

In Search of ROO

Every Employer's Pot of Gold

By: Robert Meyers

We've all heard of ROI, but are you familiar with the new acronym – ROO? It stands for "Return on Outsourcing." It may not be on your business radar, but it should be. Faced with fierce competition and a fickle economy, many employers must find ways to hone their efficiency. It's a matter of survival. In many cases, that means focusing on your strengths and outsourcing your weaknesses. By optimizing your Return on Outsourcing (ROO), you'll save money, stretch your budget and serve your clients more efficiently. Think of ROO as your lucky charm... your shining shamrock... your pot of gold! Ready to find the end of your ROO rainbow? Use the questions and answers below to guide your quest.



Q: When it comes to COBRA administration, where are the savings opportunities?

A: One of the biggest cost savings is with labor expense. Think about it – if you're not a COBRA expert, you don't know the most efficient way to approach the administration process. Instead, your time is spent researching issues, finding forms, completing forms, mailing letters, and the list goes on. One survey estimated the average employer spent four hours on COBRA per participant, per month. If an employer outsources the process, the four-hour expenditure drops to about 20 minutes per employee, per month. That means if an employer has 100 participants, Human Resources will spend 400 hours a month on COBRA administration. By outsourcing, the majority of HR's time will be absorbed by the COBRA administrator. You'll save more than 350 hours every month. What a difference! And by spending less time on COBRA, you can spend more time on important things, such as attracting and retaining top talent.

Q: Where should employers never pinch pennies?

A: The majority of businesses don't spend enough time reviewing their group bill. I always tell clients to never skimp on how much attention they pay to their invoices. You can more than cover the cost of outsourcing if you just pay attention to the line items on the group statement. And with average premiums greater than \$1,000, the overpayments can add up fast. Also, you shouldn't outsource for the sole reason of saving money or just to try it for 60 days. You should outsource if you want a long-term solution. With ARRA, it's five times more complicated than a year ago, so short-term moves and volatility can complicate the situation. Ask yourself, "Are you outsourcing a commodity? Can anyone do it or do you need a specialized partner?"

Q: What's the formula for ROO?

A: As a rule – if the revenue or savings opportunity is twice what you would spend to outsource COBRA, it's worthwhile. After all, the overall goal of outsourcing is to make a company more profitable. For example, let's assume that it takes you three hours a week to clean your house. You can outsource the task for \$100. If you outsource, you can spend the three hours prospecting for new business or writing a renewal that generates a \$2,000 commission check. The choice is clear – your time is better spent selling than it is cleaning your house. Your earning opportunity is more than double the cost of the outsourced service. The bottom line? If someone else can do something better, faster or cheaper, it's time for a ROO evaluation.



Q: What are the do's for outsourcing professional services?

A: When looking for a COBRA administration vendor, make sure you:

- Find a partner with errors and omissions insurance.
- Call references.
- Ask, "What would you do if you were me?" Make them step into your shoes. Expect openness, honesty and candor.
- Let the company do what they do best. Don't hire an expert and then try to do his job. It's like hiring a catering company and then deciding to change the recipes.

Q: What are the don'ts for outsourcing professional services?

A: Before you outsource:

- Don't proceed without a service agreement or contract.
- Don't proceed without proof of professional liability insurance.
- Make sure they have bonded professionals to meet fiduciary requirements.
- Make sure they have proper business associate agreements, privacy policies and are compliant with all HIPPA regulations.

Abide by the Irish proverb, "There is no luck except where there is discipline." If you learn how to leverage outsource savings opportunities and where to never pinch pennies, you'll discover your pot of gold and position yourself to enjoy the good fortune of long-lasting business success.

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