

Best-In-Class Benefit
Administration Outsourcing
Solutions For Large Employers

trusted

efficient

responsive

best practices



Benefit Professionals Face Enormous Challenges

→ Outsource your benefit administration to ADP and...

Everybody Benefits!

- Alleviate burden on staff
- Reduce cost and risk
- Gain efficiencies and control
- Ensure legal compliance
- Delight employees
- Deploy advanced technology

Rising healthcare costs are having a larger and larger impact on the bottom line of every U.S. corporation. The unpredictability of the economy during this new millennium has forced companies to relentlessly shrink budgets and headcounts. Benefit staff, burdened with administrative tasks, can't make progress on strategic initiatives. Employee satisfaction is strained as health care co-pays rise, benefits are cut, and service levels are below expectations.

No wonder 30 percent of U.S. employees working for large companies already enjoy the benefits of outsourced health and welfare administration. And the rate of growth for this type of outsourcing is estimated to be around 20 to 25 percent annually.*

Employers Often Have Conflicting Goals

In spite of these distractions, benefit personnel are being tasked with multi-directional, and often seemingly contradictory goals. They must increase efficiencies, while meeting the demands of serving employees in a 24/7 environment. They must improve service levels, while facing ever decreasing budgets. And all of this must be done while remaining compliant with government regulations.

→ ADP can help

ADP is dedicated to relieving HR professionals of the burden of health and welfare administration, lowering costs, and delivering world-class participant services. With greater than 15 years experience, best practices in delivery of service, and skillfully utilized technologies, ADP has a proven record of becoming a natural extension of our clients' HR departments. This frees benefit professionals to focus on strategic initiatives.

* Based on a 2002 ADP survey of large companies (with over 1,000 employees)



Focus on Strategic Issues

Being able to tackle the big issues, such as managing healthcare costs or recruiting and retaining employees, starts with eliminating huge volumes of administrative tasks.

Aligning strategic goals with more practical concerns has always proven difficult, especially in HR. And finding the funding to do both can be a daunting task.

"The allocation of HR staff time and resources is considerably out of alignment with the priorities of both HR professionals and senior managers."

— Watson Wyatt study 11/2003

Yet it's critically important. For example, while line managers ranked staff selection second in importance, it is 36th in HR spending, Watson Wyatt finds. Employee retention, ranked third in importance, is 44th in spending.

"The main challenge, therefore, is for HR to put dollars where they count most so that resources will better align with priorities."

— Bruce Pfau, Watson Wyatt

One look at these spending priorities makes it clear that benefit managers must focus their efforts and budgets on core enterprise initiatives... but this is easier said than done!

Alleviate Burden

Outsourcing health and welfare administration to ADP eliminates the burden of responsibility for many time-consuming tasks. With more than 1,500 health and welfare service associates who are all trained in best-practice processes, your benefit programs receive excellent attention and are administered with a high level of accuracy.

→ If your "To do" list looks like this...

- Review hosting/database requirements with IT
- Implement health & welfare administration system
- Develop/distribute employee communications
- Conduct annual enrollment
- Respond to employee calls
- Process EOI & proof-of-student status forms
- Develop/maintain call tracking & case management system
- Process ongoing employee transactions
- Report enrollment to carriers
- Pay/reconcile premiums
- Call insurance carrier to perform haste enrollment
- Maintain database tables
- Ensure system compliance
- Redesign health plan to save millions of company dollars
- Recruit/retain employees — your most valuable asset
- Address business/policy issues
- Develop staff competency
- Attend Johnny's soccer game

→ ADP can make your "To do" list look like this...

- Redesign health plan to save the company millions of dollars
- Recruit/retain employees — your most valuable asset
- Address business and policy issues
- Develop staff competency
- Attend Johnny's soccer game

Reduce Cost

Automating transactions, such as benefit enrollment and life event changes, are the secret to cutting administrative costs, while also reducing the time it takes to process a benefit event. So you can be sure that ADP embraces Web-based technologies to make electronic processing easier, more accurate, and highly secure. ADP also uses industry-standard electronic enrollment reporting (HIPAA 834) and premium payment (HIPAA 820) formats to increase accuracy and facilitate weekly reporting to carriers. Improving accuracy by just a few percentage points can add up to significant savings in overpaid premiums and/or claims.

But streamlining the enrollment process and improving enrollment and payment accuracy to carriers are not the only areas where ADP helps you gain potential savings. Once you outsource benefit administration, you can reduce HR and employee training costs, as well. Accessing ADP's intuitive benefits Web site and our team of highly trained customer service representatives makes your employees more efficient and productive in locating answers to their personal benefit questions. And since ADP is your first line of support in dealing with carrier concerns, your department is relieved of a great deal of the responsibility related to carrier management.

Reduced IT expenses, lower costs for paper, printing and storage... the savings you'll realize from outsourcing with ADP keep adding up!

"In just one year, ADP has delivered continuous improvement, better technology, and more solid communications. We deal with fewer vendors, we have higher-quality CSRs, our faculty and staff have greater access to their information, AND we will enjoy \$2 million in cost avoidance over our previous benefit outsourcing relationship."

— Gary Truhlar, Director of Human Resources, University of Pennsylvania

Reduce Risk

ADP's best practices reduce your risk of not reporting enrollment or paying premiums for a participant who should be enrolled. One employee that falls through the cracks could potentially cost your organization thousands in medical claims.

ADP records all CSR calls — providing the ability to retrieve past conversations, thus assuring quality and avoiding misunderstandings and potential liability.

Comprehensive disaster recovery plans are another example of state-of-the-art processes that ensure the availability and recovery of your benefit system with virtually no data loss. ADP has technical staff available around the clock. Uninterruptible power supply systems protect against data loss from power outages. Critical components lost during any system failure are recovered within 24 hours. Data backups are stored offsite (in another state), so even a regional event (such as a broad power failure) will not disrupt ADP's ability to bring your benefit system back online promptly. And every contingency operating plan is fully tested regularly. ADP reduces your risk by making it our risk. And with our state-of-the-art data collection, management and recovery processes, it's a risk we're more than willing to take.



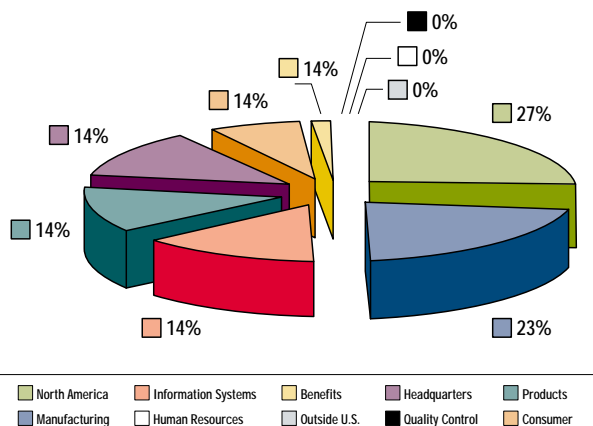
Gain Efficiency and Control

By utilizing best practices and state-of-the-art technology, efficiency and control of your entire benefit department will improve noticeably. Your staff will have Web-based access to a consolidated and accurate database of all benefit transactions. This access provides the ability to view current and past elections, make changes on behalf of an employee, and monitor data file exchanges to carriers and HR systems.

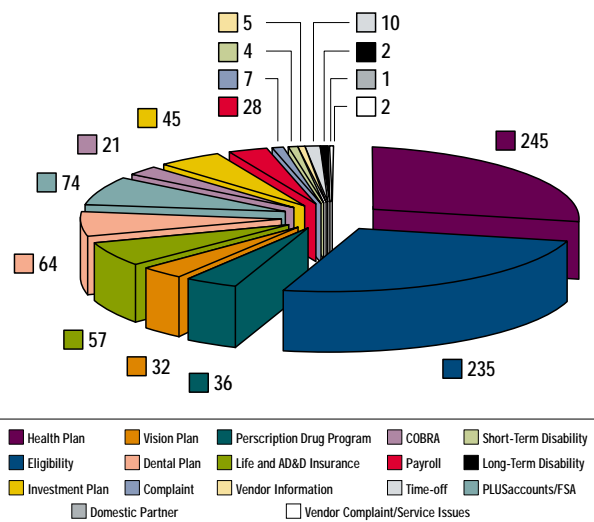
Employee Name	Start Date	Gender	Sec.Sec.#	Relation	SIEM	Coverage	Effective Date
BRUCE, BRUCE	01/01/04	M	000-00-0001	Self	SI	SI	01/01/04
BRUCE, BRUCE	01/01/04	F	000-00-0002	Spouse	SI	SI	01/01/04
BRUCE, BRUCE	01/01/04	M	000-00-0003	Self	SI	SI	01/01/04
BRUCE, BRUCE	01/01/04	F	000-00-0004	Spouse	SI	SI	01/01/04
BRUCE, BRUCE	01/01/04	M	000-00-0005	Self	SI	SI	01/01/04
BRUCE, BRUCE	01/01/04	F	000-00-0006	Spouse	SI	SI	01/01/04
BRUCE, BRUCE	01/01/04	M	000-00-0007	Self	SI	SI	01/01/04
BRUCE, BRUCE	01/01/04	F	000-00-0008	Spouse	SI	SI	01/01/04

Reporting is also important, not only to your department, but to your upper-level management team. Standard and ad hoc management reports are easily produced. These reports help you better understand employee enrollment trends; or inquire into events by source, category, division and reason — to help spot problem areas and take corrective action.

Inquiries By Division
Time Period 1/1/04 - 1/31/04
Total Entries = 1741



Reasons For Inquiry
Time Period 1/1/04 - 1/31/04
Total Entries = 868



Financial and quality control of your company's benefit programs improve because of ADP's accuracy and timeliness of enrollment reporting and premium payments to carriers. Built-in system edits and audits ensure data integrity and accuracy. Further, because ADP pays more than \$1.3 billion dollars in premiums annually on behalf of our clients, you enjoy greater influence over your providers.

Ensure Compliance

You can shift the burden of staying compliant with government regulations to ADP's staff of compliance experts who participate on industry standards committees. We stay up-to-date with regulations such as HIPAA, maintain hardware and software interfaces, and ensure best practices in regard to compliance issues. For example, ADP's Health & Welfare Services will complete SAS 70 Type II audits in all administration centers in order to meet the corporate governance requirements of the Sarbanes-Oxley Act of 2002. This certification can cost individual employers \$60,000-100,000 to conduct, but ADP clients can sleep at night knowing that we take care of this federal regulation on their behalf.

Delight Employees

Employees expect 24/7 access to their benefits information and need quick, accurate and consistent answers to their questions. But this can be challenging when benefit staff and budgets are thin. ADP meets this employee-satisfaction challenge head-on by providing the tools to make decisions, conduct transactions, and access knowledgeable call center staff. Our service standards are high — we proactively monitor our results to ensure that we delight your employees.

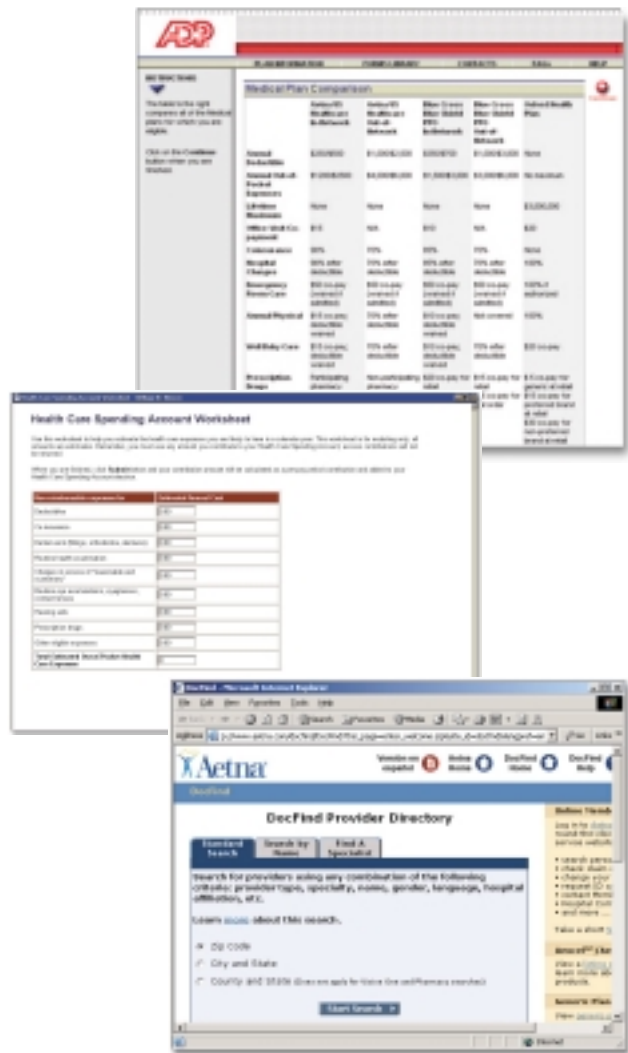
Empower Employees

With ADP benefit outsourcing, you can give your employees the ability to securely access their benefit information 24/7 through ADP's Web-based self service. The Web is an excellent conduit for presenting more data, quickly, and for providing tools so that your employees can make informed decisions. And for those employees who do not have Web access, ADP also offers around-the-clock availability of an IVR (interactive voice recognition) telephone response system.



Decision Support Tools for Employees

Healthcare costs continue to rise. Making decisions regarding the best health plan for employees and their families is more important than ever, because employees are anticipating the need to handle more of the cost of healthcare themselves. With easily accessible and highly intuitive decision support tools, employees can make decisions effectively and efficiently, and can then return their focus to business initiatives.



“Web-based HR transactions increase efficiency (cycle time is 62% less) and reduce costs by 52% per transaction.”
 — Cedar 2002 HR self service/portal study



Participant Call Center for Your Employees' Needs

Sometimes, employees still need to talk to a live person. Whether it's about plan benefits or how to access care for a sick loved one, ADP provides world-class call center support to over 2.3 million callers each year. ADP's call center staff turnover rate is well below the benefit industry average (at 15 percent versus 33 percent annually), which enables us to provide consistently high levels of service. Our CSR staffing is so stable because we hire associates with the right aptitude for working in a call center and we provide a career path as well as more than 40 hours of professional development annually. Additionally, we recognize that, to your employees, the voice on the other end of the line represents your company, not ours — so all our customer service representatives are trained to understand your company's unique culture. In fact, ADP commits to the level of service your employees will receive.

A Benefit Advocate for Your Employees

Through Advocacy Services, ADP provides specially trained experts who can help employees resolve healthcare coverage and care disputes. This is important because attention given to problems in accessing appropriate care, obtaining referrals, understanding formulary restrictions, and resolving claim disputes and billing discrepancies can rob your HR staff and employees of valuable time. These issues can also cost your employees money and impact their satisfaction.

Employee Communications

Conveying information about benefits to your employees is a necessary but time-consuming process. ADP can help by providing communication services, including the design, development and production of: posters, letters, enrollment kits, summary plan descriptions (SPDs) and total compensation statements. This saves time by coordinating all employee communications through a single vendor that is already familiar with your benefit programs. Additionally, our team of communication experts can design an effective communication strategy tailored to your needs — enhancing the value of your benefit program by increasing your employees' understanding of various offerings.



"We went into it kicking and screaming. We genuinely believed no outsider could do it as well as we could.

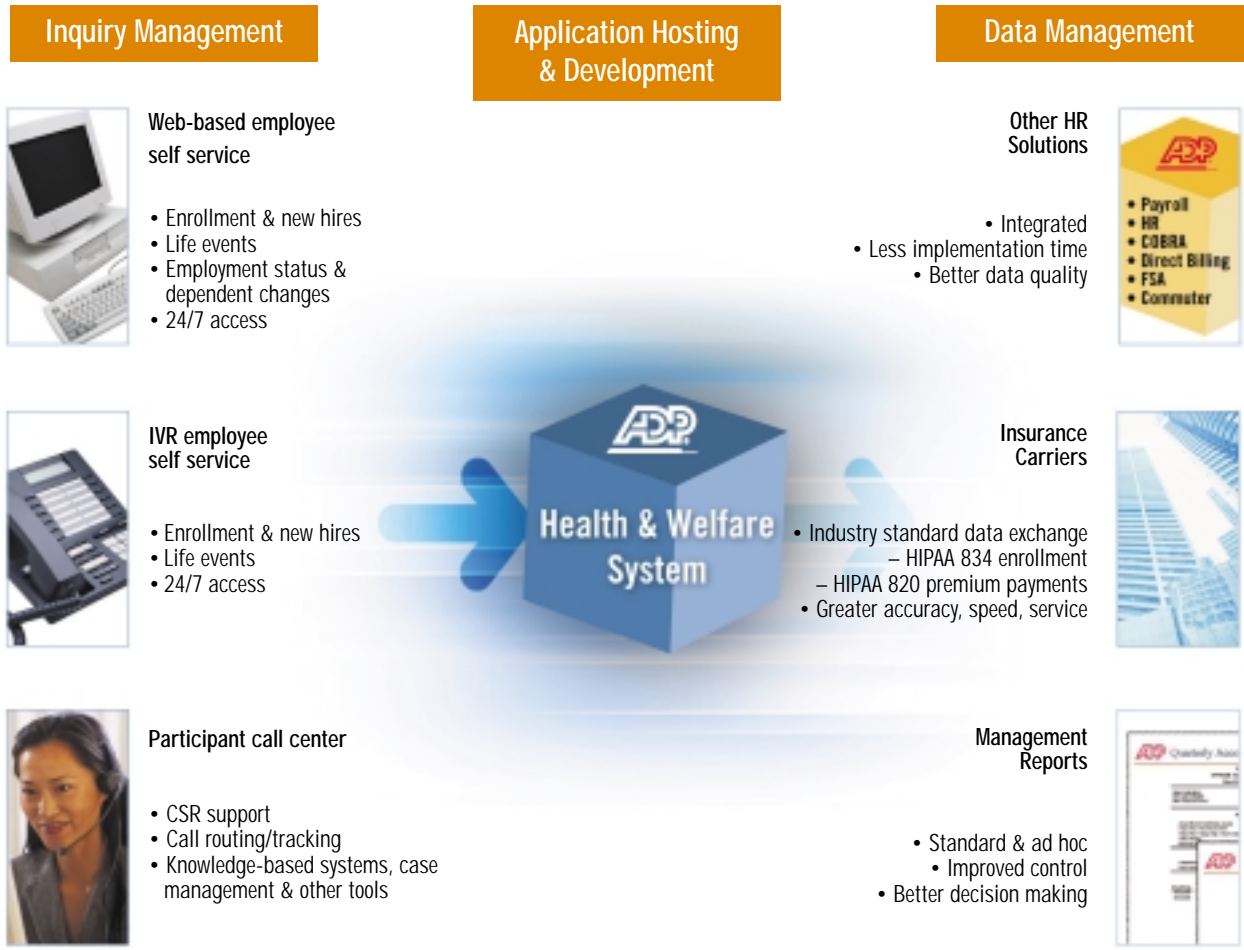
But it costs a great deal to achieve the level of expertise necessary to offer the broad spectrum of services Overnite now delivers. Managing benefit programs is ADP's core business, and that expertise means our whole benefit bundle is tremendously improved — while saving us \$100,000-to-\$300,000, year-over-year, in administration costs."

— Katherine Earle, Manager of Employee Benefits, Overnite Transportation

Deploy Advanced Technology

What if your department could stay current with advanced technology — without having to engage your IT department? Outsourcing with ADP makes this possible. Your health and welfare administration solution is hosted on ADP servers, using proprietary ADP applications, while your benefit staff and employees enjoy 24/7 access over the Internet. That means you can forget about the responsibility for implementation, system configuration, maintenance and upgrades — ADP takes care of it for you. Our health and welfare system is also integrated with other ADP solutions such as payroll, HR, COBRA and FSA, which means ADP is responsible for all data movement and quality. And because both our Web-based and IVR-based employee self-service applications utilize common business rules, setup is streamlined, accuracy is increased, and transactions are more efficient.

Sophisticated skills-based call routing ensures that callers are directed to the most appropriate service representative. Intelligent screen pop-ups give CSRs critical information, such as the caller's name, company and medical plan — so they can be greeted personally and receive quick, accurate answers. And ADP utilizes call center tools such as a knowledge-based system for locating answers to participant questions instantly, and a call tracking system for documenting and reporting the types of questions asked. This information can be reviewed to improve employee communications strategies. All calls that require follow-up research are recorded in a confidential case management system, which is available to any CSR that requires the information for continuity purposes in later interactions with the employee.



Implementation and Annual Rollover

Change is always uncomfortable. That's why ADP has worked hard to lighten the burden of transition to our extremely flexible and sophisticated, outsourced benefit solution. Experienced ADP benefit professionals will implement your health and welfare system. Industry best practices are utilized to ensure a quick, accurate and quality-driven implementation.



Why ADP?

Trusted

- 50+ years providing HR outsourcing solutions — ADP's core business
- Financial strength & stability: Triple A rating from Moody's and Standard & Poors (S&P)
- Pays 34+ million employees worldwide, every payday
- Transfers \$3+ billion per day on behalf of our clients
- Comprehensive disaster recovery plan

Single Source Solution

- Integrated HR, payroll, benefits
- Flexible service model — solutions tailored to client

Product Leadership

- Invested \$475+ million in technology in 2002; \$2.2+ billion in last 5 years

World Class Service

- Best-practice processes
- Annual client retention approaching: 90%
- Average client tenure: 10+ years

"A new year has begun, and we have survived that dreaded time of year "Employee Benefit Enrollment."

I can remember the days, not so long ago, when preparation for enrollment would begin in July and extend right through February. It would leave our small staff scrambling, stressed and down right dead on their feet. However, now we have quality time to spend on supplying the company with the annual report on benefits, completing our benefits communications to employees and sending our system changes off to [ADP] to carry out.

The web access 24/7... has allowed all our employees to become e-users. New employees will now be prompted by your system to enroll. No more worrying about if...the new employee visit[ed] the site."

— Global Relationship Leader,
Manufacturing company, 4,300 employees

"I wanted to thank ADP for the fine effort on this year's open enrollment process... The files to the Blues and Medco were clean and on schedule, and as a result employees and retirees received their enrollment cards in advance of January 1st. One of my measures of success is "noise" from our population...and this year it was minimal... a credit to [ADP's] efficient processing."

— VP, Compensation and Benefits
Agribusiness company, 13,500 employees



Why ADP Health & Welfare Services?

Experienced — ADP does it a lot!

- Leading benefit administration provider
- 15+ years experience
- 500+ Health & Welfare clients
- 15 million employee self service transactions annually
- 2.3 million call center calls annually
- \$1.3 billion+ paid in premiums annually to 750+ carriers

Best Practices — ADP does it well!

- Streamlined implementation plan for rapid 90-day implementation
- Standard turnkey interfaces with ADP payroll
- Documented operating processes & procedures
- Paperless processing: SPDs & plan documents posted to a centralized Web site, enrollment notifications & confirmations e-mailed to employees
- Carrier enrollment data reported electronically in HIPAA-834 compliant format
- Carrier premium payments reported electronically in HIPAA-820 compliant format

High-touch Employee Service — ADP delights employees!

- CSRs are benefit professionals
- Client-specific training imparts empathy for your corporate culture
- CSRs receive ongoing professional development
- Sophisticated call center tools ensure accurate, personal and efficient service

Responsive — ADP guarantees performance!

- Service level guarantees establish expectations
- Direct measures of quality provide early indicators of potential issues...
 - Carrier feed incidents
 - Payroll feed incidents
 - Urgent enrollments
 - Number of calls in queue
- Processing controls are verified with SAS70 type II audit
- Bi-annual client satisfaction surveys quantify results

Cost-effective Solutions — ADP saves you money!

- Automated transactions reduce administration costs and increase productivity
- Hosted solutions require no capital investments in hardware & software or IT support
- Accurate eligibility management and premium payments save health care costs
- Staff training and turnover costs are eliminated

“... I would like to take this opportunity to formally thank you and your team for a seamless and painless Open Enrollment period. The positive feedback we have heard, thus far, from the employees confirms our success.”

— Sr. VP, Employee Benefits
and Administration,
Advertising company, 7,000 employees

Other ADP Benefit Solutions

- COBRA
- HIPAA
- Direct Billing
- Flexible Spending Accounts
- Commuter Benefits
- Carrier Enrollment Services
- Employee Communications
- Total Compensation Statements
- Advocacy Services
- Leave of Absence Administration
- Defined Contribution
- Executive Deferred Compensation
- 529 College Savings Plans
- Screening & Selection Services

“The dedication, teamwork and cooperation displayed on day to day issues are much appreciated. Your vigilant efforts throughout the short open enrollment window displayed both quick responses and successful resolutions. Every project deadline continued to be met on time and with accurate results. The ADP team dedicated to [us] is professional and a pleasure to work with.”

— Director, Pension Services, Consumer
products company, 25,000 employees



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