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Document **K35**

ROI CASE STUDY HIGHROADS DELL

THE BOTTOM LINE

Dell used HighRoads SPD Service to improve employee productivity and reduce the costs of both summary plan description (SPD) management and benefits appeals.

ROI: 347%

Payback: 3 months

Average annual benefit: \$207,076

THE COMPANY

Dell designs, manufactures, markets, and sells a variety of computer systems and related products to both individuals and organizations. The company has 94,300 employees and has grown rapidly because of acquisitions that have included Alienware, EqualLogic, and Perot Systems.

THE CHALLENGE

In early 2009, Dell determined that it needed to streamline processes related to its benefits summary plan descriptions (SPDs). Every year, the benefits department had to create SPDs for each of its benefits. Some of the challenges to the cost-effective creation of these documents included:

- User friendliness. SPDs had to be written so that content was easily located and understood by a variety of employees.
- Compliance. Despite the need for user friendliness, the documents also had to be compliant with the Employee Retirement Income Security Act (ERISA), which caused much of the content to have a legal tone.
- Volume. SPDs had to be written for a large number of benefits, including medical, dental, vision, work-life benefits, business travel insurance, prescriptions, and flexible-spending accounts. In addition to health-and-welfare benefits, SPDs were also required for 401(k) and other retirement-related benefits.
- Publication. Because SPDs are both employee facing and compliance related, the process involved 10 people from Dell's legal, benefits, and communications departments. Precautions had to be taken to ensure the accuracy of SPD content and that all parties, including the benefits providers, were in agreement about their content.

Dell's recent acquisitions had resulted in significant numbers of new employees and benefits. The steadily increasing volume of SPD-related work was preventing

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benefits professionals from completing more important work, such as managing vendors, ensuring their price competitiveness, and making sure that the proper combination of benefits was being offered to Dell's employees.

THE STRATEGY

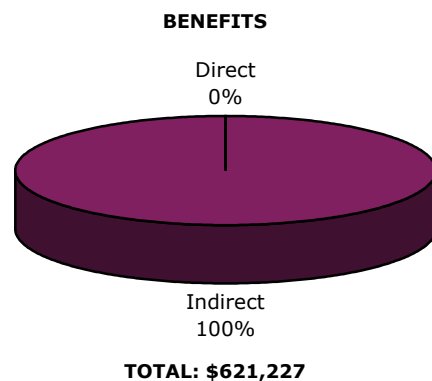
In order to better manage the creation and management of SPDs, Dell decided to adopt HighRoads SPD Service in mid-2009. Adoption was completed over a 6-week period by a deployment team consisting of 10 Dell employees working with four HighRoads consultants. In order to adopt this new service, the team:

- Gathered data. The team gathered all of the data related to its existing benefits plans. Sources included existing SPDs and legal contracts with benefits providers.
- Created content. Based on gathered materials, SPD content was created that was both readily understood by employees and arranged in a fashion that enabled them to rapidly locate the information they needed. The information was also fine tuned so that it was ERISA compliant. Once ready, the content was inserted into pre-designed HighRoads templates.
- Negotiated content. Draft SPDs were forwarded to each benefit provider. Since there were typically multiple vendors for a given type of benefit, the drafting process included negotiation of wording and content so that for each benefit, all providers agreed with the SPD content.

The SPDs were ready in August for the 2009 to 2010 benefits year, enabling all 36,000 impacted employees to view these documents online.

KEY BENEFIT AREAS

Adopting HighRoads SPD Service enabled Dell to improve the productivity of administrators and employees.



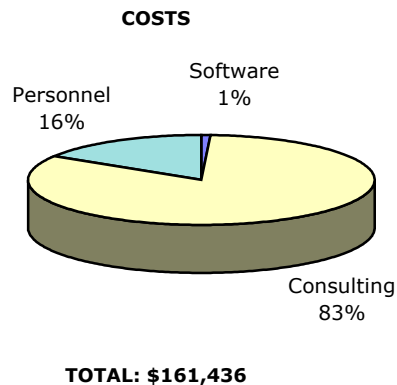
Key benefits from the service include:

- Increased employee productivity. Before HighRoads SPD Service, SPDs were not available online and were written in legal jargon, which drove many employees to solve problems by contacting a call center that was available only during the business day. Because SPDs are now available online, presented in a user-friendly fashion, and easily searched, employees no longer interrupt work to contact the call center.

- Increased administrator productivity. Before HighRoads SPD Service, the complexity of formatting of SPDs often resulted in employee confusion about their benefits and large numbers of benefits appeals. Because SPDs are now more easily searched and read in HighRoads templates, the volume of appeals, which each require an average of 12 hours of labor from benefits personnel, is down significantly. Administrators are also more productive because templates and automation from HighRoads have significantly reduced the amount of time required to create and update SPDs.

KEY COST AREAS

Key cost areas for the deployment included consulting, personnel, and software subscription fees. Adoption of the service took place over a 6-week period. It was completed by 10 employees from Dell's benefits, legal, and communications departments who each spent approximately two hours a week working on the deployment. HighRoads consultants assisted with the writing and maintenance of SPD content.



BEST PRACTICES

One of the reasons the deployment was so successful is that the deployment team tightly managed its benefits vendors. In adopting HighRoads SPD Service, deployment teams are highly dependent on the benefits vendors, whose collaboration is necessary in order to create SPDs that are accurate and ERISA compliant. Unfortunately, the deployment was not always as high a priority for the benefits vendors as it was for the deployment team. Team members maintained project momentum by reminding vendors that SPD wording can significantly impact how enrollees interact with plans as well as overall plan profitability. HighRoads also assisted in the management of vendors: Because HighRoads provides a variety of benefits-related applications and services, they have extensive contacts at providers and are seen by many in the industry to be a valued partner. On several occasions, HighRoads consultants used this position to keep vendors engaged in the process.

CALCULATING THE ROI

Nucleus calculated the costs of software provided as a service, personnel, and consulting over a 3-year period to quantify Dell's total investment in HighRoads SPD Service.

Indirect benefits calculated included the improved productivity of administrators and employees. The improvement for administrators was based on an estimation of the time eliminated from both the annual SPD preparation process and the processing of employees' benefits appeals. The improvement for employees was based on the reduction in the number of SPD-related calls handled by the call center and an estimation of the average length of a call. For both groups of workers, the value of the benefit was calculated using the employees' average fully-loaded annual cost. A correction factor was applied to take into account the fact that not all time saved would be converted into time spent on new tasks.

Not quantified are the additional benefits Dell expects to achieve from its additional consulting investment in HighRoads in years two and three as those benefits could not be accurately projected.

DETAILED FINANCIAL ANALYSIS

DELL

SUMMARY

Project:	HighRoads
Annual return on investment (ROI)	347%
Payback period (years)	0.28
Average annual benefit	207,076
Average annual total cost of ownership	72,037

ANNUAL BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	0	0	0
Indirect	0	207,076	207,076	207,076
Total Benefits Per Period	0	207,076	207,076	207,076

DEPRECIATED ASSETS	Pre-start	Year 1	Year 2	Year 3
Software	0	0	0	0
Hardware	0	0	0	0
Total Per Period	0	0	0	0

DEPRECIATION SCHEDULE	Pre-start	Year 1	Year 2	Year 3
Software	0	0	0	0
Hardware	0	0	0	0
Total Per Period	0	0	0	0

EXPENSED COSTS	Pre-start	Year 1	Year 2	Year 3
Software	500	500	500	0
Hardware	0	0	0	0
Consulting	35,500	27,500	35,500	35,500
Personnel	7,010	25,001	24,300	24,300
Training	0	0	0	0
Other	0	0	0	0
Total Per Period	43,010	53,001	60,300	59,800

FINANCIAL ANALYSIS	Pre-start	Year 1	Year 2	Year 3
Net cash flow before taxes	(43,010)	154,075	146,776	147,276
Net cash flow after taxes	(21,505)	77,037	73,388	73,638
Annual ROI - direct and indirect benefits				347%
Annual ROI - direct benefits only				-134%
Net present value (NPV)				149,394
Payback (years)				0.28
Average annual cost of ownership				72,037
3-year IRR				351%

FINANCIAL ASSUMPTIONS

All government taxes	50%
Discount rate	15%