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PEOPLE ANALYTICS

USING THE RIGHT DATA, METRICS, AND ANALYSIS TO SOLVE YOUR EMPLOYEE BENEFIT CHALLENGES

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In today's data-driven business environment, an analytical approach is critical to elevating HR's status to become the business partner that senior executives, risk managers, and finance need.

If the HR story is to be relevant, powerful, and respected, HR leaders need to connect the goals of the HR function to the overall goals of the organization. By starting with the broader organization challenges and strategy, HR can convey to senior executives that it has accurately linked workforce investments to business results. The most effective way for HR to achieve this synergy is through the use of People Analytics.

Using People Analytics represents a significant opportunity for HR to take their employee benefits plan from being reactionary to planning for future needs and costs, effectively managing how the benefits strategy can support broader HR and business goals.

THE POWER OF PEOPLE ANALYTICS

People Analytics is listening to what data tells you in the area of human resources. Too often, HR professionals rely on gut feeling and anecdotal "evidence" to support decision-making; to become a true business partner, HR must turn its focus toward hard data analysis and bring the goals of the function into line with the overall goals of the business — namely, increasing workforce productivity and reducing costs. People Analytics is simply the adoption of practices already followed by other business functions: supporting decision-making and extracting meaningful insights from data.

Using People Analytics, HR can justify its operations much more effectively than has ever been possible. The future of HR is dependent on being able to leverage the right data, make meaningful correlations, and drive action-based recommendations.

People costs often approach 60% of corporate variable costs, so it makes sense to manage such a large cost item analytically.

HR is increasingly under pressure from stakeholders within the business to actively maintain the costs involved in running a benefits program. Leaders in finance and procurement, for example, are demanding that HR come to the table with a data-driven approach and justify what the business is spending on such programs.

However, HR faces an uphill battle. Demands from the business to control the cost of benefits programs compete against increasing pressure to manage employee engagement and maintain satisfaction levels with the benefits program.

Striking a balance between the value and cost of benefits programs is more important than ever. HR must also keep an eye on current and future risks and how they will affect the cost of benefits programs, as well as driving return on investment (ROI) within a reasonable time frame.

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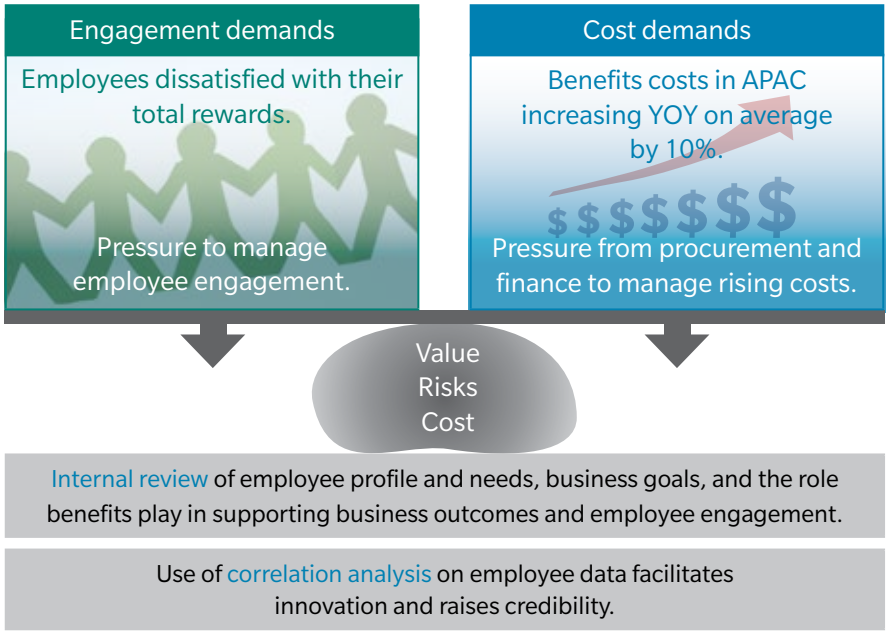
AN IMPORTANT PLACE FOR PEOPLE ANALYTICS IN BENEFITS



Source: Mercer Marsh Benefits, 2014.

CASE STUDY: GOOGLE

Google VP and leader of HR, Laszlo Bock, believes that the secret of the company's success is having one of the world's only data-driven HR functions. All HR decisions at Google are based on data and analytics, and the same level of rigor is applied to people decisions as is applied to engineering decisions. This approach appears to be paying off: According to HR thought leader Dr John Sullivan, each Google employee generates $1 million in revenue and $200,000 in profit each year.

THE BARRIERS

Historically, there have been external barriers to the effective use of data in Asia — including the quality and credibility of data and depth of analysis available — however, the main barriers are actually within HR. Every HR function has resource constraints, but what internal barriers are really preventing HR leaders from influencing senior decision-makers?

- Lack of investment in the function.
- Innovation lagging behind other functions.
- Overreliance on structured process (rather than a data-driven approach).
- Tradition of following "best practices."
- Fear of risk-taking and experimentation.

It is critical that HR addresses these internal barriers that are within their control (as opposed to the external barriers) in order to fully harness the potential of People Analytics and make a significant impact on the business.

"The value that HR brings to an organization is not achieved through data collection, but in the thoughtful analysis of the data to understand workforce issues and develop targeted solutions."

PEOPLE ANALYTICS WILL TRANSFORM HR AND EMPLOYEE BENEFITS

The value that HR brings to an organization is not achieved through data collection, but in the thoughtful analysis of the data to understand workforce issues and develop targeted solutions.

Your employee benefits data speaks volumes about your business and employees, and provides HR with the opportunity to be an effective influencer in your organization and in the HR industry.

People Analytics gives HR the ability to think about what the most effective employee benefits program is meant to deliver, and then to deliver just that:

- Program addresses the needs of your complete workforce.
- Benefits plan is relevant to employees as they move through their life cycle.
- Cost of the plan is predictable.
- Cost of the program is sustainable.
- Metrics for gauging the success of the program are clearly defined and measurable.

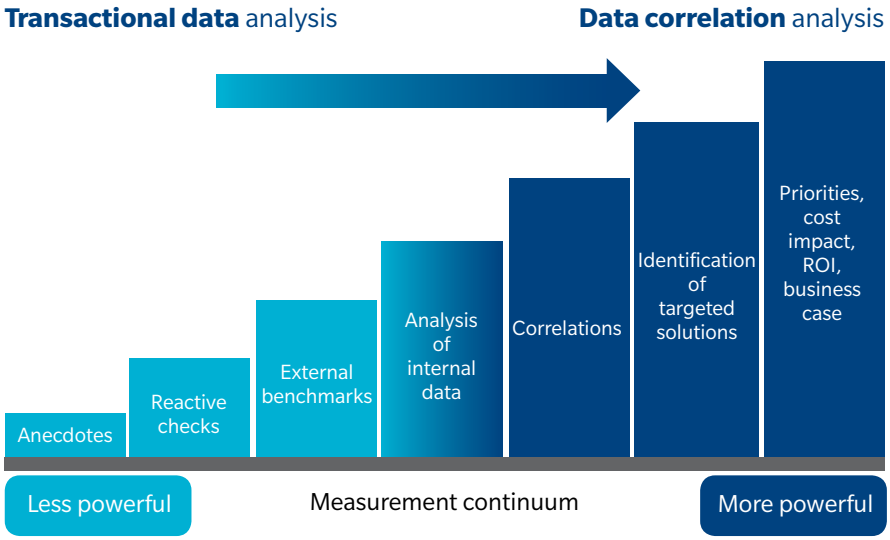
HR has traditionally been focused on transactional data analysis, which means looking at data points in isolation. This sort of data is consequentially separated from larger trends and is not always supported by facts or correlated to other data points — for example, HR commonly leverages anecdotal employee feedback, which is not fact-based but relative in nature when looked at in isolation.

HR also commonly makes the mistake of relying heavily on what competitors/peers are doing and benchmarking against that, which means relying only on external data to shape the design of the benefits program for their employees.

A more powerful approach is to focus on leveraging the organization's own data — what is happening internally in terms of employee profile, risks, challenges, and business goals. The next step is to analyze the correlations between all the various data sets that HR collects and prepare targeted solutions and, ultimately, an action plan.

"Your employee benefits data speaks volumes about your business and employees, and provides HR with the opportunity to be an effective influencer in your organization and in the HR industry."

DRIVING BENEFITS TRANSFORMATION



Source: Mercer Marsh Benefits, 2014.

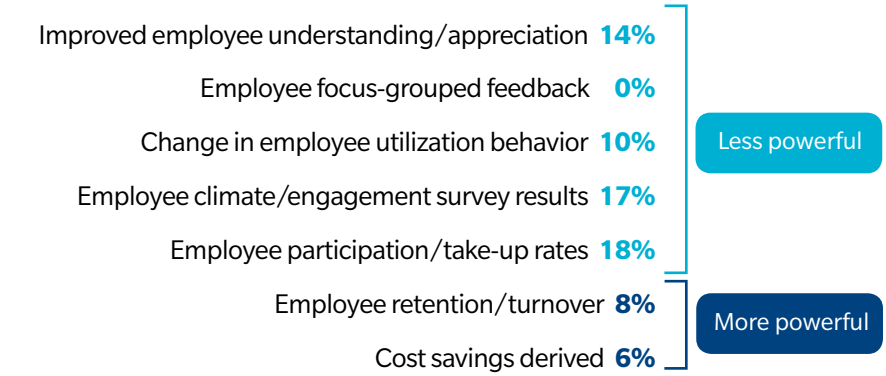
PEOPLE AND BENEFITS DATA YOU HAVE ACCESS TO NOW

DATA COLLECTED IN ASIA

Alarmingly, less than 10% of organizations in Asia use a data-driven approach to measure the success of their benefits programs. Rather than analyzing utilization trends, ROI of the program, employee retention data, and success measures, many companies instead focus on "soft" data, such as employee engagement and appreciation of benefits as success metrics.

"Less than 10% of HR in organizations use a data-driven approach."

HOW DO YOU MEASURE THE SUCCESS OF YOUR BENEFITS PROGRAM?

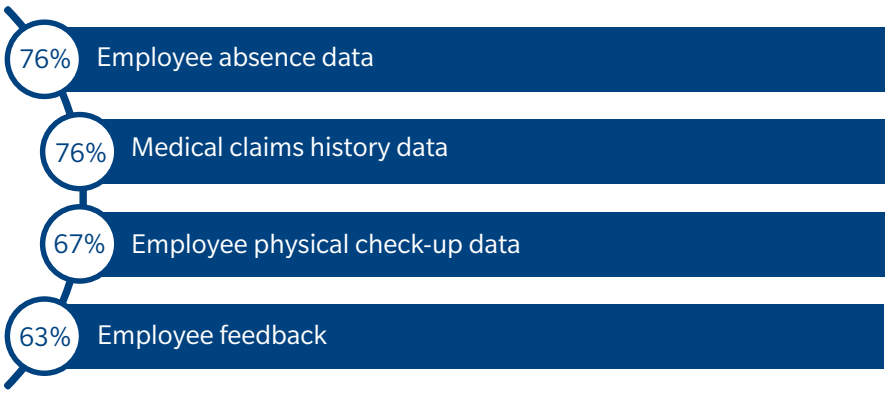


Source: Mercer Marsh Benefits Asia Total Health and Choice in Benefits 2013 Survey.

However, HR professionals are feeling increasing pressure from the business to address issues of workforce productivity and performance, and employment and medical costs.

In order to tackle these issues head on, it is imperative that HR starts to leverage the data that is already available internally.

Employers in Asia typically collect the following employee data:



Source: Mercer's 2013 Asia Total Health and Choice in Benefits Survey revealed what sorts of employee health data organizations in Asia currently collect.

THE IMPORTANCE OF USING A DATA-DRIVEN APPROACH

When applied in your organization, the right data, metrics, and analysis can solve the majority of your employee benefits challenges.

Mercer Marsh Benefits advocates a simple, four-step process starting with uncovering the organization's unique workforce issues and setting goals to solve these issues.

"When applied in your organization, the right data, metrics, and analysis can solve the majority of your employee benefits challenges."

1 Gain strategic insights	2 Measure the gap risks	3 Apply targeted solutions and metrics	4 Take action
Identify the people, benefits, and cost issues	Analyze relevant data sets	Propose interventions	Prioritize initiatives and impact
	Make correlations	Determine cost and potential ROI	Develop a three-year plan
	Identify underlying issues		

Source: Mercer Marsh Benefits. *People Analytics: Steps to Using the Right Data, Metrics, and Analysis to Solve Your People Challenges,* 2014 (proprietary).

Begin by conducting an internal review of the organization's employee profile, as well as business goals and the role that benefits play in supporting these goals. The data collected in this review must undergo correlation analysis to facilitate innovation and raise the credibility of HR within the business. The targeted use of people data correlation analysis can supply the information HR needs to manage these issues in a strategic, data-driven manner, as well overcoming any perceived hurdles to implementing an effective benefits program, such as cost and ROI measurement.

The organization can then develop targeted, action-based, and data-driven solutions to address problems.

In the final step, the company tackles the double-edged sword of cost and employee engagement by prioritizing initiatives and gauging their impact on the business.

The data required is already available within most organizations — the key is determining which data is most relevant to your company's particular issues.

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CASE STUDY: MERCER MARSH BENEFITS CLIENT

The first step in any People Analytics journey is to establish the benefits-related challenges that are key in determining which data requires analysis.

1 Gain Strategic Insights

Mercer Marsh Benefits recently worked with a client faced with rapidly increasing medical benefits costs at a rate of 12% year on year. The client operates in 16 markets across Asia Pacific, and a staggering 85% of its benefits-related costs were generated by just four of those markets. The situation was simply not sustainable — the cost of doing nothing was too large.

We identified the organization's greatest people issues as an aging workforce and significant absences, resulting in increased prevalence of medical issues and high absence costs in the key four markets. The client had access to data relating to medical claims history, sick leave/absences, and employee feedback, as well as information about utilization, cost, and relevance of current wellness initiatives. Having identified the issues and the available data, the client was now in a position to know which data to mine and how to maximize benefits investments.

2 Measure the Gap Risks

The client was now ready to analyze the data, identify the underlying risks, and correlate the data sets.

The facts/issues/gaps	Correlate the data utilization
US$1.8 million in premiums spent annually on insured benefits	**Utilization** GP visits driving 79% of outpatient costs
92% of total premium spent on medical benefits	More GP visits than sick leave taken
Average medical loss ratio of 95% (healthy range <70%)	**Supply chain** Poor adjudication of claims by insurer — expensive procedural errors and lack of proper data reporting
Employees driving 72% of cost	Out-of-network GP utilization high; out-of-network GP cost 122% higher than panel
Absence cost nearly USD$1 million per annum (rising at 2% pa)	**Health risks** Respiratory, musculoskeletal, and breast cancer
Most sick leave taken on Monday and is one day in duration	

With the help of the Mercer Marsh Benefits team, the client decided to focus the analysis on medical benefits costs. The team sorted the data into three areas — utilization (employee behavior), supply chain (vendor services), and health risks — and correlated the data to highlight the underlying issues.

3 Apply Targeted Solutions and Metrics

The next steps were to propose targeted interventions to tackle the identified issues, establish the cost of doing nothing versus the cost of addressing the issues, and measure the expected ROI.

Issue/gaps	Proposed solution	Cost implications	ROI that can typically be expected
Claims being adjudicated incorrectly by insurer	Claims audit	Procedural error rate of 4%–6%	ROI approx 6% of total claims ROI expected within first year
Ease of implementation: easy to medium			

Issue/gaps	Proposed solution	Cost implications	ROI that can typically be expected
Frequent medical leave; high impact on cost	Absence management program	Medical leave absence cost approximately 1.5% of total payroll increasing at approximately 1.3% annually Medical premiums approximately 2% of payroll and increasing by 10% annually	Reduction in total medical costs in the region of 16% to 33% Reduced absenteeism costs by 20% to 40% ROI expected within first year of implementation
Ease of implementation: medium to hard			

Through two simple interventions — a medical claims audit and an absence management program — the company could reduce its costs as well as collect more valuable people data.

4 Take Action

The client was now ready to prioritize interventions, further correlate the data, and build a three-year action plan.

Issue/gaps	Year 1		Year 2	
	Short-term solution	Cost impact and ROI	Medium and long-term solution	Cost impact and ROI
Utilization/ employee behavior	Nurse hotline to control and monitor absence	20%–40% reduction in absence costs	Review sick leave policy to reduce need for GP visits	26.5% reduction in health costs
Supply chain	Claims audit funded by insurers	5% reduction in premiums ROI of 6%	Review clinical panel network with service level agreement and financial penalties	25.3% fewer sick days ROI of 10%
Health risks	Case management for high-frequency claims/health risks Application for funding for health/ wellness intiatives	10% reduction in premiums ROI of $2 for every $1 spent	Introduce workplace wellness program targeting chronic illnesses Implement breast cancer screening and education program	5%–10% reduction in premiums ROI of $5.60 for every $1 spent

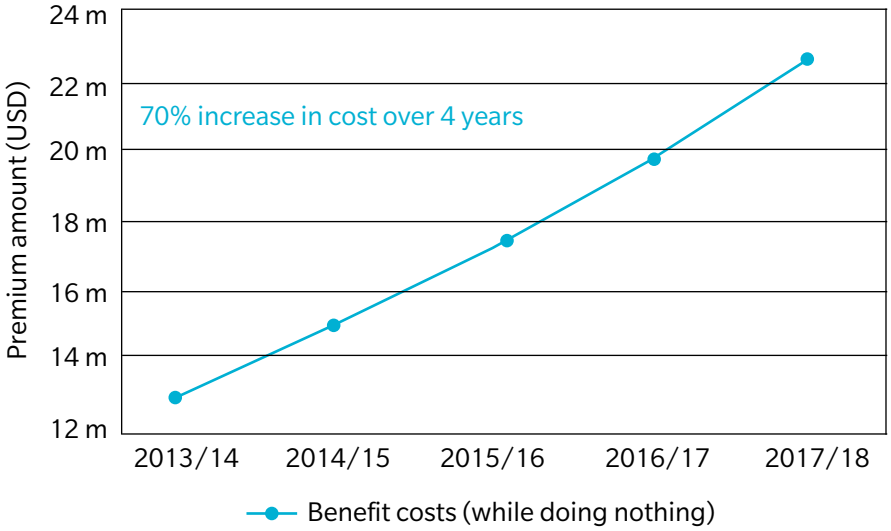
For maximum impact when using People Analytics, organizations should categorize their issues into the three categories (utilization, supply chain, and health risks) and engage solutions that span those categories. It is also vital that companies correlate the data across all three categories, in order to identify targeted solutions and opportunities that are prioritized effectively.

INFLUENCE WITH DATA — FACTS VERSUS ANECDOTES

Use your data to change opinions and influence business decisions. The cost of doing nothing has serious business implications. HR has the data needed to make a positive impact on employee benefit plans at its fingertips. Can you afford not to use it?

"The cost of doing nothing has serious business implications."

COST OF DOING NOTHING



"The application and correlation of the data is the next step in moving HR toward being a function that also measures risks, identifies targeted interventions, demonstrates ROI, and prioritizes initiatives to align with the organization's business strategy and philosophy."

CONCLUSION

Leveraging the power of the people data you already have through effective correlation analysis allows for improved governance and demonstrable cost savings. As most HR teams already collect and track people/employee benefits data, they are already halfway there. The application and correlation of the data is the next step in moving HR toward being a function that also measures risks, identifies targeted interventions, demonstrates ROI, and prioritizes initiatives to align with the organization's business strategy and philosophy.

Using People Analytics represents a significant opportunity for HR to take the employee benefits plan from being reactionary to planning for future needs and costs, effectively managing how the benefits strategy can support broader HR and business goals. Coming to the leadership table with data-driven recommendations will allow HR to influence senior decision-makers and attract the attention and resources that HR requires to truly support the business.

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