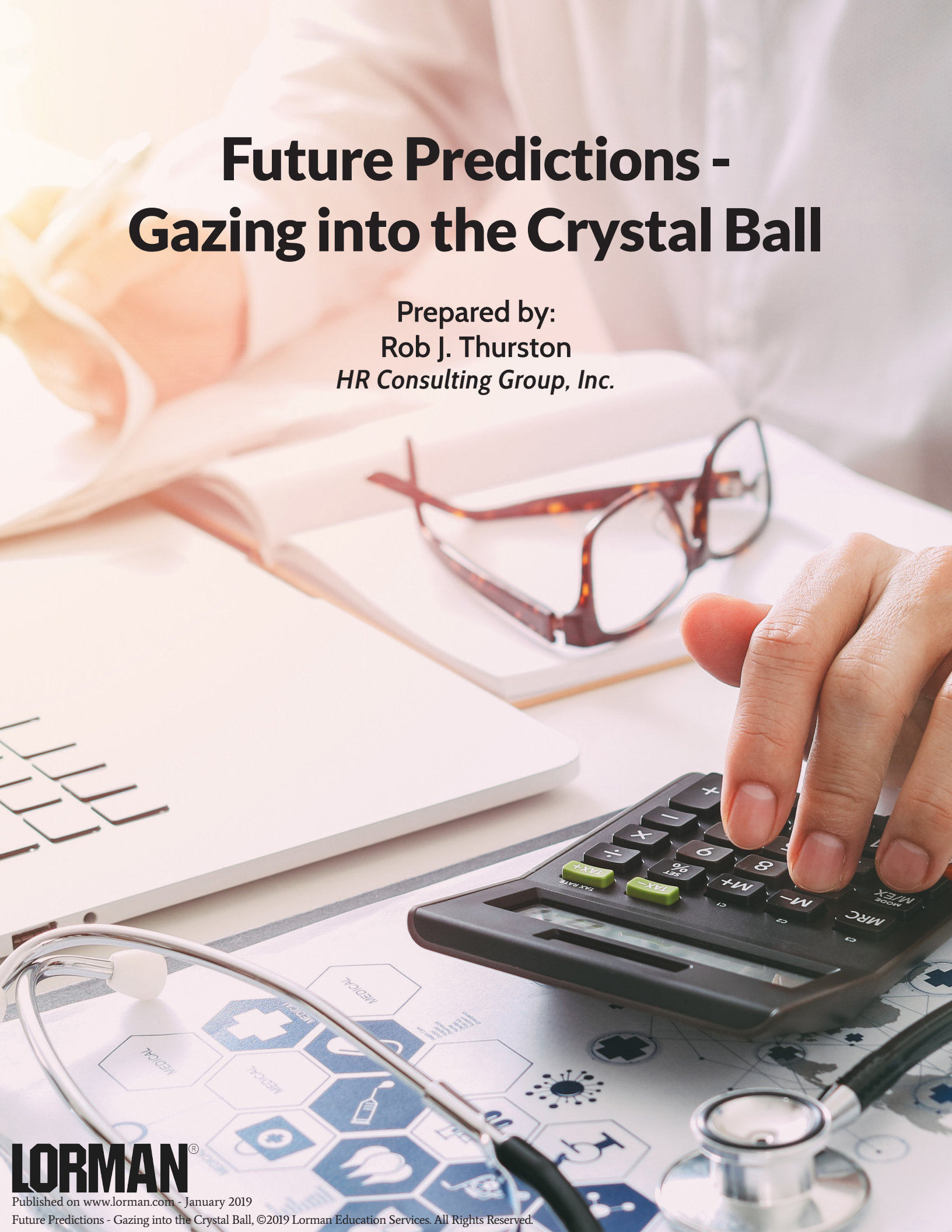


Future Predictions - Gazing into the Crystal Ball

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Future Predictions- Gazing into the Crystal Ball

How do you know what the future of Health Care Reform and Consumer Driven Health Care (CDHC) will be?

Can any of us in our industry predict what is going to happen in the next five to ten years? We could try by exploring the past and also by making some future common-sense predictions.

PAST PREDICTIONS

There is a saying that "past performance is indicative of future performance". Anyway, let's see if any of these predictions made by HR Consulting were valid.

Past Predictions by HR Consulting Group 1987-2003

- 1987
 - "A Personal Computer is far less expensive to operate than a mainframe. In the next few years it will be so inexpensive to just add more hard disk storage onto a PC that minicomputers may become obsolete." 100% correct.
- 1991
 - "Issues regarding age discrimination, sexual harassment, management development.... will all pale in comparison with the cost of health care. Attempts at utilization review and managed care will have little impact on costs". This prediction came true and even many years later are still valid today.
- 1994
 - "Medical IRAs allow that the money that's been set aside isn't used by the end of the year in which it's been earned, it can be carried forward... and provide strong financial incentives for employees to be wise health consumers.." [HRA](#)s were passed into law on 8/2002 so this became true.
 - "The Health Card, similar to an ATM card would be issued to every employee.....and payment for services could be made via...the employee's checking, debit or credit card account, accessed like an ATM transaction... if the employee has a medical [FSA](#)." This became true since Debit cards have been popular since 1998.
 - "Any HRIS and medical system will need components of Debit and Credit card processing, EDI for online eligibility and plan information, electronic funds transfer for transfer of funds, and interactive voice response units." 100% correct.
- 1995
 - "We are seeing a lot of interest in ... Internet access. Enrollments, e-mail, training and even telecommunications are applications for the Internet". Everyone knows this happened.
 - "HR departments are now being run as profit centers and each additional staff person or equipment purchase must be justified." 100% correct
 - "The use of outsourcing is growing". This is still true even today
 - "Those employers that do cost-justify the purchase of new technology systems and decide to not outsource are moving to client-server applications." 100% correct for 1995.
- 1996
 - "By 1997, more than 80% of employers will outsource all or part of their communications and enrollment processes for benefits. Other areas of outsourcing are

training, retirement services, and even the entire HR function.... Computer based training will be used in every aspect of HR." About 70% has happened.

2000

- "The Internet will continue to expand....and this trend will continue until a more efficient method is found." 100% correct
- "Technology will level the playing field ... We predict that it really will be profitable to use limited HR staff to handle self service technology." This has come true.

So has my past performance made me an expert in predicting the future? Over the last 24+ years I have made some predictions that have come true. (Naturally I did not mention the predictions I have made that did not come true!)

NEW PREDICTIONS

I could make some easy predictions like Health Care Reform will be changed, and that Health Care will need to focus on Return on Investment (ROI).

However, gazing into my Crystal Ball I see some trends, which might be worth considering.

1- For the next five years, using only online Internet technology might not be the best solution for your company. In fact, state-of-the-art technology has become a constantly moving target, and just when you think you have the latest and greatest, it's devastating to realize you don't have it at all. Obsolescence is a fact of life, and it will usually occur right after you have implemented a new system.

Even though it is popular to focus on the Internet as the main system for outsourcing, customer service, and benefits enrollments- should it be? I think that the Internet should not be the main focus until the following is available:

- Wireless Internet connections at low cost worldwide
- Universal connections to the Internet at greater speeds to facilitate streaming video, etc
- Cheaper and easier access to employees while traveling, commuting or from home using mobile apps, etc.

In fact the Internet might even be replaced by some new and cheaper technology in the near future.

2- Careful Selection of a CDHC Outsourcer will be based on value- not just price

Dave Ulrich, national expert in HR, has stated that Human Resources creates value in three areas:

- For employees- which should create more committed employees, longevity, less turnover, more loyalty
- For customers- which should create more revenue and repeat sales
- For investors- which should create more market value

If the outsourcing of CDHC decisions you are making are not creating this value in all three areas; you need to refocus and reload. Why? Because the experts agree that price is not the only issue in outsourcing and CDHC decisions.

Watson Wyatt reported that the primary reasons that companies outsource are:

- 36% want to maintain or improve service to employees
- 29% want to reduce workload to existing staff
- 14% want to reduce costs
- 12% want to free up resources in order to focus on other company business

So focus on value and you will not be disappointed in your Outsourcer and in your Benefits systems.

3- Speed will be "risky" in making decisions about Health Care Reform and CDHC Outsourcing.

In the movie Top Gun, Maverick and Goose are trying to win the Top Gun Tournament for being the best fighter pilots. The competition is almost over, and the pressure is really mounting. When faced with hopelessness and overwhelming odds, Maverick exclaims, "I feel the need... the need for speed." They exchange "high fives" and all seems well with the world. "Seems" is the operative word here, as nothing in the movies is ever as it "seems." You know the story. They end up crashing their plane.

The lesson here, of course, is that often when the pressure is on, instead of pulling back and rethinking our strategy, we feel instead the need for even more speed. Benefits professionals should remember that speed could be a dangerous thing.

CDHC professionals need to pull back, slow down a little bit and plan. Yet the need for speed keeps many professionals from really planning for the next few years. And I believe that includes evaluating all your options, not just the new, greatest technology and the newest Outsourcing option.

So do your homework. Check the financial backing of the providers you are going to work with, and most of all- take your time. The "need for speed" could be risky indeed.

4- Benefits and CDHC decisions in the next five to ten years will focus on the Law of Sunk Costs

Many benefits vendors who sell systems and outsourcing services seem to work on the theory that if they build something, it will answer the question and everyone will make a decision to buy it. What they fail to realize that often they are creating an answer where there isn't a question.

How can you be sure that the decision you are making today will still work tomorrow? You can't.

With Benefits, the pressure is on to be faster, newer, more efficient, and on the "cutting edge." Everyone is talking about Mobile Apps, about Cloud Computing, and about how great their new Debit Card is, etc. But at what cost? The best thing you can do is to manage by the Law of Sunk Costs.

Let's suppose in the last few years you bought a new and exciting Debit Card and CDHC system that is the envy of the Benefits community. By now, the system is bug free, has been running for a couple of years, doing what you want and doing everything you could possibly imagine. Let's suppose you have invested more than \$1 million dollars in software, hardware and implementation costs alone. In addition, you personally have invested years of blood, sweat and tears into making this Debit Card/CDHC system perform for your company. Then let's suppose that someone approaches you with a system that does the same functions for Debit Cards/CDHC but at less cost and uses Direct Deposit, etc.. in less time - and it's an old technology. Should you explore switching systems?

Remember, you've just spent years of work and \$1 million dollars for this new and exciting Debit Card/CDHC system that everyone in the Benefits community covets. But just how much is it really worth?

Nothing.

It is worth nothing.

All that time and effort is what we call a "sunk cost." It is irrelevant to the situation at hand. The real issue is whether reducing time, cost and using Direct Deposit is worth it.

You have to look at the economics of the situation as it stands right now. The law of "sunk costs" says that it doesn't matter what you have spent in time, resources and even capital/money in the past. You must base all future decisions on their potential return on investment (ROI). You need to ask yourself from this point forward what are the benefits and costs.

Starting today, which option would be more profitable and risk-free for your company? For years, we have been advising our clients that the best business management decisions for evaluating options are obviously those that bring the highest rate of ROI to the organization. If management can buy a new machine costing \$100,000 that saves the company \$100,000 in cost of production, there is not a manager alive that would object to having that equipment. Why? Because it generates a 100 percent return on invested capital.

SUMMARY

So where do we go from here?

I suggest that we should all be aware of these future predictions and trends. But don't keep so focused on the future that you miss what happened in the past. Remember that: "what goes around comes around".

In 2002 I proposed that any Benefits professionals must: "Think not only Outside the Box, but Think Outside the Industry." However, I admit that there is evidence that a return to old-fashioned values and methods has some merit.

So, it might not hurt to consider and even return to the core values and basic management principles that have worked in the past.

Sound advice to live by.

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