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Prepared for bswift

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The Total Economic Impact™ Of bswift Benefits Automation

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FORRESTER®



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Executive Summary

In 2008, bswift commissioned Forrester Consulting to examine the total economic impact and potential return on investment (ROI) enterprises may realize by deploying bswift benefits enrollment and administration software and services.

According to bswift, the company's automated benefits system provides a platform for online employee self-service for new hire enrollment, open enrollment, as well as life event and status change enrollments. The bswift system is rules-based so that administrators and employees avoid mistakes, and so that eligibility, effective dates, and premium bills are accurate. In addition to benefits enrollment, bswift helps streamline the benefits administration process with tools and services such as audits, call center, compliance services, EDI data exchange with benefit vendor and payroll/HRIS systems, fulfillment, premium billing and reconciliation, and reporting.

This study illustrates the financial impact of engaging bswift prior to an open enrollment period and continuing this software-as-a-service (SaaS) throughout the year. In conducting in-depth interviews with five existing bswift customers, Forrester found that these companies achieved benefits in the form of reduced or eliminated overpayment of premiums, labor cost savings resulting from automating much of the work of benefits administration (and fewer calls to the HR help desk), and cost savings from eliminating paper and mailing expenses.

Other benefits uncovered in the study include HR staff productivity improvements when administrators and managers are able to shift attention from clerical tasks toward higher-level, more strategic activities. Finally, providing automated benefits enrollment indicates to new hires and employees that the organization is technology-savvy, provides workers with more help with choices, offers summary views of the cost of their benefits, and highlights the company's financial contribution to their coverage.

Purpose

The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of bswift services on their organizations. Forrester's aim is to clearly show all calculations and assumptions used in the analysis. Readers should use this study to better understand and communicate a business case for investing in bswift capabilities.

Methodology

bswift selected Forrester for this project for Forrester's in-depth HR process and technology expertise, and for Forrester's proven Total Economic Impact™ (TEI) methodology. TEI not only measures costs and cost reduction (areas that are typically accounted for within IT) but also weighs the enabling value of a technology in increasing the effectiveness of overall business processes.

For this study, Forrester employed four fundamental elements of TEI in modeling bswift service:

1. Costs.
2. Benefits to the entire organization.
3. Flexibility.
4. Risk.

Given the increasing sophistication that enterprises have regarding cost analyses related to IT investments, Forrester’s TEI methodology serves a useful purpose by providing a complete picture of the total economic impact of purchase decisions. Please see Appendix B for additional information on the TEI methodology.

Approach

Forrester used a five-step approach for this study:

1. Forrester gathered data from existing Forrester research relative to bswift and the benefits automation market in general.
2. Forrester interviewed bswift marketing and sales personnel to fully understand the potential (or intended) value proposition of bswift solutions.
3. Forrester conducted a series of in-depth interviews with five organizations currently using bswift solutions.
4. Forrester constructed a financial model representative of the interviews. This model can be found in the TEI Framework section below.
5. Forrester created a composite organization based on the interviews and populated the framework using data from the interviews as applied to the composite organization.

Key Findings

Table 1 illustrates the risk-adjusted cash flow for the composite organization, based on data and characteristics obtained during the interview process.

Table 1: Composite Company ROI, Risk-Adjusted

Summary financial results	Original estimate	Risk-adjusted
ROI	510%	416%
Payback period (months)	0.8	1.1
Total costs (PV)	(\$512,081)	(\$516,309)
Total benefits (PV)	\$3,122,357	\$2,662,596
Total (NPV)	\$2,610,276	\$2,146,287

Source: Forrester Research, Inc.

Forrester risk-adjusts these values to take into account the potential uncertainty that exists in estimating the costs and benefits of a technology investment. The risk-adjusted value is meant to provide a conservative estimation, incorporating any potential risk factors that may later impact the original cost and benefit estimates. For a more in-depth explanation of risk and risk adjustments used in this study, please see the “Risk” section.

The three-year, risk-adjusted total NPV (net present value) of \$2.15 million represents the net cost savings and benefits attributed to using bswift compared with the costs of the composite company's pre-bswift environment (see details below in the Costs, Benefits, Flexibility, and Risks sections). In addition, the risk-adjusted ROI was a very favorable 416%, with a breakeven point (payback period) of approximately one month after deployment.

Disclosures

The reader should be aware of the following:

- The study is commissioned by bswift and delivered by the Forrester Consulting group.
- bswift reviewed and provided feedback to Forrester, but Forrester maintains editorial control over the study and its findings and does not accept changes to the study that contradict Forrester's findings or obscure the meaning of the study.
- The customers for the interviews were provided by bswift.
- Forrester makes no assumptions as to the potential return on investment that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the report to determine the appropriateness of an investment in bswift services.
- This study is not meant to be used as a competitive product analysis.

bswift Benefits Automation Services: Overview

According to bswift, the company's automated benefits system provides a platform for online employee self-service for new-hire enrollment and open enrollment, as well as life event and status change benefit enrollments. The bswift system is rules-based so that administrators and employees avoid mistakes, and so that eligibility, effective dates, and premium bills are accurate. In addition to benefits enrollment, bswift helps streamline the benefits administration process, with tools and services such as audits, call center, compliance services, EDI data exchange with benefit vendors and payroll/HRIS systems, fulfillment, premium billing and reconciliation, and reporting.

bswift tools and services streamline the benefits administration process, including audit services, benefits enrollment/administration, call center support, COBRA, compliance services, EDI data exchange (the share data with providers), FSA administration, fulfillment, and premium billing.

- bswift's employee self-service tools provide employees with the ability to view and change their address, emergency contacts, payroll tax withholding and direct deposit information, benefit enrollments, dependents, beneficiaries, total compensation statements, onboarding materials, vacation/PTO requests and tracking, and their resumes/skills. A Spanish version is available as an option.
- bswift billing tools include billing audits of carrier premiums and self-billing capabilities as well as billing services for retirees, COBRA subscribers, and employees on leave or on disability. The bswift system can generate an accurate bill for a given carrier at any time, ensuring that bills are paid accurately and efficiently. bswift also offers an optional audit service to reconcile bills received from carriers.
- bswift reporting tools offer more than 150 standard reports including census reports, billing reports, pending enrollments, overage dependents, and many more. bswift's reporting tools allow HR to design custom reports that can be scheduled to run automatically at predetermined intervals, for specific time periods, specific benefit types, departments, locations, divisions. and/or benefit classes.
- The Total Compensation Statement is a built-in feature that is available to employees and administrators. It summarizes an employee's complete benefits and compensation package and highlights the employer contributions and tax savings associated with the total package (including salary, bonus, benefits, paid time off, FICA, workers compensation, unemployment insurance, etc.).

bswift offers a benefit portal for employees, administrators, and managers configured to match a company's look, communication style, and employee benefit policies and procedures. In addition to presenting detailed benefit plan information, it can be used to communicate and manage news, documents, links, forms, FAQs, questions submission, and other company information like job postings, holidays, and an employee directory. Managers and administrators can manage employee information, perform transactions, and set up employee enrollment and self-service capabilities. And a personalized benefits confirmation statement and Total Compensation Statement can be made easily available for each employee.

In addition to employee self-service on the system, bswift also provides a standard pre-populated printable enrollment paper form customized to the individual employee, including currently elected and available benefits, with individual-specific costs. Administrators can input employees' elections from the paper form into an employee profile and still take advantage of the electronic vendor feeds and powerful reporting tools.

Analysis

Forrester took a multistep approach to evaluate the impact that implementing bswift benefits automation software and services can have on an organization:

- Interviews with bswift product marketing personnel.
- In-depth interviews with five organizations currently using bswift.
- Construction of a composite organization based on characteristics of the interviewed organizations.
- Construction of a common financial framework for the implementation of bswift.

Interview Highlights

Interviews with five customer organizations were conducted for this study, involving representatives from the following companies (bswift customers based in the United States):

1. An Oregon-based not-for-profit corporation that operates five full-service hospitals and a children's hospital. With more than 9,000 full- and part-time employees, the company is one of the largest private-sector employers in its metropolitan area. This company chose bswift from among six vendors considered. According to the customer's IS department, the implementation of the self-service features from its HRIS system would have required an upgrade to a newer release, which would mean a delay of one to two years. The bswift alternative was chosen, in part, because it could be in production in 90 days.
2. A leading insurance and financial services provider that manages nearly \$9 billion in assets and employs more than 8,000 associates. The company has grown by acquisitions, with separate administration of benefits, albeit from the same benefits providers. The bswift system is a centralized benefits automation hub, which is an advantage insofar as all 10 subsidiaries operate separate acquisition-legacy HRIS and payroll systems.
3. Trek Bicycles, a manufacturer employing more than 1,300 people in the United States. Trek uses bswift to administer health, dental, life, short- and long-term disability, flexible spending accounts, and COBRA programs from five vendors. Trek considered a benefits solution offered by its payroll system vendor, yet Trek would have been responsible for much of the labor and expense of setup, configuration, and system maintenance. With the bswift option, the HR group does not need to secure much time and effort from the IT department.
4. One of the largest providers of services for oil and gas developments, with operations in more than 100 countries. The company implemented bswift for its 15,000 North American employees and expatriates. Like the three companies described above, prior to implementing bswift, this company's benefit enrollment processes were paper-based, with manual data entry into payroll and also into its HRIS system. bswift was implemented instead of the benefits module of that system because bswift could be implemented in 90 days compared with two years for the alternative.
5. Windsor Capital Group, Inc., a privately owned hotel management company headquartered in California that currently owns and operates 27 hotels in 10 states. This company employs 1,780 benefit-eligible employees. Windsor Capital implemented bswift to, "ease

administration at the property sites and alleviate data entry into the HRIS and payroll systems, and the online sites for nine vendors.” bswift automated health, life, disability, vision, dental, flexible spending, part-time insurance, and 401(k).

Common Challenges For Interviewed Organizations

The customers Forrester interviewed shared several common challenges that caused them to evaluate a benefits automation solution. These challenges included:

- Overpayment of premiums due to: a) data entry errors; b) eligibility errors; and c) the absence of a streamlined premium reconciliation process.
- The need to eliminate errors inherent in faxing handwritten benefit election and change forms, and manual data entry.
 - Errors could result in denials of coverage when employees or dependents visited a care provider.
 - Vendors did not receive member information accurately or on a timely basis, and vendors often would have to manually enter data from faxed forms.
- Lack of reliable audit and validation processes to verify coverage.
- Excessive paper usage, with paper benefit election forms and confirmation statements.
- Cost to print and mail benefits documentation.
- A recognition that HR and benefits staff could be utilized for more strategic projects than data entry.

TEI Framework

With the information obtained in the customer interviews, Forrester has constructed a TEI framework for those organizations considering an implementation of bswift. The objective of the framework is to identify and illustrate the cost, benefit, flexibility, and risk factors that impact the investment decision.

Composite Organization: “FabriCom”

Based on the interviews with the five existing customers provided by bswift, Forrester has constructed a composite organization, which we will call “FabriCom,” to illustrate the quantifiable costs and benefits, risk, and flexibility of implementing bswift benefits automation. By aggregating the findings from the customer interviews and portraying a composite organization that is achieving value from bswift services, this Forrester study illustrates the financial impact of an investment in bswift.

“FabriCom” provides design and manufacturing process consulting services around the world, with North American operations in half a dozen sites across the US. The company is the product of several acquisitions over the past several years. Forrester created this composite company to reflect an organization with the following characteristics:

Organization size and dimensions

- 7,500 employees, with turnover of 10% per year

Scope

- bswift has been deployed for the administration of health, dental, vision, employee basic life; supplemental employee, spouse, and child life; long-term disability, short-term disability, basic AD&D, voluntary AD&D, and flexible spending accounts for health care, dependent care and commuters, and COBRA.
- The company has benefits contracts with six vendors.
- The company maintains a separate HRIS system.

Initial reasons for investment

- To provide self-service of benefits elections for open enrollment, new hires, and life event changes in order to:
 - Reduce or eliminate errors from manual data entry.
 - Reduce or eliminate overpayment of premiums due to manual data entry errors and erroneous coverage of ineligible dependents.
 - Reduce the staff resources required for manual data entry, error corrections and accuracy control, and auditing.
 - Reduce the cost of paper, printing forms and confirmation reports, mailing costs.
 - Provide more visibility to employees around the value of their benefits.
 - Provide assurance of day one coverage for employees and their families.
- To provide a corporate hub for benefits administration facilitating the accurate calculation of payroll deductions and accurate payment of insurance premiums.
- As a response to an estimated two-year delay in the implementation of the self-service features in the company's HRIS system due to the amount of time and effort required by FabriCom's IS department to upgrade to a newer release and configure the software.

HR environment prior to investment in bswift

- Development and printing of benefit enrollment options booklets and paper benefit election forms.
- Developing and implementing a communication plan to announce changes in benefit options.
- Mailing benefit enrollment booklets and paper election forms.
- Collection of paper election forms (faxed or mailed to HR).
- Hiring temporary contract labor for data entry.
- Manual data entry of benefit elections into HRIS and into insurance carrier sites.
- Running audit reports for data entry corrections.
- HR staff fielding telephone calls from employees with questions on the forms.
- Printing of confirmation statements via Crystal Reports with data from HRIS.
- Mailing of confirmation statements.
- Corrections of data entry errors discovered through out the year.
 - Dealing with coverage denials because of data entry errors.
 - Paying for coverage and claims for including ineligible in plans.
- Filing of paper forms.

Framework Assumptions

Table 2 lists the discount rate used in the PV and NPV calculations and time horizon used for the financial modeling.

Table 2: General Assumptions

Ref.	General assumptions	Value
	Discount rate	10%
	Length of analysis	Three years

Source: Forrester Research, Inc.

Organizations typically use discount rates between 8% and 16% based on their current environment. Readers are urged to consult with their Finance department to determine the most appropriate discount rate to use within their own organizations.

Costs

The main cost categories associated with this bswift implementation are organized into the following categories: 1) one-time startup costs to setup and launch bswift services; 2) the monthly fees paid to bswift for benefit automation services; 3) internal labor for setup and launch; and 4) recurring internal labor costs to maintain and manage the bswift system. The following are the cost inputs to the financial analysis.

Monthly Services Fee

The principal cost to the customer associated with bswift benefit automation services is the monthly services fee paid to bswift. The monthly charges for bswift services are based on several factors and the number of employees who will use the system. Typical pricing for an implementation like FabriCom, with 7,500 employees, would be \$172,800 per year, payable in monthly increments. The fee includes management and maintenance of the platform, all network bandwidth, product support, and disaster recovery capabilities.

Setup Fee

bswift charges a fee for professional services to set up benefit automation services for a new client. This includes gathering requirements of plans and conditions, building the Web site, customization of the bswift system, creating electronic feeds to benefit plan vendors and the company's HRIS system, sharing best practices, and testing. For FabriCom, the fee is \$29,500.

Internal Labor For Setup And Launch

The customers interviewed for this study described in detail the internal labor required to set up and launch bswift. The roles — benefits administrators, the HR manager or director, programmer/analyst(s), and perhaps outside consulting help around the HRIS system — contribute various amounts of their time from kickoff through testing. These labor cost calculations, which total nearly \$44,000, are shown in Table 3 below.

Table 3: Internal Labor – Setup And Launch

Ref.	Role	Calculation	Initial
C1	Benefits administrators	2 * \$1,200 / week * 13 weeks * 50%	\$26,500

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C2	HR manager	1 * \$1,730 / week * 13 weeks * 35%	\$7,900
C3	HRIS system benefits consultant	Day rate	\$5,000
C4	Programmer/HRIS analyst	1 * \$1,730 / w * 13 weeks * 10%	\$4,500
Ct	Internal labor - setup and launch	Total	\$43,900

Source: Forrester Research, Inc

Internal Labor For Ongoing System Support

The HR and benefits managers and directors interviewed for this study indicated that labor for maintaining the bswift system ranged from de minimus to several hours per month. Forrester assumes 80 hours per year at a burdened compensation rate of \$45 per hour for this labor category, or a total of \$3,600. This assumption includes 40 hours to prepare for each annual open enrollment.

Total Costs

Table 4 summarizes just over \$600,000 in three-year costs expended by FabriCom for engaging bswift benefits automation services.

Table 4: Total Costs

Costs	Initial	Year 1	Year 2	Year 3	Total
Setup fee	29,500				29,500
Annual bswift services fee		172,800	172,800	172,800	518,400
Internal labor - setup and launch	43,900				43,900
Internal labor - ongoing system support		3,600	3,600	3,600	10,800
Total	\$73,400	\$176,400	\$176,400	\$176,400	\$602,600

Source: Forrester Research, Inc.

Benefits

“bswift does a number of important things for us. It improved the accuracy of our billing, eligibility, and claims while reducing our workload. It saved us a ton of paper, and that makes the company a lot more green. Automated enrollment gives our employees and new hires a sense that we are technologically “with it,” it shows them how much the company is paying for their benefits, and they also get a better view of their coverage choices. Even our president said, “I had not realized that I only elected basic coverage.”

-- Director of human resources

The key benefit categories associated with this bswift implementation include: 1) savings from overpayment of premiums (as well as errors on employee payroll deductions); 2) avoiding cost of temporary workers for data entry; 3) headcount reduction or reassignment; 4) labor costs avoided specifically for error corrections; 5) eliminating printing costs; and 5) eliminating mailing costs; and 6) avoided labor costs specifically for answering employees' questions.

Cost Savings From Overpayment Of Premiums

Prior to the deployment of benefits automation, many organizations lack the ability to easily identify ineligible dependents or to cancel coverage for terminated employees or those who are ineligible for certain benefits. Manual data entry of enrollment data does not flag rule violations. Manual billing reconciliation processes are challenging, given the scarcity of accurate eligibility data and the “moving target” presented by numerous “retro” transactions each month. The result is overpayment of premiums. With the deployment of bswift benefits automation, clients can see immediate results of a rules-based discipline in the form of lower fully insured premium payments (or lower stop-loss premiums, claim payments, and administrative services fees in the case of self-insured companies), and more accurate payroll deductions. In accordance with the experience reported by customers in this study, Forrester assumes that FabriCom would see cost savings from corrections in these categories:

- **Overpayment of premiums for ineligible dependents.** Forrester assumes based on customer interview data that for FabriCom, 200 ineligible dependents would be removed from the coverage lists, saving \$2,000 in annual health, vision, and dental premiums for each, or \$4.44 per employee per month (PEPM).
- **Overpayment of premiums due to tier/coverage discrepancies.** bswift's system enforces Coverage Level or “Tier” rules. Rule violations would include, for example, enrollment as “Family” when an employee has no dependents covered in the plan, which would result in FabriCom paying for more expensive coverage levels or tiers. bswift enables corresponding reductions in paid-for coverage level and cost. The total employer cost savings realized by the reduced medical, dental, and vision coverage in this case, assuming 147 violations, is \$8,900 per month or \$1.19 PEPM.
- **Overpayment of premiums due to ineligible employees.** The bswift system enforces employee benefit class eligibility rules to ensure that employees are not allowed to enroll in plans they are not eligible for. Cost saving can accrue when bswift identifies violations of these rules. For FabriCom, the total employer cost savings realized by removing 29 employees from these plans is \$3,300 per month or \$0.44 PEPM.

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- Overpayment of premiums due to terminated/canceled employees.** bswift can conduct the equivalent of a line-by-line audit of the insurance bill against bswift's enrollment data. Savings are gained by identifying cancellations that should have been documented prior to the beginning of each month but are still showing active on the vendor's bill. Because bswift automates the eligibility interface with the carriers, clients no longer have to rely on manual notification of cancellations to carriers. If an HR rep forgets to notify the carrier and does not perform a line-by-line audit of the carrier bill each month, the employer ends up paying premiums for employees who should be cancelled. Often employers who administer their benefits manually in-house merely perform reasonability checks of the carrier invoices. bswift's EDI process with carriers eliminates this issue on the front end, and the premium reporting/reconciliation services act as a "second check" on the back end. Forrester assumes that 80 cancellations would sum to \$36,000 per month or \$4.80 PEPM from correcting the overpayment of monthly premiums.

These amounts are equal to less than 2% of FabriCom's total premium expenditure for the various plans.

Table 5: Cost Savings – Overpayment Of Premiums

Ref.	Metric	Calc	Per period	Year 2	Year 3	Total
F1	Number of eligible employees		7,500			
F2	Overpayment of premium - ineligible dependents		\$4.44			
F3	- Tier/coverage discrepancies		\$1.19			
F4	- Ineligible employees		\$0.44			
F5	- Terminated/cancelled employees		\$4.79			
F6	Total PEPM		\$10.86			
Ft	Overpayment of premiums	F1xF6x12	\$977,400			
Fto	Total (original)		\$977,400	\$977,400	\$977,400	\$2,932,200

Source: Forrester Research, Inc.

Temporary Labor Cost Avoided

Under the previous manual system, employees would complete paper enrollment forms and fax them to the HR department. HR was inundated with paper forms, the data from which had to be manually entered into the HRIS system and also transmitted in some way to the benefit plan

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vendors. To complete this work during open enrollment, companies in this study typically hired temporary workers to complete the manual entry. For the composite company this would amount to three contractors, for whom FabriCom would pay an agency \$1,000 per week to manually key data for eight weeks. This calculates to a cost of \$24,000 annually.

Table 7: Temporary Labor Costs Avoided

Ref.	Metric	Calculation	Per Period	Year 2	Year 3	Total
H1	Number of temporary workers		3			
H2	Cost per worker per week	40 x \$25.00	\$1,000			
H3	Weeks		8			
Ht	Temporary labor cost avoided (for data entry)		\$24,000			
Hto	Total (original)		\$24,000	\$24,000	\$24,000	\$72,000

Source: Forrester Research, Inc.

Error-Correction Labor Cost Avoided

Manual data entry begets errors. Lots of them. Not only do these errors result in denials of service and rejected claims, but correcting the errors is costly. For the composite company, a conservative estimate of the labor cost savings is one FTE earning a burdened hourly rate of \$25 who spends 80% of his/her time tracking and correcting errors, many of which were made in the manual data entry key-in process. This time includes running audit reports for data entry corrections.

Table 8: Labor Cost Savings - Error Correction

Ref.	Metric	Calculation	Per period	Year 2	Year 3	Total
I1	Number of workers		1			
I2	Hourly compensation rate		\$25			
I3	Number of hours		2,000			
I4	Percent captured		80%			
It	Labor cost avoided for correcting errors	I1*I2*I3*I4	\$40,000			
Ito	Total (original)		\$40,000	\$40,000	\$40,000	\$120,000

Source: Forrester Research, Inc.

Reassignment Or Reduction Of FTEs

The reassignment or reduction of full-time staff was one of the outcomes of a bswift implementation for all of the customers engaged in this study. For FabriCom, Forrester believes that two FTEs can be reassigned in Year 1, with another FTE relieved of certain administration tasks in the second year of using bswift services, increasing to 3.5 FTEs by Year 3. The tasks that are affected by the bswift automation include developing benefit enrollment options booklets and paper election forms, creating the documentation for the communications plan to announce annual changes in benefit options, collection of paper enrollment forms, data entry into HRIS/ERP systems and multiple carrier systems (throughout the year for new-hire enrollment, life event enrollment, status changes, and typical address changes), supervising temporary data entry workers, printing and mailing confirmation statements, answering questions from employees, and communicating with plan vendors and insurers on insured data and billing.

Table 9: Reassignment or Reduction Of FTEs

Ref.	Metric	Calculation	Year 1	Year 2	Year 3	Total
G1	Number of FTEs		2.0	3.0	3.5	
G2	Yearly compensation (fully loaded)		\$52,000			
Gt	Reassignment/Reduction in headcount	G1*G2	\$104,000	\$156,000	\$182,000	\$442,000

Source: Forrester Research, Inc.

Printing Cost Savings

When benefit information is made available to employees online, the printed enrollment packets that were previously used to communicate plan information to employees can be eliminated. At an estimated cost of \$4.50 per employee, this amounts to \$38,250 per year for FabriCom.

Table 10: Printing Cost Savings

Ref.	Metric	Calculation	Per period	Year 2	Year 3	Total
J1	Number of employees		7,500			
J2	Printing cost per booklet		\$4.50			
Jt	Cost savings - printing cost of forms, benefit packages	J1*J2	\$33,750			
Jto	Total (original)		\$33,750	\$33,750	\$33,750	\$101,250

Source: Forrester Research, Inc.

Mailing Cost Savings

The company will save on the cost of mailing the enrollment packets to employees. The cost savings is estimated to be \$2.50 per employee or \$18,750 annually, as shown in the table below.

Table 11: Mailing Costs Avoided

Ref.	Metric	Calculation	Per period	Year 2	Year 3	Total
K1	Number of pieces		7,500			
K2	Mailing cost per piece		\$2.50			
Kt	Mailing cost savings	K1*K2	\$18,750			
Kto	Total (original)		\$18,750	\$18,750	\$18,750	\$56,250

Source: Forrester Research, Inc.

Fewer Calls To HR Help Desk

bswift customers who participated in this study described reductions in calls to the HR department or HR help desk when information on benefit enrollment was moved from paper to the benefits Web site built by bswift. The Web channel can provide richer information and cognitive aids for understanding benefits, the process for selecting them, and eligibility. Fewer incoming calls for assistance result in reassignment of resources. In this case, the 40% workload reduction, as shown in Table 12, is equivalent to \$16,800 per year.

Table 12: HR Call Center Labor Cost Savings

Ref.	Metric	Calculation	Per Period	Year 2	Year 3	Total
L1	Number of FTEs		1			
L2	Fully loaded compensation		\$42,000			
L3	% call reduction		40.0%			
Lt	Fewer calls to HR Answer Desk	L1*L2*L3	\$16,600			
Lto	Total (original)		\$16,800	\$16,800	\$16,800	\$50,400

Source: Forrester Research, Inc.

Other Potential Benefits Of bswift

Companies interviewed for this study described numerous categories of benefits from bswift. To ascribe financial benefit for FabriCom, Forrester included only the categories of benefit that were quantified, most compellingly articulated, and most certain to be realized by interviewed bswift

customers. In related research, and in working with bswift and its customers, Forrester has identified several additional benefit areas that prospective customers can consider when building a business case for benefits automation.

Cost of preventing employee appeals. One customer interviewed for this study mentioned that bswift saved the company from legal proceedings in several employee appeal cases by clearly documenting the level of coverage and the people covered based on the employee's enrollment selections. Without bswift, these cases could have resulted in either expensive legal battles, at worst, or employee "badwill" at best.

Sarbanes Oxley compliance. With bswift's SAS 70 Type II audit document, auditors might be able to more easily and quickly audit the benefit administration function, thus saving costs on auditing services.

Value of reporting. Some customers will see value in the form of less time and effort to develop and generate various reports that bswift provides, especially billing and management reports.

Carrier-related savings. bswift customers should look for opportunities to steer employees to more attractive plans and to negotiate better health (and other) insurance rates based on enhanced negotiating leverage and lower costs to the vendor, for example:

- Directing employees to more cost-effective plans (i.e., higher participation in the HDHP and HSA plan).
- Given the enhanced administrative flexibility to change carriers, the bswift system offers companies greater leverage in negotiating competitive rates.
- Savings from the carriers for printing and fulfillment costs related to sending summary plan description (SPD) and other insurance documents.

Time saved by employees. Companies have varying degrees of acceptance for quantifying the value of employees' time for onboarding, benefits enrollment, benefits inquiry, address changes, and the many transactions and inquiries associated with benefits. Yet by moving to employee self-service, employees save time when they get through enrollment faster and when they get answers faster to their benefit coverage questions.

Total Benefits

Table 13 shows the total benefits that were quantified for this study.

Table 13: Total Benefits

Benefits	Year 1	Year 2	Year 3	Total
Overpayment of premiums	977,400	977,400	977,400	2,932,200
Reassignment/reduction in headcount	104,000	156,000	182,000	442,000
Temporary labor cost avoided (for data entry)	24,000	24,000	24,000	72,000
Labor cost avoided for correcting errors	40,000	40,000	40,000	120,000
Cost savings - printing cost of forms, benefit packages	33,750	33,750	33,750	101,250
Mailing cost savings	18,750	18,750	18,750	56,250
Fewer calls to HR Answer Desk	16,800	16,800	16,800	50,400
Total	\$1,214,700	\$1,266,700	\$1,292,700	\$3,774,100

Source: Forrester Research, Inc.

Risk

Risk is the third component within the TEI model; it is used as a filter to capture the uncertainty surrounding different cost and benefit estimates. If a risk-adjusted ROI still demonstrates a compelling business case, it raises confidence that the investment will succeed because the risks that threaten the project have been taken into consideration and quantified. The risk-adjusted numbers should be taken as “realistic” expectations, since they represent the values considering risk. In general, risks affect costs by raising the original estimates and they affect benefits by reducing the original estimates.

For the purpose of this analysis, Forrester risk-adjusts cost and benefit estimates to better reflect the level of uncertainty that exists for each estimate. The TEI model uses a triangular distribution method to calculate risk-adjusted values. To construct the distribution, it is necessary to first estimate the low, most-likely, and high values that could occur within the current environment. The risk-adjusted value is the mean of the distribution of those points.

For example, in the case of internal labor for setup and launch, the \$43,900 value used in this analysis can be considered the “most likely” or expected value. This cost will vary based on any unforeseen complexity or delay in implementation. Forrester applies a risk-adjustment factor of 125% to this amount to obtain the high estimate, 100% as the most-likely, and 100% for the low estimate. This has the effect of increasing the cost estimate to take into account the fact that original cost estimates are more likely to be revised upward than downward. Forrester then creates a triangular distribution to reflect the range of expected costs, with 108% as the mean risk factor. Forrester applies this mean to the compensation amount of \$43,900 to arrive at a risk-adjusted value of \$47,400.

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Some cost figures are not risk adjusted. Annual services fees, for example, can be determined with a high degree of certainty (and contractually set) before a project is started. Annual fee and setup costs presented in this study are not risk adjusted for this reason.

On the benefits side, Forrester addresses the uncertainty around the amount of labor that this bswift implementation has eliminated or reallocated to other areas of the business. Measuring the actual impact of bswift on hours of labor saved is challenging, and there can be a number of other initiatives underway at the time that can affect measurement. Forrester therefore uses the risk-adjustment methodology to build a conservative bias into the financial framework.

We are relatively confident that the amount of cost savings from overpayment of premiums would be \$977,400 at FabriCom. Thus Forrester uses an estimate of \$977,400 (100%) as the most likely, and also set the maximum amount at \$977,400, while the minimum amount assumed is a conservative \$488,700 (or 50%). The mean or risk-adjusted value is thus \$811,242.

The other costs and benefits of the bswift implementation considered in this study are risk-adjusted using factors shown in the table below.

Table 14: Risk-Adjustment Factors

	Factor	Metric	Low	Orig.	High	Mean
Costs	Internal labor - setup and launch		100%	100%	125%	108%
	Internal labor - ongoing system support		100%	100%	125%	108%
Benefits	Cost savings from overpayment of premiums		50%	100%	100%	83.0%
	Reduction in headcount		75%	100%	100%	91.7%
	Temporary labor cost avoided (for data entry)		80%	100%	103%	94.0%
	Labor cost avoided for correcting errors		80%	100%	103%	94.0%
	Cost savings - printing cost of forms, benefit packages		90%	100%	105%	98.0%
	Mailing cost savings		80%	100%	103%	94.0%
	Fewer calls to HR Answer Desk		80%	100%	103%	94.0%

Source: Forrester Research, Inc.

All of the risk-adjusted cost and benefit amounts are shown in Tables 15 and 16 below.

Flexibility

“Our focus over the past two years has been to communicate with employees and add offerings to make this a great place to work. We have added more services, like a

wellness program. And we can more easily prompt employees to see other stuff online like their paycheck, or to complete some online training.”

-- Director of human resources

Flexibility, as defined in Forrester's TEI methodology, is an investment in additional capacity or capability today that can be turned into future business benefits at some additional cost in the future. This provides an organization with the “right” or the ability to engage in specific future initiatives — but not the obligation to do so. In various scenarios, a customer might choose to implement bswift within a certain scope of activities and business areas and later discover additional value that can be realized by expanding usage or by pursuing new initiatives that have been enabled by the original investment. The flexibility component of TEI can capture that value using the industry-standard Black-Scholes option pricing model.

While data for calculating the monetary value of several flexibility options was not available at the time of publication, the customers who engaged in this study identified the following examples where possible future initiatives are being evaluated for additional value:

- The ability to quickly add, replace or change a benefit plan.
- Fast integration and rollout of employee benefits when a company is acquired or merged; the ability to quickly roll out bswift to additional groups of employees, such as expatriates or staff in a subsidiary.
- For customers with multiple subsidiaries or locations, deployment of centralized vendor billing using bswift's billing suite.
- Create more time for human resources staff to focus on more strategic activities like creating or expanding wellness programs, compensation analyses, retention or training programs, etc.
- The ability to add incremental HR modules or services, such as Total Compensation Statements, Onboarding, Time Off Tracking, Manager Self-Service, and a Company/Employee Portal.

TEI Framework: Summary

Considering the financial framework constructed above, the results of the costs, benefits, risk, and flexibility sections using the representative numbers can be used to determine a return on investment, net present value, and payback period. Tables 15 and 16 below show the risk-adjusted values, applying the risk-adjustment method indicated in the “Risks” section and the values from Table 14 to the numbers in Tables 4 and 13.

It is important to note that values used throughout the TEI Framework are based on in-depth interviews with four organizations and the resulting composite organization built by Forrester. Forrester makes no assumptions as to the potential return that other organizations will receive within their own environment. Forrester strongly advises that readers use their own estimates within the framework provided in this study to determine the expected financial impact of implementing bswift.

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Table 15: Total Risk-Adjusted Cost And Present Value

Costs	Initial	Year 1	Year 2	Year 3	Total	Present value
Setup fee	29,500				29,500	29,500
Annual bswift services fee		172,800	172,800	172,800	518,400	429,728
Internal labor - set-up and launch	47,412				47,412	47,412
Internal labor - ongoing system support		3,888	3,888	3,888	11,664	9,669
Total	\$76,912	\$176,688	\$176,688	\$176,688	\$606,976	\$516,309

Source: Forrester Research, Inc.

Table 16: Total Risk-Adjusted Cost And Present Value

Benefits	Year 1	Year 2	Year 3	Total	Present value
Cost savings from overpayment of premiums	811,242	811,242	811,242	2,433,726	2,017,439
Reduction in headcount	95,333	143,000	166,833	405,167	330,193
Temporary labor cost avoided (for data entry)	22,560	22,560	22,560	67,680	56,103
Labor cost avoided for correcting errors	37,600	37,600	37,600	112,800	93,506
Cost savings - printing cost of forms, benefit packages	33,075	33,075	33,075	99,225	82,253
Mailing cost savings	17,625	17,625	17,625	52,875	43,831
Fewer calls to HR Answer Desk	15,792	15,792	15,792	47,376	39,272
Total	\$1,033,227	\$1,080,894	\$1,104,727	\$3,218,849	\$2,662,596

Source: Forrester Research, Inc.

Study Conclusions

The data in this study indicate that the bswift benefits automation services have the potential to provide a good return on investment. The risk-adjusted ROI of 417%, along with a rapid payback period (breakeven point) raises confidence that the investment is likely to succeed since the risks and uncertainty that may threaten the project have been considered and quantified.

Forrester's interviews with bswift's customers yielded valuable observations. Based on information collected in interviews, Forrester found that organizations can realize benefits in the form of:

- Eliminating overpayment of premiums due to data entry errors and rules violations that were not flagged by an automated system.
- Labor cost savings for HR staff who previously engaged in a series of activities, including:
 - Developing benefit enrollment options booklets and paper election forms.
 - Creating communications plan documents.
 - Collecting of paper enrollment forms.
 - Supervising temporary data entry workers.
 - Printing and mailing or emailing confirmation statements.
 - Communicating with plan vendors and insurers on insured data and billing.
 - Manually enter data and filing forms.
 - Time required for correcting errors.
 - Answering employee calls and email questions about benefits and benefit forms.
- Savings on mailing costs and paper consumption.

In addition to the benefits quantified in this study, Forrester believes that there are other important benefit categories that should be considered by those considering an investment in bswift, including:

- Automating benefits enrollment enhances the company's "employee brand" by reinforcing the belief among employees and new hires that the company is technically advanced.
- Benefits administrators and managers can spend more time managing the benefit plans — or developing wellness and other new programs — instead of entering data and shuffling paper.
- Offering job enrichment to HR staff whose roles change with less clerical work after automation.
- Engendering confidence in billing amounts, eligibility counts, and various reports on employee cohorts.
- Easing integration of "new" employees immediately following an acquisition.

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- Improving the onboarding experience for new hires, and improving turnaround time for employees' life event changes.
- Ability to add or replace benefit plans faster and easier.
- Supporting “green” initiatives by reducing paper consumption and carbon emissions associated with mailing.

Based on these findings, companies looking to implement bswift benefits automation can see multiple categories of benefit. Using the TEI framework, many companies may find the potential for a compelling business case to make such an investment.

Table 17: Risk-Adjusted ROI

Total benefits	Initial	Year 1	Year 2	Year 3	Total	PV/NPV
Total costs	(\$76,912)	(\$176,688)	(\$176,688)	(\$176,688)	(\$606,976)	(\$516,309)
Total benefits		\$1,033,227	\$1,080,894	\$1,104,727	\$3,218,849	\$2,662,596
Total	(\$76,912)	\$856,539	\$904,206	\$928,039	\$2,611,873	\$2,146,287
Return on investment	416%					
Payback period	1.1months					

Source: Forrester Research, Inc.

Forrester makes no assumptions regarding the effects of bswift at other organizations. This study examines the potential impact attributable to the five organizations that participated in our examination and applies the common costs and benefits to a representative sample company. The underlying objective of this document is to provide guidance to technology decision-makers seeking to identify areas where value can potentially be created based on using bswift.

Appendix A: Composite Organization Description

In this TEI study, Forrester has created a composite organization to illustrate the quantifiable costs and benefits of implementing bswift. “FabriCom,” provides design and manufacturing process consulting services around the world, with North American operations in half a dozen sites across the US. The company is the product of several acquisitions over the past several years. Forrester created this composite company to reflect an organization with the following characteristics:

Organization size and dimensions

- 7,500 employees, with turnover of 10% per year

Scope

- bswift has been deployed for the administration of health, dental, vision, employee basic life; supplemental employee, spouse, and child life; long-term disability, short-term disability, basic AD&D, voluntary AD&D, and flexible spending accounts for health care, dependent care, and commuter.
- The company has benefits contracts with six vendors.
- The company maintains a separate HRIS system.

Initial reasons for investment

- To provide self-service of benefits elections for open enrollment, new hires, and life event changes in order to:
 - Reduce or eliminate errors from manual data entry.
 - Reduce or eliminate overpayment of premiums to due manual data entry errors and erroneous coverage of ineligible dependents.
 - Reduce the staff resources required for manual data entry, error corrections and accuracy control, and auditing.
 - Reduce the cost of paper, printing forms and confirmation reports, mailing costs.
 - Provide more visibility to employees around the value of their benefits.
 - Provide assurance of day one coverage for employees and their families.
- As a response to an estimated two-year delay in the implementation of the self-service features in the company’s HRIS system due to the amount of time and effort required by the FabriCom’s IS department to upgrade to a newer release and customize the software.

HR environment prior to investment in bswift

- Developing and printing of benefit enrollment booklets and paper benefit election forms.
- Developing and mailing a communication plan to announce changes in benefits options.
- Mailing benefit enrollment booklets and paper election forms.
- Collection of paper election forms (faxed or mailed to HR).
- Hiring temporary contract labor for data entry.
- Manual data entry of benefit elections into HRIS.
- Running audit reports for data entry corrections.
- HR staff fielding telephone calls from employees with questions on the forms.
- Printing of confirmation statements via Crystal Reports with data from HRIS.
- Mailing of confirmation statements.
- Corrections of data entry errors discovered through out the year.
 - Dealing with coverage denials because of data entry errors.
 - Paying for coverage and claims for including ineligible in plans.
- Filing of paper forms.

Appendix B: Total Economic Impact™ Overview

Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

The TEI methodology consists of four components to evaluate investment value: benefits, costs, risks, and flexibility. For the purpose of this analysis, the impact of flexibility was not quantified.

Benefits

Benefits represent the value delivered to the user organization — IT and/or business units — by the proposed product or project. Often product or project justification exercises focus just on IT cost and cost reduction, leaving little room to analyze the effect of the technology on the entire organization. The TEI methodology and the resulting financial model place equal weight on the measure of benefits and the measure of costs, allowing for a full examination of the effect of the technology on the entire organization. Calculation of benefit estimates involves a clear dialogue with the user organization to understand the specific value that is created. In addition, Forrester also requires that there be a clear line of accountability established between the measurement and justification of benefit estimates after the project has been completed. This ensures that benefit estimates tie back directly to the bottom line.

Costs

Costs represent the investment necessary to capture the value, or benefits, of the proposed project. IT or the business units may incur costs in the forms of fully burdened labor, subcontractors, or materials. Costs consider all the investments and expenses necessary to deliver the proposed value. In addition, the cost category within TEI captures any incremental costs over the existing environment for ongoing costs associated with the solution. All costs must be tied to the benefits that are created.

Risk

Risk measures the uncertainty of benefit and cost estimates contained within the investment. Uncertainty is measured in two ways: the likelihood that the cost and benefit estimates will meet the original projections and the likelihood that the estimates will be measured and tracked over time. TEI applies a probability density function known as "triangular distribution" to the values entered. At a minimum, three values are calculated to estimate the underlying range around each cost and benefit.

Flexibility

Within the TEI methodology, direct benefits represent one part of the investment value. While direct benefits can typically be the primary way to justify a project, Forrester believes that organizations should be able to measure the strategic value of an investment. Flexibility represents the value that can be obtained for some future additional investment building on top of the initial investment already made. For instance, an investment in an enterprisewide upgrade of an office productivity suite can potentially increase standardization (to increase efficiency) and reduce licensing costs. However, an embedded collaboration feature may translate to greater worker productivity if activated. The collaboration can only be used with additional investment in training at some future point in time. However, having the ability to capture that benefit has a present value that can be estimated. The flexibility component of TEI captures that value.

Appendix C: Glossary

Discount rate: The interest rate used in cash flow analysis to take into account the time value of money. Although the Federal Reserve Bank sets a discount rate, companies often set a discount rate based on their business and investment environment. Forrester assumes a yearly discount rate of 10% for this analysis. Organizations typically use discount rates between 8% and 16% based on their current environment. Readers are urged to consult their organization to determine the most appropriate discount rate to use in their own environment.

Net present value (NPV): The present or current value of (discounted) future net cash flows given an interest rate (the discount rate). A positive project NPV normally indicates that the investment should be made, unless other projects have higher NPVs.

Present value (PV): The present or current value of (discounted) cost and benefit estimates given at an interest rate (the discount rate). The PV of costs and benefits feed into the total net present value of cash flows.

Payback period: The breakeven point for an investment. The point in time at which net benefits (benefits minus costs) equal initial investment or cost.

Return on investment (ROI): A measure of a project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits minus costs) by costs.

Source: Forrester Research, Inc.

Appendix D: About The Project Director

Jeffrey North, Principal Consultant

Jeffrey North is a senior consultant with Forrester's Total Economic Impact (TEI) consulting practice. The TEI methodology focuses on measuring and communicating the value of IT and business decisions and solutions, as well as providing an ROI business case based on the costs, benefits, risk, and flexibility of investments.

Jeff came to Forrester with consulting and operating experience, notably working with fast-growth companies. He was a founding member of the digital strategy practice at Cambridge Technology Partners, where he specialized in business value justification of technology investments and customer advocacy. As a director in the international and catalog business units at Staples, Jeff built and managed metrics and reporting programs in North America and Europe as the company experienced significant growth. He has also consulted in a business-IT capacity to retailers and life sciences companies.

Jeff holds a B.A. from St. Lawrence University and an M.B.A. with a concentration in international management and finance from Thunderbird, the Garvin School of International Management.