

Examples of Our Work Implementing Innovative Solutions

The best way to provide examples of employee benefit strategies in which Segal specializes is through the provision of actual case studies outlining the work we have conducted on behalf of our clients. The case studies describe innovative solutions Segal has implemented for a client in conducting a thorough analysis of current benefit structures and making recommendations for improvements.

Case Study 1: Benefits Competitive Review



Challenge

A mid-size University was concerned about whether its total compensation program was internally equitable, externally competitive and aligned with its vision/mission/core values. Pay levels were generally thought to be below market while benefits were thought to be quite generous. The University placed great emphasis on its health care and tuition programs for staff recruiting. This reliance was affecting its ability to hire well: sometimes positively, sometimes negatively.

- Benefits, particularly healthcare, were becoming increasingly expensive.
- Historically, faculty had complete control over the design of the benefits program and resisted all proposed changes to benefits.



Our consulting strategy

Our team began three parallel consulting efforts to address total compensation and culture change:

- Conducted a market study of faculty and staff compensation
- Led a structured discussion about benefits philosophy with the University's leadership team and developed a Benefits Philosophy Statement addressing benefit competitiveness, plan oversight, employee communication and responsibilities for health and wellbeing and other topics
- Conducted a qualitative and quantitative assessment of benefit program competitiveness using a custom survey of specific peer institutions and Segal's Higher Education Survey tool



Results

- Coincident with a few faculty and staff leadership changes, the formal Benefits Philosophy Statement is seen as a sign of a new operating model at the University. Greater responsibility for managing the entire benefits program was placed with University administration
- On a total benefit basis, the University was at the midpoint in terms of competitiveness with its peer institutions. When considering the competitiveness of its total compensation program, the University now looks at the benefits portion as average and not overly generous, as it had previously believed it to be
- The benefit competitiveness studies confirmed that healthcare and tuition benefits were relatively rich while retirement benefits were relatively weak. Other benefits were mixed in terms of competitiveness
- The benefit plan designs and how they are managed and communicated were found to be out of alignment with the newly developed Benefits Philosophy Statement. A planning process was put in place to create better alignment and faculty and staff appreciation

Case Study 2: Dependent eligibility verification audit found an estimated annual savings of \$430,000



Challenge

A public school district that was concerned about whether its plan's eligibility rules were being followed requested a dependent eligibility verification audit. As a result of staffing shortages and concerns about storage of sensitive documents, the school district did not have a process in place to verify employees' dependents at the time they enrolled in health benefits. The school district needed a cost-effective way to ensure that claims paid were only for eligible dependents, as outlined in the Summary Plan Description. The school district also wanted to gather demographic updates, both to ensure accuracy and to assist them with future employee communications.



Our consulting strategy

Segal's Benefit Audit Solutions practice conducts dependent eligibility verification audits (DEVAs) that securely gather documentation to verify a dependent's relationship to the employee. Our DEVA for the school district consisted of four phases:

1. Review the plan's documents to confirm compliance with all current requirements and to help develop personalized verification communications about the audit
2. Evaluate the school district's annual initiatives and incorporate a new audit component: gather demographic information, which consolidated two initiatives and helped determine the best timing for the audit
3. Create a website to gather responses and establish a service center to provide guidance to employees who had questions
4. Conduct a regularly scheduled call to provide status updates and advice on next steps when the statistics did not meet benchmarks



Results

This DEVA was a resounding success. The response rate for the request for demographic information was 97 percent. The school district was able to update its information for 55 percent of dependents in the plan. Three percent of the updates were to dependents' dates of birth, information that affected their eligibility for plan benefits. Overall, the DEVA found 5.7 percent of dependents enrolled in the plan were ineligible for coverage. Any dependent that did not respond by the end of the project was terminated from coverage.

All future enrollments will require completion of the dependent-eligibility verification process before coverage will begin. Additionally, the school district established a new cadence of annual spousal verification.

The estimated cost avoidance is \$430,000 annually. The DEVA's return on the school district's investment was \$21.90 to \$1.00.

Case Study 3: Benefits Competitive Review



Challenge

A University launched an initiative to review and design its benefits plan for faculty and professional staff with the objectives to:

- Maintain its strong competitive position
- Protect current workforce
- Offer programs that are sustainable and affordable
- Modernize and enhance the benefits portfolio
- Offer choice and flexibility
- Reflect input and priorities of the faculty and staff

The institution was facing:

- Increased financial pressures
- Large expenditures on compensation and benefits and growing:
 - Rapid increase in health care cost
 - Active health care and retirement plan costs representing near 25% of payroll
- Diverse needs of faculty and staff
- Intense competition to attract and retain top talent
- Expectation that benefits should remain rich



Our consulting strategy

Our team led the benefits review and design study, beginning with a data gathering process that:

- Looked internally at:
 - The perceptions of faculty and professional staff
 - Demographic trends among the targeted population
 - Benefits spending and utilization
 - The role of benefits and compensation in the Total Rewards Mix
- Looked externally at:
 - External benchmarks
 - Peer group for talent
 - Benefit practices and emerging trends in higher education

Based on our findings, the team conducted an exhaustive process to review and refine recommendations for a new program, including meetings with senior leadership, faculty and staff to gain consensus for the new benefits program.



Results

Substantive changes were made to:

- The active health program both in design (adding a low-cost option) and contribution methodology
- The retiree health program, reducing future commitments while protecting those within five years of retirement, which allowed the program to become sustainable
- The retirement program to introduce a vesting schedule (to take advantage of turnover in the early years) and a shared responsibility for retirement by adding a matching feature
- The paid time off programs to better coordinate the use of sick leave, vacation, salary continuance and the short and long-term disability programs
- The Work-Life (W/L) programs to establish a W/L committee and policies, and update the maternity/paternity plan, all directly reflecting input from faculty and staff

In the end, the University's objectives were met by undertaking an inclusive process that left the University in a strong competitive position for the future with benefits dollars allocated to programs that would better serve the needs of its current and future workforce.

Other examples of innovation

- Segal launched DEI in Employee Benefits, a solution aimed at helping our clients meet their DEI goals and address the barriers some populations face that limit their ability to use or fully participate in employer sponsored benefits.
- Segal developed nurse patient advocate services for Benefit Offices, to help focus on steerage and advocacy, wellness strategy, vendor relationships and care coordination.
- Our Segal Benz practice developed a personalized and fully customizable onboarding solution to help clients manage onboarding and off-boarding.
- Segal introduced CrosscheckSM, a benefit administration review service that helps retirement plans spot potential compliance problems.
- We also worked with a client to introduce the country's first LifeCycle Flexible Benefits account, in which benefits are selected based on individual needs, balancing home and family obligations with career milestones.
- Our National Pharmacy Benefits Practice redefined some of the financial analyses performed in the industry and created innovations in program design and management, some of which are now being implemented by our competitors and marketed by the vendor community.
- We pioneered many innovations in health benefit design, purchasing, cost management and communications.
- We introduced many innovations that are widely accepted benefits practices today, including:
 - Establishing the first Request For Proposal concept in the healthcare arena
 - Developing the CRVS system for medical services pricing
 - Developing the first Preferred Provider Organization (PPO)
 - Pioneering the concept of self-funded HMOs

Some other examples of our groundbreaking ideas include:

LifeCycle benefits program: In the early 1990s, we designed a program, with various alternatives, to address a client's interest in providing "work-family" benefits to employees. The concept was to provide employees the flexibility to spend a defined amount of employer-provided funds on work-family programs over the course of their careers. The employer expanded the program to include expenses for elder care, housing assistance and dependent tuition. The LifeCycle assistance program was the first of its kind and was recognized by Money Magazine as "the most spectacular new [benefits] feature of the year."

LifeCycle pension plan: We developed a new type of final average salary defined benefit plan that combines the advantages of a traditional defined benefit plan with those of hybrid plans (i.e., cash balance). Benefits are based on salary and years of service near retirement but are expressed as a lump sum. Thus, an employee who leaves his or her employer after 10 years might be entitled to a lump sum benefit equal to 10% of pay times years of service or 100% of pay. Unlike cash balance plans, both fast track and long service employees obtain a fair benefit, individual recordkeeping is not necessary since benefits are not pegged to an investment index, and the plan is easy to communicate to participants.

Securing non-qualified benefits: In the late 1980s, Segal was on the forefront of developing a risk insurance method to securing non-qualified benefits in contrast to conventional security funding practices of corporate-owned life insurance and split-dollar plans. This approach, originally underwritten by Lloyds of London, is currently sold by at least four worldwide providers in a competitive environment.

MediMACS: In the 1980s, we developed MediMACS, a physician reimbursement system, as an alternative to usual, customary and reasonable (UCR) fee schedules.

HMO development: In the 1970s, we worked with the Federal Government in the development of HMOs and assisted pilot HMOs in analyzing utilization, setting rates and establishing enrollment procedures.

Preferred Provider Organizations (PPOs): In the 1970s, we developed the now prevalent concept of the PPO.

Relative value schedules: In the 1950s, our study of surgical benefit claims in California formed the basis of the California Medical Association's first relative value schedule.

Competitive bidding: In the 1940s, the concept of competitive bidding of medical insurance contracts was an innovation first introduced by Segal.

Work/Life Calculator: For years, employers relied on anecdotal information to validate the impact of work/life and EAP programs on their workforce. Segal developed a Return on Investment (ROI) Calculator to provide clients with reliable data demonstrating the quantitative value of non-traditional benefits. This tool computes savings in a variety of categories, including time saved, productivity, absenteeism, retention, and health and disability costs, and can be customized to measure specific employee demographics and programs.

Creative use of pension surplus to finance business transactions: Segal developed an innovative approach to viewing the pension surplus of an acquired company. This “out-of-the-box” tactic enabled our client (the buyer) to prevail against seemingly more generous offers.

Healthy Enterprise: Segal developed the concept of a healthy enterprise, which goes beyond wellness (focus on healthy personal lifestyle behaviors), to recognize the interaction of the organizational culture and behavior norms in the workplace to establish a healthy and effective organization where people and the business thrive. We understand that it is important to not only have employees show up to work each day, but also to have them healthy, safe, fully engaged and productive while they are at work in order to provide quality and efficient services. Through its Rewards of Work study, Segal conducts research around the many investments organizations make in employees to better understand how they drive attraction, retention, commitment, motivation, engagement, health and productivity.

Value based strategies: Segal is at the forefront in developing and designing value based strategies that align goals and incentives for members and providers in order to improve outcomes and reduce health risk and the overall cost of care. Value based purchasing and benefit strategies seek to:

- Hold vendors and providers of healthcare accountable for both cost and quality of care
- Utilize information on the quality of healthcare, including patient outcomes and health status, with data on the dollar outlays going towards health
- Focus on managing the use of the healthcare system to reduce inappropriate care and to identify and reward the best-performing providers and vendors
- Increase member responsibility to reduce and manage their own health risks

Actuarial asset valuation method: We developed an actuarial valuation method for a State retirement system that allowed the system to systematically allocate investment earnings in excess of the “regular” (actuarially assumed) level to each municipality while stabilizing the actual costs to the fund each year. Under this method, each municipality is credited with a minimum rate of return each year.