are an obstacle for a growing number of employers. For many employers, COVID-19 has added further cost and complexity to benefits policies and processes. Yet, even before the pandemic, managing benefits was challenging due to a confluence of factors, including:

- An **expanding array** of benefit offerings that better address workforce needs, but are difficult for existing systems to effectively administer
- Increased **voluntary/employee-paid** benefits, which require more flexible billing and eligibility options, but lack insurance industry standards
- Evolving state and local **regulations** that make it particularly difficult for multistate employers to maintain compliance without external support
- Heightened **employee demands** regarding benefits value and a seamless benefits experience

Given the rapid pace of change in employee benefits in the past decade, it is not surprising that 6 in 10 employers say managing benefits has become increasingly complex, up from 52% in 2015. This figure has been trending upward since 2012 and the implementation of the early Affordable Care Act (ACA) provisions.

Managing benefits is increasingly complex

Percentage of employers (top 3 on a 10-point scale)



Employers most challenged with managing benefits complexity are twice as likely to digitize their benefits processes

Larger firms (1,000 or more employees), those in the high-tech and education sectors, and young startups (less than five years in business) are among the most likely to feel challenged in managing their benefits programs.

At the same time, employers also face pressure to rein in benefit costs, ensure legal compliance, and increase productivity while offering affordable benefits that help attract and retain talent. Many are increasing their investment in benefits technology to help address these objectives.

Top benefits objectives in 2020

Percentage rated highly important (top 3 on a 10-point scale)

Top 5 of 15 objectives	2020	% change vs. 2014
Provide affordable benefits	84%	+20%
Control benefits-related costs	80%	+2%
Maintain benefits plan compliance	79%	+16%
Increase employee productivity	79%	+13%
Attract/retain talent	77%	+25%

Investment in HR and benefits technology continues to grow. Nearly half of all employers have increased their spending on benefits-related technology in the past three years, up from 41% in 2017. In addition, 52% expect to increase their benefits technology budget in the next three years.

Spending on benefits technology in the past 3 years

Percentage of employers

	2017	2020
Increased	41%	48%
Decreased	6%	5%

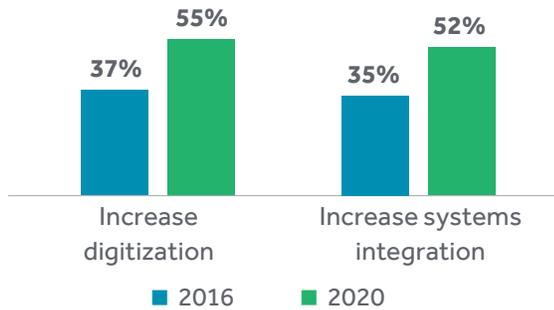
The market is ready for the next milestone in benefits technology innovation

As the role of the human resources function evolves to become a more strategic business partner, new and improved technology is replacing much of the administrative work that used to be part of the day-to-day HR activity. Payroll, recruiting, onboarding, and benefits administration increasingly have become digitized processes at many organizations.

Employers also are looking to integrate systems to better capitalize on the potential value of a comprehensive enterprise model. The percent of employers placing greater importance on benefits digitization and integration of their HR systems has risen sharply since 2016.

Importance of digitization and integration

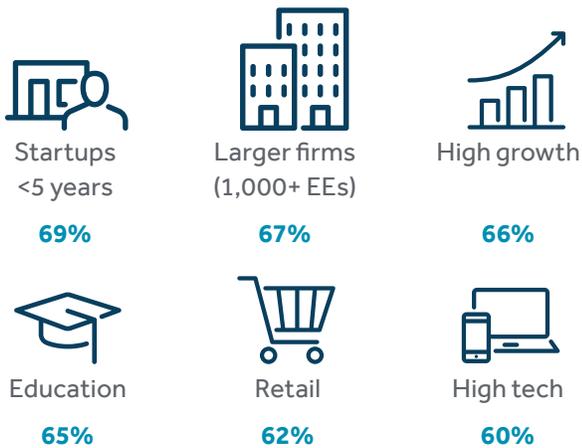
Percentage rated highly important (top 3 on a 10-point scale)



For some employers, digitization and systems integration already play a central role in their overall benefits strategy, especially among larger firms. Utilizing technology is also a key benefits strategy among firms that are startups, high tech, and growing fast, as well as those in retail and education.

Making benefits technology a higher priority

Percentage rated highly important (top 3 on a 10-point scale)



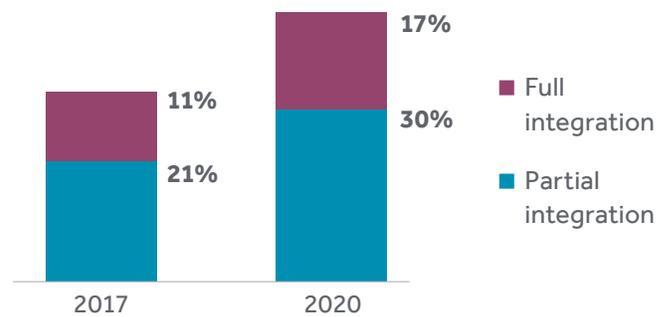
Technology is now an integral part of benefits strategy for many employers

In 2020, 47% of employers report that their core HR and benefits systems are at least partially integrated — up from about one-third in 2017. Yet, many smaller firms still depend on paper and manual processes, while larger employers often rely on a patchwork of siloed legacy systems.

Payroll is the most common function to be integrated with other HCM modules, while about 50% of employers use stand-alone platforms for benefits enrollment and administration.

Benefits systems integration on the rise

Percentage of employers using technology



Despite the rise in benefits technology as a strategic priority, gaps exist between its importance and the success employers feel they've had in maximizing the value of the technology. These gaps underscore the significance of aligning an organization's technology goals and needs with the most appropriate partners and solutions.

Gaps in meeting benefits technology objectives

Percentage rated highly important/highly successful

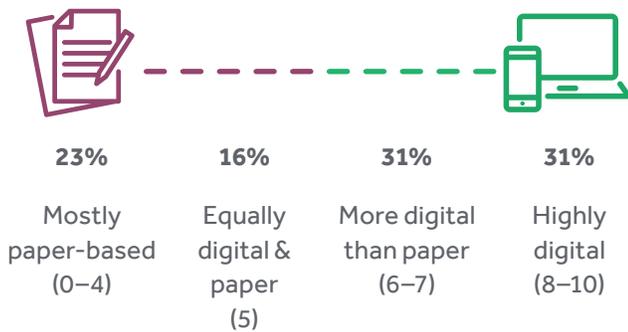
	Strategic importance	Success to date	Gap
Increase digitization	47%	16%	-31
Increase systems integration	46%	14%	-32

Digitization helps improve efficiency and the employee benefits experience

Technology enables automation and smoother execution of tedious and often time-consuming benefits-related functions (e.g., ACA tax reporting). Consequently, more employers are moving away from manual paper processes and migrating toward digitizing their core benefits processes. In 2020, at least 6 in 10 employers report that their organizations are more digital than paper-based for benefits administration. The impact of COVID-19 will likely serve to accelerate this trend.

Digitization of current benefits processes

Percentage of all employers



Despite the shift away from paper, the trend toward high levels of digitization appears to have stalled, with just 31% of employers indicating they are mostly digital in 2020 — the same as in 2017. The market appears to be waiting for the next big innovation that will help them achieve even more significant cost savings and efficiency gains.

Highly digital organizations tend to be either very large corporations or small startups in the high-tech sector, many of whom manage their benefits technology on their own, without the help of a benefits broker/consultant.

Characteristics of highly digital employers



COVID-19 will likely accelerate the trend toward benefits digitization

The shift to digital benefits processes means greater efficiency for employers as it eases some of the burden for open enrollment and managing benefits eligibility data. It can also mean quicker access to benefits and improved accuracy. Highly digital firms use technology more broadly across many HR-related functions and tend to report greater efficiency than those mostly reliant on paper.

Digitization produces greater efficiency

Percentage rated highly efficient (top 3 on a 10-point scale)

	Highly digital	Paper-based	Points difference
Benefits enrollment	67%	44%	+23
Record-keeping	68%	48%	+20
Eligibility processing	53%	33%	+20
New plan setup	47%	30%	+17
Claims	52%	36%	+16
Employee communication	39%	27%	+12

The benefits processes from which employers are most likely to report efficiency gains via digitization include employee enrollment, record-keeping, and eligibility processing. Furthermore, organizations that have migrated most of their benefits functions from paper to digital indicate much higher levels of employee satisfaction with the user experience.

Employees prefer a digital benefits experience

Percentage rated highly satisfied (top 3 on a 10-point scale)



A digital benefits experience contributes to more positive employee perceptions about the value of their benefits

Employers that are more digital than paper-based in managing their benefits programs report higher levels of employee satisfaction with their benefits. In addition, workers who have a more digital experience when learning about, enrolling in, and using their benefits tend to have more favorable attitudes toward the value of their employer's benefits package.

A more digital experience leads to a better understanding of benefits ...
Percentage rating communication "very effective"



... and higher perceived value
Percentage rating benefits package value as "high"

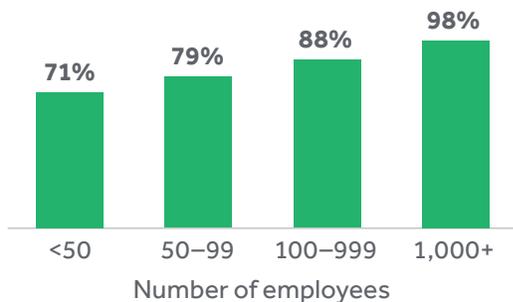


7 in 10 employers have digitized their benefits enrollment

In the past decade, employers' use of technology to support benefits administration and enrollment has been on the rise. Nearly 3 in 4 employers report using an in-house system, software, or third-party platform for their benefits enrollment. The larger the organization, the more likely they are to use a platform.

Enrollment process going digital

Percentage using an enrollment system/platform



Midsize employers (100–1,000 employees) are the most likely to integrate their enrollment with another platform, such as a payroll system, rather than use a stand-alone platform.

In the past year, 14% of employers implemented a new enrollment platform for their nonmedical group benefits. Large employers and fast-growing, high-tech startups are most likely to have adopted a new platform in 2019.

Employers using a new enrollment platform



80% of employers cite “improving the employee experience” as the top reason for implementing a new enrollment platform in 2019

When selecting and managing an enrollment platform, most employers source the platform through their benefits broker, but work directly with the vendor to implement and manage the platform.

Selecting and managing a platform vendor

Employer sources and manages vendor	44%
Broker sources; employer manages vendor	18%
Broker sources and manages vendor	38%

The process to implement a new benefits administration platform — from vendor selection to initial enrollment — can range from two weeks to four months, depending on employer size, complexity of the group structure, etc.

Length of time to implement a platform

Average time by size of employer

Less than 50 employees	2 weeks
50-99 employees	4 weeks
100-999 employees	1-2 months
1,000 or more employees	2-4 months



66 hours

average time on platform implementation tasks

Implementing a new platform generally entails employer involvement with setup tasks, from gathering requirements to testing the system. On average, employers spent 66 hours on platform implementation in 2019. Naturally, the larger the employer, the more time they spent on these tasks.

Hours spent on implementation tasks

Averages for all employers

	Hours
Eligibility file setup/resolving issues	18.1
Gathering system requirements	17.1
Attending implementation calls	16.9
Reviewing and testing the system	13.7
Total hours	65.8

Managing nonmedical benefits plans can consume more than one week per month

Even after the initial enrollment and installation of a platform, the annual process can be time-consuming. In 2019, employers spent nearly one-third of a typical work week updating plan information on their platform for their most recent renewal.

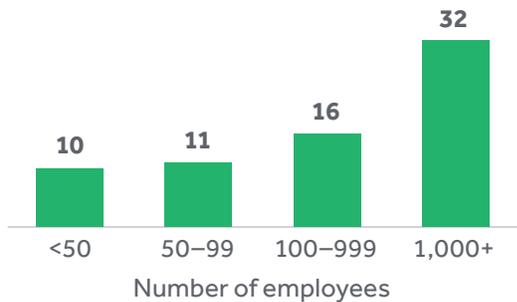


11 hours

average time updating platform information for recent renewal

Larger firms (1,000 or more employees) spend the equivalent of nearly a full work week, or an average of 32 hours, updating renewal information on their platform, due to their size and complexity.

Hours updating renewal information on platform
Average by employer size



The ongoing management of nonmedical benefits plans (e.g., dental, disability, life, accident, critical illness, etc.) is also time-intensive, with employers spending an average of 30 hours per month.

Hours per month on benefits administration
Averages for all employers

	Hours
Member enrollment/eligibility changes	6.6
Evidence of insurability process	6.4
Reconcile carrier bill with payroll deductions	5.6
Manage the billing process	5.3
Help employees resolve claims issues	4.7
Help employees with absence reporting	4.4
Update eligibility information on carrier sites	3.9
Total hours per month	36.9

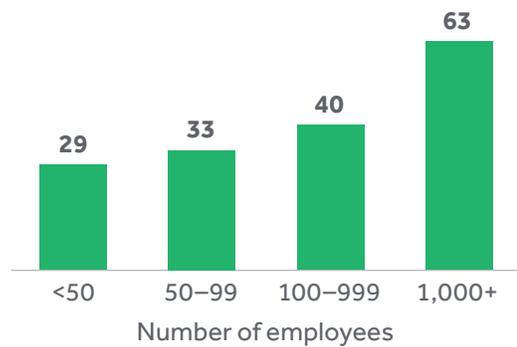


30 hours per month

average to manage tasks related to nonmedical benefits plans

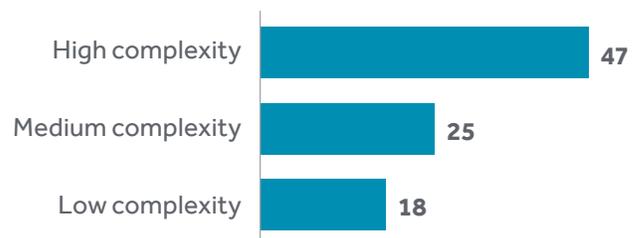
The larger the employer, the more time they spend handling administration tasks for their nonmedical benefits. Large organizations spend more than double the average, or 63 hours, supporting the ongoing management of their nonmedical benefits.

Hours spent managing nonmedical benefits
Monthly average by employer size



Not surprisingly, employers that feel more challenged by the growing complexity of managing employee benefits programs spend more time than average with ongoing benefits administration tasks.

Hours per month on nonmedical benefits tasks
By perceived level of complexity managing benefits

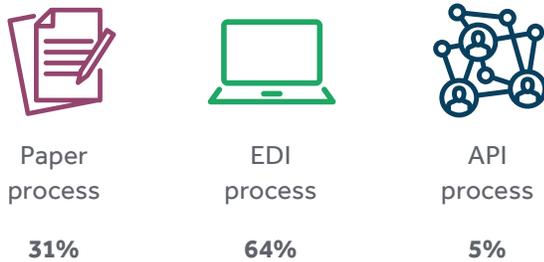


EDI is the most common data exchange method, but it has its drawbacks

Given the recent migration to digital processes for managing group benefits plans, a majority of employers now collect employee enrollment data and update eligibility information using a more efficient and faster electronic process. Most use electronic data interchange (EDI) to collect and transfer information — twice as many use EDI instead of paper. Employer access to platforms offering application programming interface (API) integration (i.e., real-time connectivity) with insurance carriers remains limited.

Primary method of handling employee data

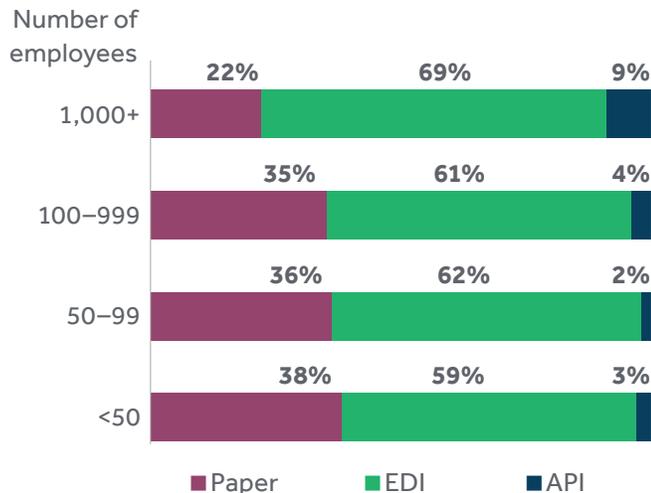
Collecting enrollment/updating eligibility



Larger employers are more likely to use EDI for collecting enrollment and eligibility data, while smaller firms remain more dependent upon paper processes. APIs, or real-time connectivity, have limited use today.

Primary method for handling employee data

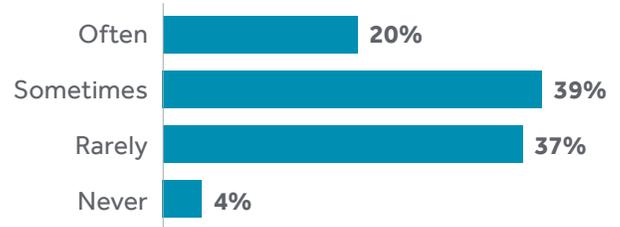
By employer size



Adding new benefits to a technology platform requires careful planning and preparation, yet it can still be a challenge. Six in 10 employers indicate that they have experienced problems sometimes or often when installing new benefits on their platform.

Frequency of issues adding benefits to platform

Percentage of employers using a technology platform



The most frequent issues reported during platform setup are inaccurate payroll deductions and incorrect rules for member benefits eligibility.

Top issues when adding benefits to a platform

Percentage of employers using a technology platform

Inaccurate payroll deductions	41%
Incorrect rules for benefits eligibility	39%
Incorrect premium rates	30%
Issues with EDI files	28%
Incorrect product details (e.g., guaranteed issue amount)	21%

EDI is the most common approach to managing and sending enrollment/eligibility data to a benefits administration vendor; however, data quality is one of the more prevalent concerns when implementing a new platform. Issues with incorrect or out-of-sync plan configurations on the platform are often the root cause. Large employers (1,000 or more employees) are more likely than small firms (fewer than 50) to experience EDI data issues (40% vs. 26%).

1 in 4 employers cite EDI errors as a common problem



Real-time connectivity has strong appeal to employers

Use of API technology by insurance carriers and third-party vendors remains low, but is growing. Despite only 9% of employers reporting that they have real-time data exchange for some aspect of their benefits administration (typically payroll or evidence of insurability), that figure is expected to increase significantly in the next few years. More platforms and carriers are partnering to establish API integrations for a wide range of processes, including benefits plan setup, enrollment and eligibility transactions and updating, and evidence of insurability processing.

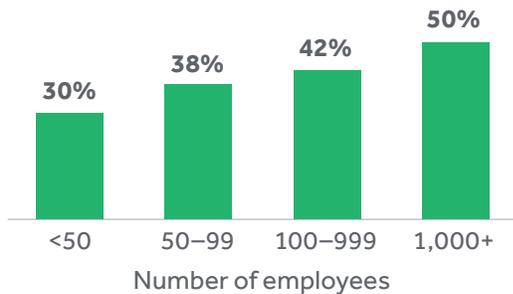
1 in 3 employers would recommend switching carriers for real-time connectivity



Assuming all else were equal, 34% of employers would recommend switching to a leading carrier for nonmedical group benefits with real-time connectivity for member transactions (e.g., enrollment and eligibility updates) and plan updates (e.g., configuration, rates, renewal).

Would recommend switching to a carrier with API

Percentage rated highly likely (top 3 on 10-point scale)



API connectivity has even greater appeal among large organizations, as well as fast-growing startups, retail companies, and employers already highly digitized in their benefits administration.

Most likely to switch to a carrier with API



Startups
<5 years

59%



Retail

54%



Mostly digital
benefits

51%



Fast
growth

50%

Employers with a keen interest in real-time connectivity tend to focus more than others on benefits strategy, and especially on ways technology can enhance employee access to and use of their benefits.

Top benefits strategies

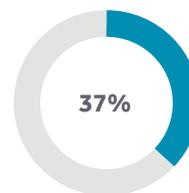
Percentage with high API interest vs. average

	All employers	High API interest
Expand use of benefits tech	47%	69%
Integrate more HR systems	46%	68%
Improve employee communication	45%	61%
Increase voluntary enrollment	44%	64%
Integrate benefit offerings	44%	63%
Outsource benefits administration	35%	54%

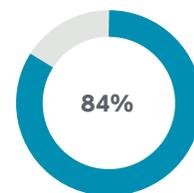
The promise of real-time connectivity has considerable appeal to employers. On average, 37% feel highly confident that a platform vendor and a nonmedical carrier could deliver a solution with seamless, real-time data exchange; those who already have experience with an API integration are even more positive about its potential (i.e., 84% are highly confident).

The proof is in the experience

Percentage highly confident in API connectivity solution



All employers



Employers with API
experience

Among employers that are confident in the potential of real-time connectivity, 6 in 10 are more likely to recommend switching nonmedical carriers to have access to API integrations, if all else were equal (vs. 34% on average).

API integrations present an opportunity for modernizing benefits administration

Benefits technology has been advancing through the introduction of API real-time connectivity between insurance carriers and benefits administration platforms. The differences between API and EDI to manage eligibility data exchange are outlined below.

EDI Electronic Data Interchange		API Application Programming Interface	
<p>System exchange</p> <p>Computer-to-computer exchange of a document in a standard format via FTP</p>		<p>Cloud exchange</p> <p>Standard protocol that allows computer systems to interact via the cloud</p>	
<p>Not real time</p> <p>Data transfer has to wait to be sent on file at preset time intervals (snapshot-in-time approach)</p>		<p>Real-time data transfer</p> <p>Data is transferred immediately but may still take time to work through the rules engine</p>	
<p>Batch data</p> <p>Data is sent in batched transactions</p>		<p>Transaction data</p> <p>Data is sent in individual transactions</p>	
<p>One-way communication</p> <p>Communication is transmitted from sender to receiver</p>		<p>Bidirectional communication</p> <p>Communication can be sent and received</p>	
<p>Case-level setup</p> <p>Case-level coding/testing that takes 60–90 days</p>		<p>Vendor-level setup</p> <p>Vendor-level integration that allows case-level eligibility to be turned on with no testing required</p>	

The following are specific examples of how APIs can help improve the benefits management experience.

- **Policy API** automates the passing of plan details and rates from an insurance carrier’s system to an employer’s benefits administration vendor — reducing setup time and eliminating errors.
- **Member Benefits API** (EDI replacement) allows real-time transmission of all member transactions from the platform to the insurance carrier, eliminating the need to build and test EDI files, or for weekly reconciliation.
- **Evidence of Insurability (EOI) API** provides a seamless experience for employees to complete the questionnaire within the enrollment process and offers automatic status updates to the employee and HR team.
- **Provider Directory API** provides employees with seamless access to the provider directories within the benefits enrollment experience.

1 in 3 employers say developing a benefits technology strategy is a significant challenge

The rapid evolution of benefits technology offers employers a wider range of options, but it can also create confusion about which solutions and vendors are the best fit for an organization's specific goals and requirements. That's one reason 35% of employers feel that creating a benefits technology strategy is one of their organization's top benefits-related challenges.

Increasingly, employers are working directly with technology vendors on their benefits technology strategies (29%). Yet, just 19% of employers indicate they have discussed benefits technology solutions with a broker in the past year.

1 in 5 employers have spoken with a broker about benefits technology in the past year



Nonetheless, a majority of employers want and expect a benefits broker to help guide their decisions about technology solutions.

Organizations most likely to rely on a broker to help source and manage their most recent technology platform installation are typically small to midsize firms that are still mostly dependent upon paper processes and feel managing benefits is increasingly complex.

More likely to use a broker for sourcing current benefits technology platforms



Mostly paper processes
63%



50-99 employees
58%



Managing benefits is more complex
57%



Considerations when evaluating benefits technology solutions

As you explore options for a platform, this checklist may be a useful guide.

1. First, clearly identify your organization's primary motivation for reassessing its benefits technology strategy and evaluating potential solutions.

- Moving away from paper (e.g., first time using a benefits technology platform)
- Dissatisfied with current benefits technology platform capabilities, service, or cost structure
- Scanning the market for new technology and to ensure your current platform is still the best fit for your organization

2. Once you are clear on your organization's objectives, answer the following questions.

- Are you looking for an open enrollment solution only or a year-round platform?
- Does your current payroll provider offer benefits enrollment solutions?
 - *If not, do the platforms you are considering integrate with your current payroll provider?*
- Are your group eligibility rules simple or complex?
 - *Benefits administration platforms offer varying levels of flexibility to support different group benefits eligibility requirements; therefore, it's important to understand if the vendors you are considering can support your eligibility requirements*
- Are you looking for a low- or no-cost solution?
 - *If yes, make sure you understand the terms should you decide to change benefits brokers in the future*

3. Do you need platform management/support?

- To what extent will your team need to be involved with the initial setup and ongoing management of the platform?
 - *Benefits technology platforms offer either a software-as-a-service (SaaS) model or full-service support*

4. What services do you need?

- Do you need more than one Human Capital Management module, e.g., in addition to benefits enrollment, is your organization also looking to integrate payroll, talent acquisition, and/or performance management?
 - *Benefits administration vendors are generally either stand-alone platforms or part of a broader HCM platform*
- Are you looking for ACA reporting, spending account, and/or COBRA administration, call center support, etc.?

5. Understand the cost structure by asking these questions.

- What is the PEPM fee? Are there monthly minimums? What services are included for this fee?
- Are there fees to build out or update EDI feeds?
- Are there fees charged at renewals?
- What wraparound services are available and at what cost?

6. Does the vendor offer real-time connectivity with the various insurance and benefits plan providers on the platform, which will save you and your organization time and money and reduce errors/rework?

7. Request a demo of the software and "kick the tires" to fully understand the platform's strengths and weaknesses to ensure it will meet your organization's needs.

Appendix

Methodology and sample characteristics

The 9th Annual Workplace Benefits Study was fielded in January/February of 2020 and consisted of two online surveys: one among benefits decision-makers (employers) and another among working Americans (employees), allowing us to explore benefits issues from both perspectives. The study was conducted for Guardian by Zeldis Research, an independent market research firm located in Ewing, New Jersey.

Employer survey

Employer results are based on a national online survey of 1,700 employee benefits decision-makers. Respondents include business executives, business owners, human resources professionals, and financial management professionals. The survey covers all industries and is nationally representative of US businesses with at least five full-time employees.

Data shown in this report have been weighted to reflect the actual proportion of US businesses by company size based on data from the US Census Bureau. The margin of error at the 95% confidence level is +/- 2.3%.

Employee survey

Employee results are based on a survey conducted among 2,000 employees age 22 or older, who work full time for a company with at least five employees.

The survey sample is nationally representative of US workers at companies of at least five full-time employees. Data shown in this report have been collected in a way to reflect the actual proportion of US workers by gender, region, race, ethnicity, education level, household income, age, and employer size, based on data from the Bureau of Labor Statistics and the Census Bureau. The margin of error is +/- 2.3% at the 95% confidence level.

This study was fielded at the beginning of the COVID-19 pandemic, or prior to its initial health and economic impact on US employers and workers. Access to technology for remote work and business continuity became particularly important during the pandemic; likely benefits technology played an important role in helping organizations administer their benefits programs, maintain benefits plan compliance, and enable employees to access their benefits electronically. Guardian's next wave of the annual Workplace Benefits Study will be conducted in early 2021 and will gauge the impact of COVID-19 on HR and benefits technology trends one year after the outbreak.

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