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Finding the Money
Cammack LaRhette Consulting
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HR professionals often find themselves caught between a rock and a hard place. There may be no money in the budget to pay for the expertise they need to comply with new regulations or fiduciary requirements. So they are forced to become creative and find hidden dollars that may be buried within their existing employee benefits and human resources expenditures.

The government, as we all know, is not always the most understanding when it comes to addressing business demands. Yet even Uncle Sam actually encourages HR professionals to restructure benefits programs to discover pockets of unused money to pay for increased regulatory requirements. For example, the Internal Revenue Service and the Department of Labor (DOL) have always permitted plan sponsors to pay certain ongoing administrative expenses from retirement plan assets.

Cammack LaRhette Consulting clients have implemented a number of ideas for restructuring. Most of these proposals require some action on the part of the Human Resources Department. However, even where internal changes become necessary to get at untapped money, your Cammack LaRhette Consultant, who has gone through the process time and time again, can help you smooth the transition and accomplish the intended outcome.

Here are several suggestions for where and how to find "hidden" benefit dollars that you can then redeploy to help meet regulatory and fiduciary requirements.

- Ask your insurance broker or benefits consultant to analyze your current healthcare plans to uncover cost savings opportunities. Such an analysis may involve looking at alternate funding arrangements. Over the past few years, Cammack LaRhette has assisted many employers in reducing their plan costs by moving them from fully-insured to self-insured arrangements. Transitioning their medical and prescription drug plans, or just their prescription drug plans alone, has assisted them in reducing costs over the short and long term. Consolidating their medical plans with one major health carrier has also produced significant cost savings. Moreover, we have found that moving employers to a paperless benefits environment through a Web-based HR and benefits administration outsourcing system can save time and money in the long run. In addition, employers experience the relief that goes hand in hand with automating the most labor-intensive aspects of their employee benefits plans.

- Conduct a market review of your current insurance broker or benefits consultant. It is remarkable that so few organizations do not regularly evaluate how much they are paying to a service provider. Even more alarming, some HR professionals are not even certain of the amount being paid to a broker or consultant. Calculating exactly what you are paying keeps the pencils sharp and the level of services up in a competitive market. For example, one firm recently evaluated the cost of its existing broker, who had been providing services to them for many years, and seemed to be doing a fine job. Yet they found that by transitioning to Cammack LaRhette, the same level of commission dollars could pay for a variety of additional ongoing services, such as special communications and specialized analytics. Those additional features made the plan more effective and more valuable to the employees.

- A high-priced consultant may not make sense any longer. Like any goods or services we purchase, whether a car, refrigerator, a plumber or an accountant, we sometimes pay a premium for a firm's or a product's reputation. We do this willingly because of real or perceived value based on an organization's reputation. However, in tough times, reevaluating how much you are willing to pay for a brand name or reputation is a worthwhile exercise, especially when goods or services have become "commoditized." For example, most people view an actuarial valuation for a frozen defined benefit pension plan as a basic commodity. Very little creative actuarial work is required to produce the annual valuation. Not surprisingly, many organizations have come to the realization that they can save money without giving up quality, by simply finding a less expensive consultant.

- Bundling services has traditionally been a way to obtain more services in a more cost-effective manner. Bundling is not for everyone because some managers feel that it is akin to putting all their eggs in one basket. Others worry that bundled services dilute the quality of the work. These are potential issues, but they can also be "red herrings", and serve as an excuse to do nothing. Bundling services can be a cost-effective and straightforward way to save money. Typically, in the retirement practice, more and more organizations bundle both defined benefit services and defined contribution services with one organization. Having separate money managers, record keepers, actuaries, trustees and consultants is costly; vendor management becomes problematic, especially for those organizations running HR departments with half the people that they used to have. In fact, engaging one single employee benefits and HR consultant gives you additional leverage to ask for services at no additional cost. For example, Cammack LaRhette recently arranged for one health insurer in a bundled environment to implement a Wellness program for the client at no additional cost.

- In the realm of defined contribution plans, a plan sponsor can draw on two pockets of money. These two sources can pay for valuable and, in some cases, required services, to enhance the plan operationally. The first place to look is in the forfeiture account. Many plan sponsors of defined contribution plans have traditionally distributed forfeitures to plan participants as a supplemental contribution. It may well be time to rethink this practice, and to use such forfeitures to pay for investment advisory services, technical support or plan participant education. These expenditures can actually be more valuable to an individual participant than an additional *de minimis* contribution. Some organizations have even modified their plan to make employer contributions payable semi-annually or annually, so as to create a larger forfeiture account.

- Another common approach is to create an "ERISA Budget." When assets grow in a defined contribution program, the plan sponsor has the ability to reduce the cost of the plan by introducing less expensive funds with lower management fees. A plan sponsor who takes this action is in effect passing the savings on to the plan participants, who will now be paying lower fees. Suppose, however, those lower fees are not passed on to plan participants. In that case, the dollars that would have been used to lower fees are set aside in an account used by the plan sponsor to pay for ongoing administrative expenses. The dollars in the so-called ERISA Budget account are used to pay for accountants, lawyers, consultants, special communications and special recordkeeping endeavors. The same principle applies, as in the forfeiture tradeoff. Sometimes a small incremental increase to plan participants is not nearly as valuable as additional services, which help participants use the plan better, or may protect participants by insuring that the plan is technically and operationally compliant.

- Finally, benefits managers or HR professionals who are looking for cash can always turn to the tried and true method of changing plan design to improve efficiency or to cost shift. Cost shifting is self evident. Moving to more effective and efficient designs, such as consumer-driven healthcare or purchasing coalitions for prescription drugs, can produce real savings for the employer. Joining forces with other employers to save costs is a "no brainer". For example, Cammack LaRhette created a Healthcare Rx Alliance on behalf of several of our hospital clients, to take advantage of best in class Pharmacy Benefit Manager services, and to save up to 10% on their Rx costs annually.

  Again, such savings can be used to reduce employee costs or to pay for enhanced services or regulatory required services.

At Cammack LaRhette Consulting, we have pioneered ways to unearth buried dollars to support better administration and improved plan services.

Let us guide you to your plan's secret trove of dollars. Once we pinpoint the location and identify the amount of dollars, we can help you access it, and decide how it can be used to make the plan more valuable for your participants.

To learn more, contact Mark B. Manin at Cammack LaRhette Consulting by phone: 1-800-438-7771 or by email: mmanin@clcinc.com.