Predictive Analytics Will Be the Silent Game-Changer in Employee Benefits

Last year's World Series between the Houston Astros and the Los Angeles Dodgers came down to a seven-game battle based not only on talent, athleticism and coaching, but also on data. Just as Sports Illustrated suggested back in 2014 via predictive data, the Astros were the victors.

The publication of *Moneyball: The Art of Winning an Unfair Game* spurred not only Major League Baseball teams to deploy predictive analytics, but also businesses to take a harder look at what their data means. It's no longer part of the hype cycle: Statista forecasts (paywall) that the predictive analytics market worldwide will reach $6.2 billion in 2018 and $10.95 billion in 2022.

I believe we are also at a transformational point in improving corporate employee benefits and our employees' lives by embracing predictive analytics. HR is swimming in rich data. Instead of guesstimating needs across multiple generations of employees, employers can turn to their own data to fine-tune what they are offering as benefits solutions. Companies spend 25-40% of an employee's salary on benefits. It simply makes strategic and financial sense to get it right.

Bring Employee Benefits Out Of The Dark Ages

Hiring and retaining great talent is at the very soul of almost every company's strategy. Not surprisingly, more companies have turned to predictive analytics to give them a leg up in recruitment. However, HR benefits has lagged behind. As John Greenwood reported to Corporate Adviser, "More than half of reward and employee benefits professionals see predictive analytics as a game-changer, but 90 percent are still using spreadsheets to manage data, research from the Reward & Employee Benefits Association shows."

One reason for benefits lagging behind recruitment in adopting predictive analytics is that the way companies choose new benefits varies greatly from business to business. Given that the majority of HR departments keep data in disparate spreadsheets, even if some HR departments conduct employee surveys or historical cost analyses, they often do not integrate the data about their workforce. If a new benefit offering is chosen based on a needs analysis, only some know the "why" behind a request from the workforce. Knowing how many employees are logging into a benefit platform is helpful; market standard benefit utilization reports provide this level of information. Yet they do not give insight into the underlying reason for an employee to utilize a benefit. The user of deeper analytics is required to look deeper into employees' behavior.

We have found firsthand that many HR departments do not have a full understanding of how their employees are utilizing their benefits across the entire offering suite. A one-size-fits-all or a one-off strategy no longer is effective. Companies must understand not

only their employees' needs, but also the underlying data related to these needs to provide a valuable benefits offering.

Put Your Existing Data To Use

For the past five years, I have watched our clients glean valuable insights into what the real underlying issues are for their employees and what must be done to address these pressing needs. I also have been watching companies realize that what they thought were the core problems at hand sometimes were not.

For example, one of our national high-tech clients, with over 50,000 benefit-eligible employees, believed that a high number of their employees had children struggling with autism. This belief was initially based on input from some of their employees. After approximately 16 months, the client reviewed the masked utilization data from their benefit platform. The data illustrated that the overwhelming majority of employee families (tenfold) in fact faced challenges associated with youth anxiety, a concern that had never been expressed to HR previously. Once they reviewed what employees were doing within our platform, their results mirrored the National Institute of Mental Health's report that approximately 31.9% of U.S. children ages 13-18 struggle with anxiety disorders.

Their own data helped them understand much more specifically where their employees' stress lay, and their HR department was able to focus communications around it.

Getting Started

Mining and viewing use data across all benefits is ideal. This enables an employer to determine if the benefit suite is serving employees effectively. We have found that as quickly as year over year, users' behaviors shift. If a company solely chooses a benefit based on what they saw as most heavily utilized the previous year, they are not being strategic.

For that reason, HR should utilize past and current data to better predict future patterns of need for a true strategic approach to benefit choice. With this insight, they can make better choices and serve their workforce more effectively.

Given the limitations across many employee benefit vendors today, to start initially:

1. Embrace KPIs. Agree upon them internally, and measure benefit vendors on them.

2. Work with your current vendors to determine what data they provide to support your internal analysis. Ensure you have access to all the data you need, and if not, consider a vendor change.

3. Hold possible new vendors to similar data standards, and create a transparent relationship from the start.

4. Collect current and historical data. Existing vendors can provide this history, so make sure to collect at least 2-3 years of information.

These analytics need to go deeper than basic demographics to show patterns of activity. In order to understand the benefit needs of your workforce, you'll want to analyze trends across multiple data sets: medical, pharmacy, worker's compensation, biometric screenings, utilization patterns, FMLA requests and demographic trends. From there, you can start to pinpoint what your employees need -- and the "whys" behind the needs -- in order to make a measurable impact.

While predictive analytics is still in the nascent phase in the benefits and vendor worlds, the easiest and most proactive thing any employer can do is to focus on other insights vendors can provide related to the workforce and benefit use beyond simple utilization. In doing so, you will be able to support your employees both in their work lives and their personal lives by providing them with the benefits they need to be at their best.

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