

## NUCLEUS RESEARCH ROI CASE STUDY

CASE STUDY:  
LARGE U.S. BASED  
INDUSTRIAL COMPANY

### THE BOTTOM LINE

By deploying HighRoads, a large US-based industrial company substantially reduced the costs of both benefits and plan renewals while also making its benefits providers more competitive.

ROI: 163%  
Payback: 0.6 years

### THE COMPANY

The company is a large high-tech industrial company that designs, builds, and services complex systems and provides personnel support to multiple federal agencies and other large organizations. The company has international operations and employs more than 85,000 people worldwide.

### THE CHALLENGE

Several years ago, the company determined that its staff was spending a substantial amount of time on tactical tasks related to benefits plans. The company has more than 85,000 employees who receive various benefits including medical, dental, life, and other types of insurance. These health and insurance plans undergo annual renewals and most are put out for competitive bid every three years. In the absence of automation, this involved labor-intensive and expensive activities such as drafting of RFPs, collation of RFP responses, and updating of plans for new laws and regulations. As a result, the company was incurring substantial costs for plan administration.

### THE STRATEGY

In late 2002, the company met with HighRoads, viewed a product demon-

stration, and discussed its situation with the lead developer at HighRoads. As a result, the company determined that automation would likely reduce its benefits administration costs. After some further research, the company determined that there were few strong players in this solution space and purchased HighRoads.

In early 2003, HighRoads was deployed over a 3-month period during which two employees assisted a HighRoads developer in transferring data to the system. The deployment was completed on time and within budget.

The system has been fully deployed for almost two years and is used by three employees in the benefits department. The company has used HighRoads to complete several hundred renewals and approximately six competitive RFPs.

### KEY BENEFIT AREAS

Deploying HighRoads has enabled the company to reduce administrative costs, improve vendor competition, and use data more effectively. Key benefits from the solution include:

- Reduced administrative costs. HighRoads automates for the company a number of administrative tasks. These include distribution of RFPs, collation and analysis of results, and administration of renewals. This reduced plan administration costs by 50 percent. Additionally, the company recently completed SPD renewals for 2006 on more than 250 plans in fewer than 10 weeks.

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- Improved analysis and review. Because HighRoads automates the gathering and collating of data, staff members now spend more time on strategic tasks such as analysis and review of alternate benefit plan scenarios.
- Reduced benefits costs. HighRoads has an online feature that ranks - on a real-time basis - all of the respondents to an RFP according to the competitiveness of their bids. This feature enhances vendor competitiveness and lowers the cost of benefits. In 2004, the company used this feature to reduce the cost of one of its health and welfare plans by \$2 million. The company's use of this auction feature also makes it more attractive to potential vendors who, as a result of the online auction, do not perceive the business to be dominated by any preferred vendor. As a result, RFPs now generate bids from more vendors. Improved automation, combined with the competitive bid feature enables the company to complete more RFPs per year with only minimal administrative cost, which further reduces benefits costs.
- Improved data usage. HighRoads creates a data repository in which all of the data on the company's various benefits plans is stored, and from which data can be queried and custom reports generated. Because this is both centralized and electronic, it is now far easier and less costly for HR employees to answer questions or perform analyses of vendor performance. As a result, overhead is lower, and the department is more able to comply with requirements of auditors and regulators.

### KEY COST AREAS

Key cost areas for the deployment included software and consulting. Because the software is delivered as an ASP, there were no hardware costs. All consulting was provided by HighRoads and the costs consisted of consulting for the initial implementation as well as optional subsequent consulting in which HighRoads assists the company with the online competitive bid RFPs.

### LESSONS LEARNED

The company's deployment of HighRoads has been successful as a result of the substantial cost reductions. The only challenge faced was the loading of existing data into the HighRoads system, which was a larger task than anticipated by the company. Benefits from the system are expected to increase as HighRoads adds features and functionalities. For example, the competitive bid module was recently upgraded to utilize data from prior RFPs, further reducing administrative costs.

### CALCULATING THE ROI

Nucleus calculated the costs of software and consulting over a 3-year period to quantify the company's investment in HighRoads. Direct benefits consisted of reduced costs related to administration of renewals and RFPs.