



Global  
Digest

# Employee Benefits and Healthcare

## Background

CASME held Employee Benefits and Healthcare RoundTable meetings in Asia, Europe and North America, during which the following main topics were discussed:

- Stakeholder engagement
- Industry and financial analysis
- Strategy development and execution
- Contract negotiations
- Performance and cost management
- Trends and technology.

This Digest provides the key points, good practices and insights into future trends identified by CASME members at the RoundTable meetings held with participants around the world.

## Stakeholder Engagement

- The development of a successful sourcing strategy for employee benefits and healthcare involves collaboration between Procurement, global and regional HR teams, Legal, Finance and IT, and the relevant senior executives.
- Procurement's role may be limited to only performing sourcing and contracting activities on behalf of the stakeholders, or be much more extensive in organisations where Procurement is regarded as a trusted business partner that is involved in developing and managing the strategy. Procurement's role often includes:
  - Conducting market research, benchmarking and analysis
  - Providing insights and recommendations to HR
  - Co-ordinating and supporting projects
  - Sourcing external consultants and brokers
  - Developing the scopes of work for external service providers
  - Conducting and standardising RFx processes
  - Negotiating and managing contracts
  - Managing supplier performance and relationships
  - Managing compliance and risk
  - Assisting the stakeholders and service providers in addressing challenges and complexities.
- Procurement demonstrates its value in managing benefits and healthcare contracts by optimising cost savings and service quality through supplier relationship management (SRM) and supplier performance management (SPM), supporting the organisation's diversity, equity and inclusion (DE&I) objectives, institutionalising category knowledge and best practices, and being a business partner that supports the stakeholders to achieve their objectives.
- Procurement is delivering value and reducing the costs of employee benefits and healthcare by:
  - Using benchmarking data to negotiate administrative fees with the service providers
  - Collaborating with insurance companies to identify what additional value can be achieved when negotiating large contracts for healthcare benefits
  - Establishing and maintaining relationships directly with the service providers
  - Negotiating directly with the primary providers rather than using brokers when the local procurement teams have the relevant capabilities
  - Understanding the market in each country
  - Developing expertise in specific sub-categories
  - Sourcing innovative service providers.
- When HR is reluctant to engage with Procurement due to data privacy concerns, scepticism of Procurement's value, and/or HR preferring to obtain market intelligence and recommendations from brokers, Procurement overcomes these barriers by developing category knowledge, providing support and demonstrating value to HR through activities such as negotiating and implementing effective contracts, and resolving issues.

## Industry and Financial Analysis

- The HR and corporate benefits teams are primarily responsible for remaining up to date with legal and regulatory changes that impact employee benefits and healthcare. However, Procurement obtains updates from brokers, consultants and local service providers to remain aware of regulatory changes; and may include the requirement in contracts for them to inform Procurement of pending changes.
- Many companies engage external consultants and/or brokers, such as [Aon](#), [Mercer](#), [Robertson Cooper](#) and [WillisTowersWatson](#), to provide in-depth knowledge of benefits and healthcare services and markets. Brokers are commonly engaged when sourcing employee benefits and healthcare services, and are selected based on criteria such as their network of service providers, fees and commissions, approach to cost savings, innovation and past performance.
- Procurement also remains up to date with market trends and changes by obtaining intelligence from providers such as [Gartner](#), [Forrester](#), [The Hackett Group](#), [The Smart Cube](#) and the [Society for Human Resource Management \(SHRM\)](#); from requests for proposals (RFPs) and requests for information (RFIs), which may include asking new, small and/or tier-two service providers for information in exchange for participating in future RFPs; and from category-specific networking events, webinars and podcasts.
- Procurement uses data analytics to improve current and future strategies by understanding utilisation rates and employees' preferences, and identifying opportunities for cost savings and value creation. However, obtaining visibility of the spend and conducting analytics can be challenging for Procurement, due to inadequate cost transparency from service providers, as well as country-specific data protection laws and HR's ethical and legal obligations to protect employees' personal data.
- The data for analysis may be gathered from internal HR and procurement systems, benefits providers, and online sources such as [Artemis Health](#), [Health Data & Management Solutions \(HDMS\)](#), [Merative](#), [MercerGOLD+](#) and [Optum](#) by UnitedHealth Group. Data analytics tools or services may be obtained from providers such as [4C Associates](#), using data from purchase orders (POs) and invoices for each type of benefit, enabling spend analysis and visibility at the enterprise level.
- A captive insurance or self-insured model may be used to reduce the year-on-year cost increases of using external health services, or to introduce new services that are not currently being offered by the providers. For a captive insurance model, a consultancy may be used to manage the actuarial calculations and validate the quotes received from local markets, as well as a fronting insurer and a reinsurer to cover the major risks.

## Strategy Development and Execution

- The procurement strategies for benefits and healthcare services are based on corporate policies and objectives. The category strategy may be developed by the senior managers of HR and Procurement, or it may be developed by Procurement and presented to the HR stakeholders for feedback and approval.
- Considerations when developing global, regional or local procurement strategies include analysing market forces and cost competitiveness, benchmarking the company's policies and practices against those of other similar companies, ensuring compliance with country-specific laws, and aligning with different cultural expectations and national standards.
- The employees' requirements and preferences for particular benefits are determined and accommodated within benefits and healthcare programmes and sourcing strategies by conducting periodic employee surveys, benchmarking the company's programme against those of its competitors, and obtaining input from employee committees. It is important to understand whether the new requirements and preferences are due to the economy, competitors' offerings or other factors.
- Applying a single sourcing strategy for employee benefits and healthcare across different business units, regions and countries is feasible in some sub-categories but not others. For example, mobility programmes can be standardised and managed with a global provider while other sub-categories such as healthcare benefits are sourced and managed locally due to country-specific laws, insurance policies, healthcare industry practices, and lack of providers with regional and global capabilities.
- A significant benefit of contracting a single global provider is the reduction in internal transactional work. Other benefits include increasing acceptance of programmes by the stakeholders and employees, establishing a single point of contact, obtaining consistency in the benefits being offered, standardising processes, improving access to benchmarking information and obtaining updates regarding legislative changes in each region and country.

- Opportunities for cost avoidance in employee benefits and healthcare include focusing on employee wellbeing and preventative care to decrease costs in the long term, negotiating rebates, using total cost of ownership (TCO) analysis to assist with decision-making, and negotiating free-of-charge added-value services, such as consultancy services, self-service cost calculation tools and data analysis tools.
- The opportunities for reducing the costs represented by second- and third-tier subcontractors are minimal due to fragmented spend, low return for the time invested in analysis and the need to retain specialist second- or third-tier suppliers or fulfil supplier diversity objectives.

## Contract Negotiations

- The duration of contracts for employee benefits and healthcare services tends to be three years, with the option to extend for an additional one or two years. Contracts may also be evergreen to avoid the high cost of switching and service disruption. The duration of contracts with brokers is three to five years, with annual reviews and the potential renegotiation of rates.
- The pricing models that are being applied for benefits and healthcare services may be based on a cost per employee per month (PEPM), a cost per use of specific services, volume and utilisation rates, minimum utilisation guarantees and multi-tiered pricing. Additional fees may be incurred for regional and local programme management, administrative services only (ASO), and/or advisory services. Models may also include incentive payments, structured rates for employees' dependents and profit-sharing for unclaimed benefits. The remuneration models for brokers may be either fixed fees or commission-based.
- Contracts include clauses regarding:
  - Termination
  - Data security and privacy, and the associated liabilities
  - Payment terms
  - Invoicing processes
  - Business continuity
  - Annual renegotiations of pricing based on utilisation rates
  - Periodic benchmarking to assess service quality and pricing against the market.
- A rider may be included to enforce global contracts within the context of local laws and regulations, as well as an assignment clause for transferring contracts between service providers that are in merger and acquisition (M&A) situations, including the right to assign and the option to terminate without penalty.
- IT is an integral component of employee benefits and healthcare service delivery; therefore, it is essential to include clauses in contracts relating to the IT services used to deliver the programme. Clauses should address IT security, data privacy and compliance with data protection laws and regulations, as well as the exit strategy and the removal of data from the service providers' systems. Legal, IT and Security may be involved in reviewing the service providers' capabilities and establishing the legal provisions required to minimise IT security risks.
- Procurement may experience challenges when consultants or brokers are involved in the negotiation process. These challenges may be mitigated by clarifying the roles and responsibilities of the members of the negotiation team before the negotiations start, as well as assigning key negotiation points to the stakeholders with the most expertise, appointing the budget owner as the decision-maker, and the negotiation team discussing and agreeing what needs to be prioritised and potential concessions.

## Performance and Contract Management

- The performance of benefits and healthcare service providers is being measured against the service level agreements (SLAs) and key performance indicators (KPIs) on a monthly basis, then reviewed annually to determine the rewards or penalties that will be applied. Penalties may be linked to critical KPIs, which may be a fixed amount or percentage of the fee placed at risk, ranging from 5% to 20%.
- Performance data is collected through weekly reports from the service providers, as well as short user surveys to identify the number of calls made to helpdesks, the duration of the calls and if the problems were resolved, with the option to provide additional feedback.
- Operational KPIs that are being applied address response times, issue resolution times and processes, system or service downtime, timely and accurate invoicing, insurance loss ratios, the effectiveness and outcomes of negotiations by brokers, and the performance of the company's retirement fund.
- Quarterly business reviews (QBRs) are conducted with the service providers to discuss performance, obtain feedback on the organisation as a customer, and gain insights on market trends and best practices. Good practices for conducting QBRs include establishing mutual respect and transparency, reiterating the importance of the service provider to the organisation, recognising good performance and discussing instances of underperformance as well as corrective action plans.

## Trends and Technology

- The changes to employee benefits and healthcare programmes that are being considered for the next two years include consolidating all the individual programmes into a single global employee assistance programme (EAP), promoting the EAP, improving utilisation rates and optimising the cost per employee, as well as using the EAP provider's survey tool to establish employees' health profiles and identify potential issues. Companies may also adopt insurers' wellness programmes, with rewards to encourage employees to exercise and maintain a healthy lifestyle.
- Technological developments will continue to improve the delivery of some benefits and healthcare services, as well as employees' access to and utilisation of services through dedicated platforms and portals, mobile apps, chatbots and virtual consultations. The technological solutions that are being used to manage benefits and healthcare programmes include [Alight](#), [Benefex](#), [BI Worldwide](#), [O.C. Tanner](#), [Virgin Pulse](#), [WebMD](#), [Workday](#) and [Workhuman](#).
- Other potential changes include implementing telemedicine services from providers such as [Babylon](#), issuing electronic vouchers that can be redeemed locally, implementing a portal on the organisation's intranet for employees to easily access up-to-date information on the benefits and healthcare programme and to increase engagement, and integrating local portals with the organisation's global portal.

## Resource Centre Links

The following are links to the full meeting reports for each region:

- [Asia](#)
- [EMEA](#)
- [North America](#)

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### Important

This report is a summary of the facilitated discussions held between the CASME members who attended the meetings. CASME is not a consultancy and does not provide advice. The accuracy or validity of any recommendations or references, particularly to legislation and regulations, contained in the report should be verified by the reader prior to being acted upon. Any third-party organisations named in this report are not recommendations but are examples of companies mentioned during the meeting that may be considered when sourcing the relevant products or services. These are not intended to form an exhaustive list and it is likely that other organisations not listed also provide similar products or services.

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