

Strategic commentary

Data analytics: the ROI conundrum

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How can benefits teams ensure their value is really felt by the business? It starts by cementing the team's data capabilities to enable benefits pros to provide real-time updates on benefits spend and transition from a prescriptive to predictive analytics model. While prescriptive analytics seeks the best solutions among various known choices, predictive analytics takes it a step further to model and forecast what might happen. The latter means that organizations can better prepare for the impact of macro trends, such as an aging workforce, on benefits requirements and spend. Data analytics is crucial for this higher level, strategic planning. However, at a time when data are the focus of much debate and legislation, it is imperative that companies are sensitive to this and earn and maintain their employees' trust in the storage, consent and use of data.

Deciphering benefits spend and eliminating complexity

Employee benefits are often discussed as an afterthought on the company balance sheet but represent a significant amount of spend for global employers. This cost is incredibly hard to calculate because of its dissemination in local markets – and the job is only getting more complex as employees demand more flexibility in their benefits offering. Benefits software, and the data analytics that underpin it, hold the code to deciphering benefits spend

and keeping tight control of costs, which our *Global Employee Benefits Watch* report found remains a priority initiative for 96 per cent of organizations.

In the past, we seem to have been in a stalemate, where the desire to implement benefits analytics has been tempered by the need for ROI on the time and financial investment involved in cleaning and finding the data sets. But global organizations cannot afford to wait any longer. Those organizations who are looking more deeply at their data are already seeing considerable ROI from their effort. One Thomsons Online Benefits client, for example, realized they were paying for 26,000 health insurance policies when they should have had just 19,000.

Working out the new well-being contract

Employers' goals have changed very little over the past decade – they want happy, productive people to drive shareholder value. Employee health plays a big part of this across regions: promoting employee well-being is an underlying objective for 52 per cent of global employers. However, the problems and solutions that global companies encounter vary significantly. In APAC, for example, some employers are looking to deal with preventable illnesses (e.g. providing water filters in India), while in the USA, the health issues are predominantly chronic, relating to over consumption or aging.

Advancements in technology and data analytics are now allowing employers to devise tech-enabled health pathways that are able to flex for the full range of employee health needs while delivering data back into the business to demonstrate program impact on employee health and value via cost savings. Employers can analyze claimant data to determine common health problems and devise benefits programs to address these needs. Taking this a step further, reductions in health-care claims are correlated with engagement scores and organizational productivity, enabling benefits professionals to provide the business with a monetary figure on the impact of their program.

Our research shows that quantitatively measuring the impact of global employee benefits programs on employee well-being is associated with an increase in employee engagement scores. For example, by modeling the impact of initiatives such as preventative health screenings and changes to working practices, benefits professionals can predict the impact on employee engagement, rates of sickness and absence and a host of other factors that will ultimately impact on costs and therefore the organization's profitability.

Companies can then use this predictive modeling to take actions in regard to the benefits offered to ensure the benefits package has the biggest possible impact on employee engagement.

Technology's potential to generate valuable data could also provide additional tech-enabled health-care pathways. For example, insurers could begin harvesting data from smart devices to develop more tailored programs, while progressive organizations build in a gamification approach that enables employees to compete against health metrics through their smart devices. Within today's data sensitive context, employers will have to be incredibly clear on how exactly they plan to use and store data to gain and maintain employee trust.

Decoding the impact of GDPR

Reducing data and operational risk is a priority initiative for over 90 per cent of global employees. This is unsurprising considering recent GDPR legislation in the UK and similar legislation in other markets, including Australia and China. Consumers will no longer stand for unauthorized access to their personal data and this

expectation extends to the employer–employee relationship. It is critical that organizations are compliant and transparent about the way the data are shared and stored.

The advantages of this transparency extend beyond staying on the right side of the law. Imagine if organizations were asked to report on benefits spend as part of gender pay reporting. How many organizations would have the data they need ready and cleaned to fulfill this kind of requirement? Organizations need to be preempting this kind of request – or risk being caught out.

Ultimately, data analytics is a critical tool for benefits teams to prove real ROI for the business, while providing employees with a richer supply of benefits that make a real difference to their everyday lives. However, strategic spend and analytics must go hand-in-hand ensuring that legislative and administrative requirements are being met and that employees feel they can trust their organization's use of their data. When all of these points are met, benefits professionals are in a prime position to make a significant impact on their organization's bottom line.