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### ROI: BUILDING THE BUSINESS CASE

PRESENTED BY PATTY BORST



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### AGENDA

- Welcome & Introductions
- Defining the Business Problem
- Building the Data Story
- Pitching the Proposed Solution and Investment
- Case Study
- Questions/Comments



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### WELCOME & INTRODUCTIONS



**Patty Borst**  
National Practice Leader,  
Disability and Absence Management  
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**Defining the Business Problem**



WHO HOW WHAT  
WHEN WHERE WHY



 Process  
 Absence  
 Productivity

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**WHAT'S THE PREDOMINATE ISSUE?**

  
Process


  
Absence

  
Productivity

- Staffing/Workflow
- Compliance
- Technology/System Integration
- Relevant & Timely Reporting
- End User Experience
- Vendor Performance

- Unplanned Time Off
- Occupational Leave (Workers' Comp)
- Disability Incidence and/or Duration
- Return to Work
- Direct Cost of Absence

- Overtime
- Replacement Workers
- Efficiency
- Indirect Cost of Absence




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**BUILDING THE DATA STORY**

  
Process


- Efficiency
- Compliance
- Employee Satisfaction

  
Absence

- Incidence
- Duration
- Direct Cost

  
Productivity

- Indirect Cost
- Lost FTEs
- Legal




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**PROCESS DATA**

*CURRENT STATE DISCOVERY*

- Leave and ADA Management Process
- Pay Process
- Disability Management Process
- Benefits Administration Process (LOA)
- Workers' Compensation Process
- HRIS/HCM Integration
- Employee Relations Involvement in LOA



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**ABSENCE DATA**

*GATHER HISTORICAL DATA*

- Payroll and/or Time and Attendance
- Leave of Absence Tracking Data (State and Federal)
- Sick Pay, Extended Illness, or Other Pay
- STD (Short-Term Disability) Claims
- LTD (Long-Term Disability) Claims
- Workers' Compensation Claims
- Industry Benchmarks
- Workforce Demographic Profile



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**PRODUCTIVITY DATA**

*HARDEST TO OBTAIN AND ANALYZE*

- Indirect Cost of Absence
- Replacement Workers
- Overtime
- Efficiency



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### THE SOLUTION AND INVESTMENT

*LIKELY MORE THAN ONE SOLUTION*

- Insource with SaaS
- System integration
- New or Change in Outsourced Vendor
- Staffing / Reorganization
- Enhanced Benefits
- Compliance or Legal Support
- Training of Managers and Supervisors
- Communication Tools







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### PITCHING THE INVESTMENT/SOLUTION

*Translating it into Their Currency*

HUMAN RESOURCES	CEO & CFO	COO & CIO
 <ul style="list-style-type: none"> <li>• Employee Experience</li> <li>• Recruiting and Retention</li> <li>• Training</li> <li>• Culture</li> </ul>	 <ul style="list-style-type: none"> <li>• Profit</li> <li>• Expenses</li> <li>• Outcomes</li> <li>• Shareholder Value</li> </ul>	 <ul style="list-style-type: none"> <li>• Workforce Productivity</li> <li>• Automation</li> <li>• Security</li> <li>• System Integration</li> </ul>




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### CASE STUDY

- EMPLOYER PROFILE**
  - 25,000 Employees - 19 locations / 4 states
  - Decentralized LOA and ADA, by location
- BUSINESS PROBLEM**
  - Decentralized model creating compliance risk
  - Direct costs appeared to be escalating, but little reporting available
- BUILDING THE DATA STORY**
  - Discovery conducted at all sites- documented interviews
  - Direct cost of absence data collected from 4 larger locations to estimate the costs for the whole population
- SOLUTION & INVESTMENT**
  - Create a shared services central administration model in the corporate office
- ROI MODEL FOR CFO**
  - Created a Baseline and illustrated reduction in costs within a range of outcomes
  - Provide investment costs to build a shared service center, staffing, facilities, and technology
  - Illustrated ROI over four years




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### CASE STUDY

- 35,000 employees located in 4 states
- Decentralized LOA
- Self-Funded and Self-Administered STD
- Limited technology tools


#### Return on Investment Projections

	Baseline		Impact - Estimated Reduction		
	2012	%	5%	10%	Expected
Return on Investment	30	29.7	29.1	28.5	27
Incidence (per 100 employees)	42	41.38	40.14	38.9	38.9
Duration of claim (days)	210	210	210	210	210
Employees/100 (21,000 AD)	500,000	500,000	500,000	500,000	500,000
Lost Days	8,820	8,672	8,424	8,259	8,084
Full Time Equivalent					
Average Wage	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000
Leave Burden	20.0%	20.0%	20.0%	20.0%	20.0%
Replacement Cost Impact %	15%	15%	15%	15%	15%
<b>Direct Cost</b>	\$18,130,000	\$18,130,000	\$18,130,000	\$18,130,000	\$18,130,000
<b>Indirect Cost</b>	\$14,647,000	\$14,647,000	\$14,647,000	\$14,647,000	\$14,647,000
<b>Total Cost</b>	\$32,777,000	\$32,777,000	\$32,777,000	\$32,777,000	\$32,777,000
<b>Savings</b>	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000

Year	Estimated Cost	Projected Savings
2014	\$7,200,000	\$0
2015	\$1,700,000	\$4,955,738
2016	\$1,800,000	\$4,955,738
2017	\$1,900,000	\$4,955,738
<b>Summary</b>	<b>\$7,600,000</b>	<b>\$14,867,214</b>
<b>Net Savings</b>	<b>\$7,267,214</b>	<b>\$11,961,476</b>

\*The accuracy of the data used to establish this ROI has not been audited by TPG. This data is based on payroll and leave files provided by each of the sites in the study.



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### YOUR NEXT STEPS

- ✓ Define the business problem to be solved.
- ✓ Study the problem and gather the needed data.
- ✓ Define the solution and the investment.
- ✓ Do your homework to understand how to convert to the currency of your leadership.
- ✓ Build the ROI model with credible data that supports measurable outcomes.
- ✓ Measure actual results against model.



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### QUESTIONS/COMMENTS?



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