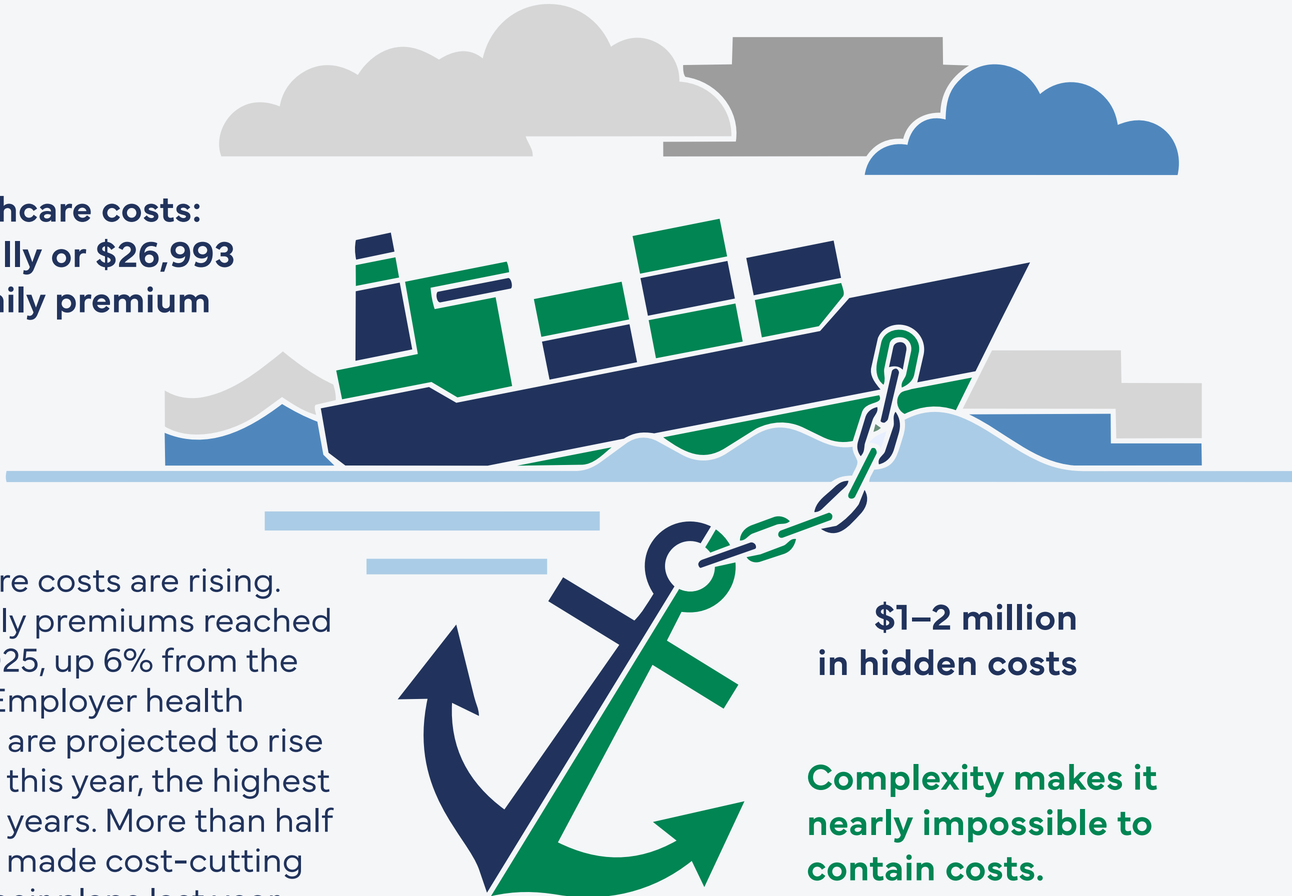
The hidden costs of benefits complexity

SECTION 1

You can't lead from underwater

Rising healthcare costs: 6–7% annually or $26,993 average family premium



$1–2 million in hidden costs

Complexity makes it nearly impossible to contain costs.

Yes, healthcare costs are rising. Average family premiums reached $26,993 in 2025, up 6% from the year before. Employer health benefit costs are projected to rise another 6.7% this year, the highest increase in 15 years. More than half of employers made cost-cutting changes to their plans last year, up from 44% the year before.

Everyone is scrambling to weather that storm.

But your efforts to fight rising costs are hindered by the weight of complexity: manual processes, errors, ineligible dependents, compliance exposure and fragmented data. These costs don't appear on any invoice. They're scattered across budgets (HR, finance, legal), so no one adds them up. Until now.

For a typical mid-sized employer, dozens of small inefficiencies compounding across the benefits lifecycle add up to $1-2 million a year.

This e-book will show you where that money is going – and what it takes to get it back.

Source: KFF, Mercer

SECTION 2

Death by a thousand keystrokes

According to EY, even the simplest manual HR task – a single data entry, such as an address change – costs $4.86. That's a jump from $4.39 in 2018, and it's rising every year. More complex transactions cost far more: recording tax form information costs $12.85, verifying timecards costs $17.54 and processing a benefit plan change costs $20.32.

By themselves, these aren't big numbers. But, conservatively, a 1,000-employee organization processes at least 50,000 manual HR transactions (e.g., enrollments, changes, reconciliations) a year. At $4.86 each, that's $243,000. Even if 20% of those tasks are benefits-specific at $20 apiece, the total climbs toward $400,000.

$243,000–$400,000/year

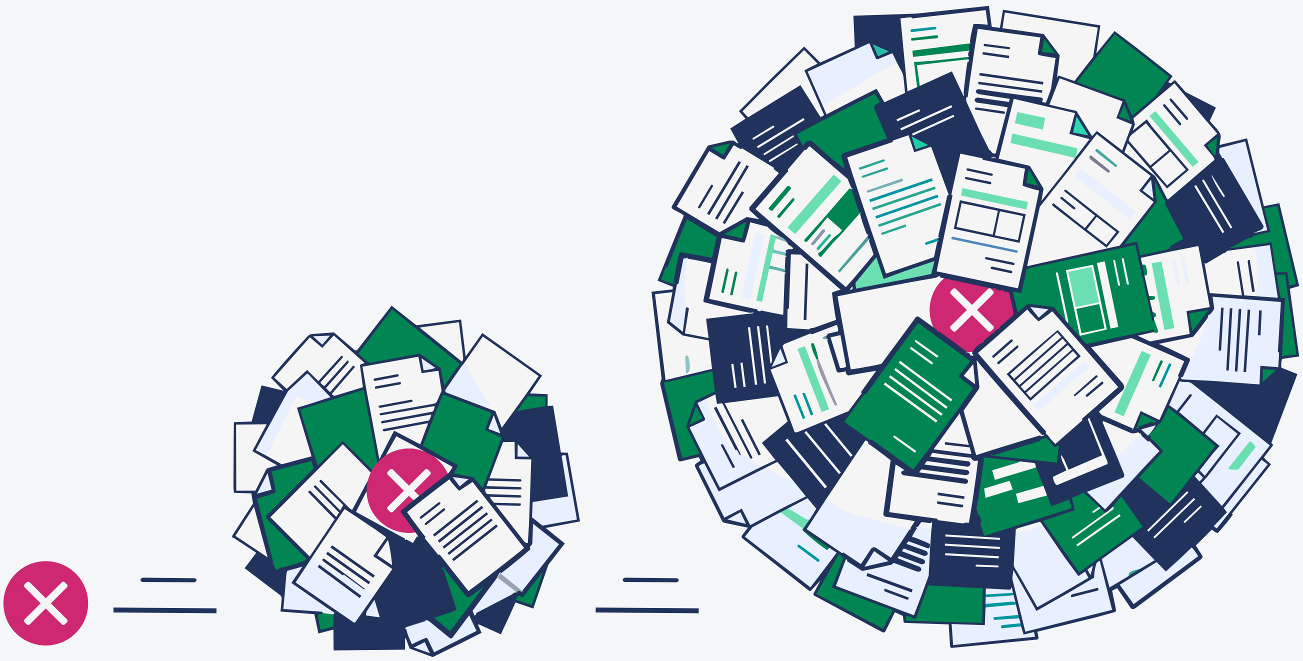
Every manual entry adds up. Most organizations never calculate the total.

Of course, these tasks still have a cost even when automated – but a much lower one. According to McKinsey, companies that automate HR processes reduce the time spent on manual tasks by up to 30%.

Source: Per-task cost from EY, 2025. Transaction volume and total are estimates for a 1,000-employee organization. HR time on admin from Deloitte.

SECTION 3

The 90% problem



**Every error creates more work.
And some costs can't be recovered.**

Ninety percent of employers have open enrollment errors. That's not a typo: Benefits broker Nava Benefits discovered that in an audit of more than 600 insurance carrier bills.

Some of these errors are costly: In that same audit, Nava found that one employer was overpaying $200,000 a year for health insurance. Other errors destroy trust, as when employees try to access care and discover they're not enrolled in coverage they selected.

Payroll errors are costly, too. EY research found that in an average organization, one in five paychecks has an issue, and that correcting each error costs an average of $291. The total cost varies based on the frequency of pay periods and the actual error rate, but it can add up quickly. HR has a fiscal responsibility to know those costs and keep them as low as possible.

Of course, these tasks still have a cost even when automated – but a much lower one.

Source: EY

SECTION 4

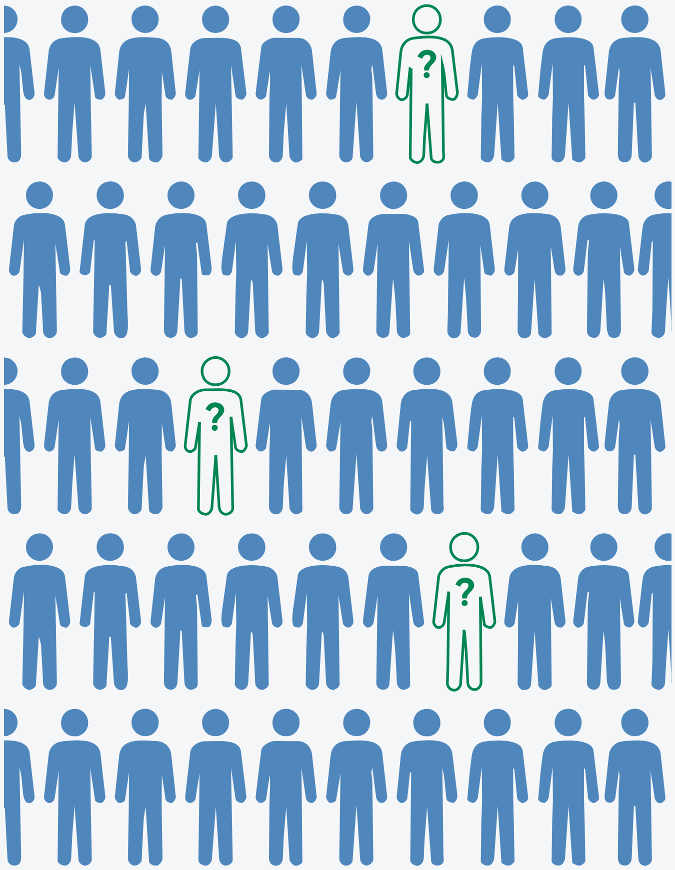
The coverage you shouldn't be providing

Multiple studies have found that roughly 5-6% of covered dependents are ineligible for benefits. Examples include ex-spouses who should have been removed after a divorce, children who aged out of coverage or domestic partners from relationships that ended years ago. They're still on your plan, costing you money.

At a typical cost of $4,570-$6,860 per dependent per year, the math gets serious fast. A 1,000-employee organization with 1,500 covered dependents might have 75-150 people on the plan who shouldn't be there. Even at the midpoint of that range, that's more than $500,000 a year in unnecessary costs.

Such coverage is a compliance risk, too. Under ERISA, plan sponsors have a fiduciary duty to ensure benefits go only to eligible participants. Covering ineligible dependents – even unknowingly – can constitute a breach. If an ineligible dependent incurs a major claim, your stop-loss carrier may deny it, leaving the organization liable.

Most companies have never conducted a dependent eligibility audit. The ones that do typically find immediate savings.



5% to 6% of covered dependents may be ineligible.

Source: Mercer, TASC, HR Daily Advisor

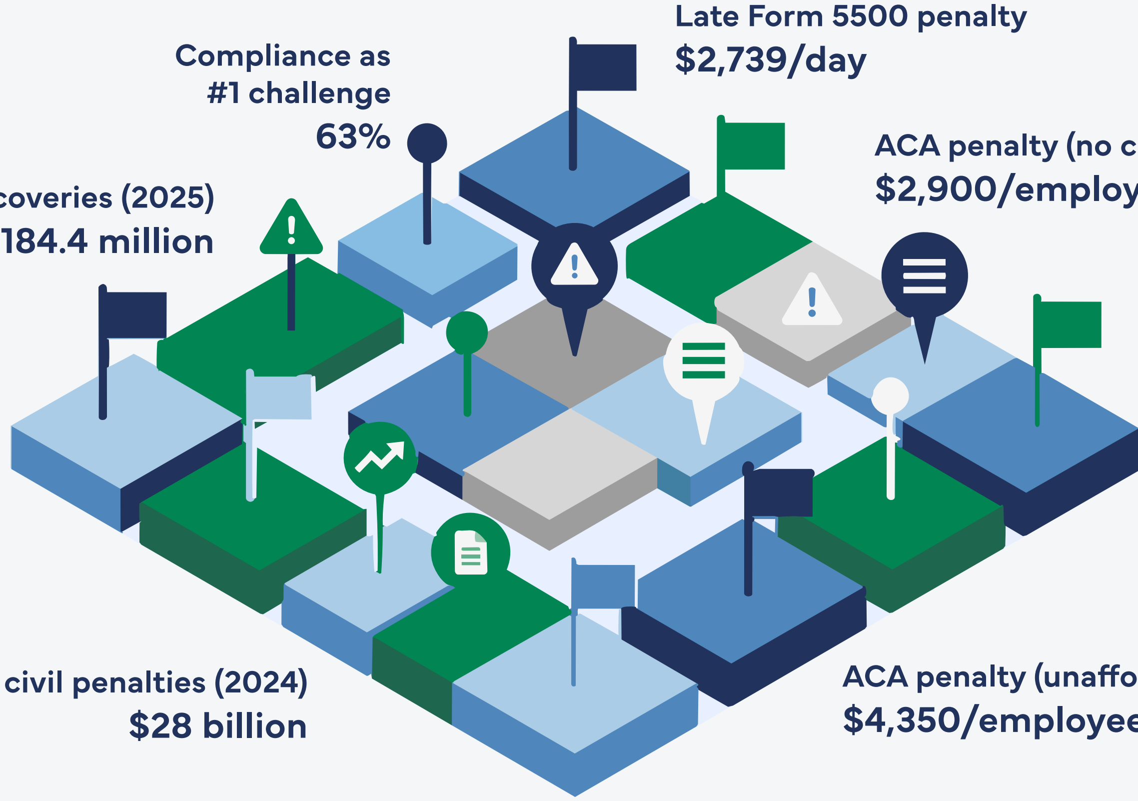
SECTION 5

The mistakes that come back to haunt you

ERISA, ACA, HIPAA, COBRA and the IRS all impose requirements, and the penalties for falling short keep rising. Complying with all those rules using manual processes is increasingly difficult, so perhaps it's not surprising that 63% of payroll professionals say compliance is their biggest challenge.

Those penalties are painful. In 2024, the IRS assessed more than $26 billion in civil tax penalties.

Compliance failures often reflect the same issues driving your other hidden costs: manual data entry, fragmented systems and errors that slip through. Every mistake is a potential violation. Every gap in documentation is exposure.



53% of companies have triggered one in the last five years.

Source: PayrollOrg, DOL, IRS

SECTION 6

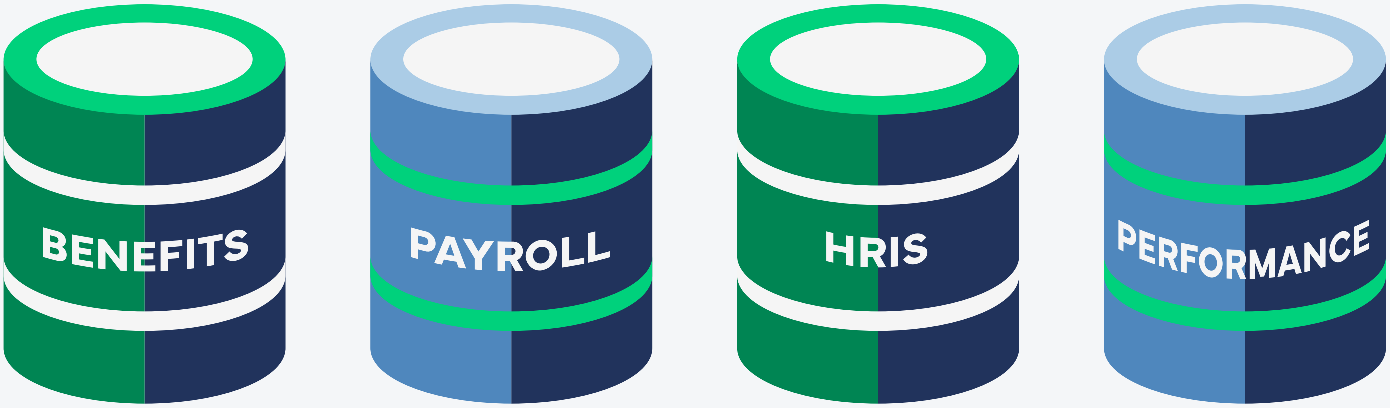
The data that will never add up

The hidden costs – manual processes, errors, ineligible dependents, compliance failures – are symptoms. Data fragmentation is the underlying condition. Seen from above, HR systems would look like the heart of farm country: 76% percent of organizations have built scattered data silos. Benefits data lives in one silo, payroll in another, HRIS in a third – and so on.

Organizations with fragmented HR systems spend 23% more time on administrative tasks and experience 31% higher error rates. When data doesn't flow automatically between systems, someone must move it manually. And manual handoffs mean delays, duplications and mistakes.

Even if each system works well on its own, leveraging the data is impossible. Disconnected systems prevent you from answering the questions that drive strategy:

- Which benefits do high performers value most?
- Does benefits satisfaction predict retention?
- Which populations are underutilizing valuable benefits?
- Where are we overspending versus getting great ROI?



76% of organizations are hindered by data silos.

Poor data quality costs organizations an average of $12.9 million per year. Only 6% of organizations have HR analytics mature enough to predict outcomes rather than just report on what already happened. The rest are making decisions based on incomplete information.

Source: Second Talent, Deloitte

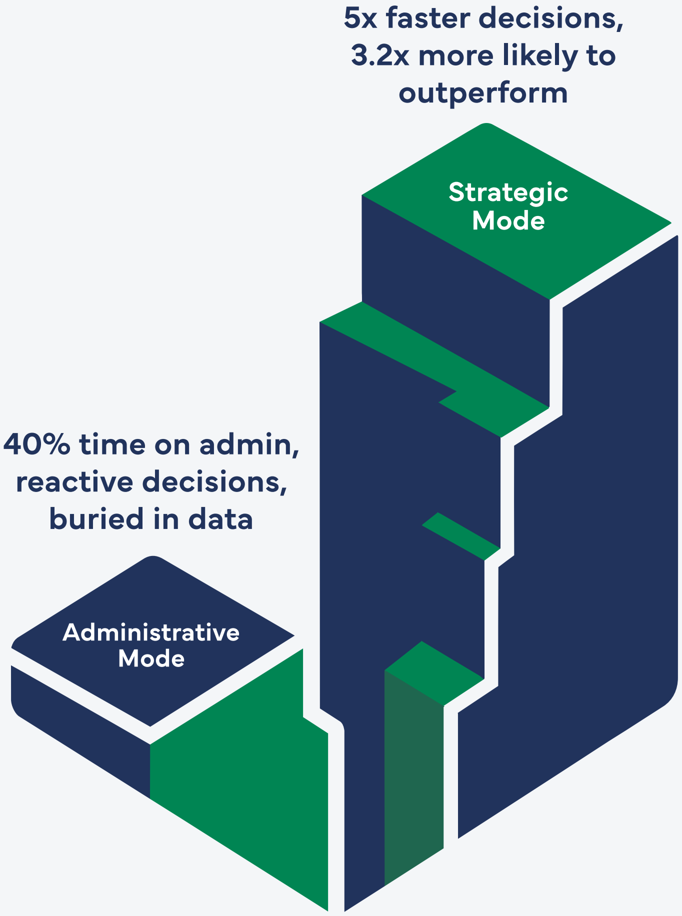
SECTION 7

How nobody's problem is everybody's problem

There's a reason these costs are rarely addressed: They hide in budgets scattered across the organization. HR pays manual process costs. Finance absorbs the cost of payroll errors. Legal tracks compliance penalties. Ineligible dependents are disguised in the benefits budget as premiums, not waste. Each department carries its piece, but no department feels the cumulative impact. That's why most organizations never add them up.

Meanwhile, the strategic cost to HR compounds. Forty percent of HR's workweek is consumed by administrative tasks, and still it's not enough: 57% of HR professionals report operating beyond capacity. But every hour spent on manual data entry, error correction or putting out compliance fires is another hour in which benefits strategy is ignored.

The gap is widening. Only 6% of organizations can use their HR data to predict outcomes. Only 15% engage in strategic workforce planning. Meanwhile, the organizations that have freed themselves from administrative burden are pulling ahead. They're five times more likely to make fast, data-driven decisions, and 3.2 times more likely to outperform competitors.



The longer you wait, the wider the gap and the greater the cost.

The longer you stay stuck in administrative mode, the further behind you fall. And the further behind you fall, the easier it becomes for the business to make decisions without you.

SECTION 8

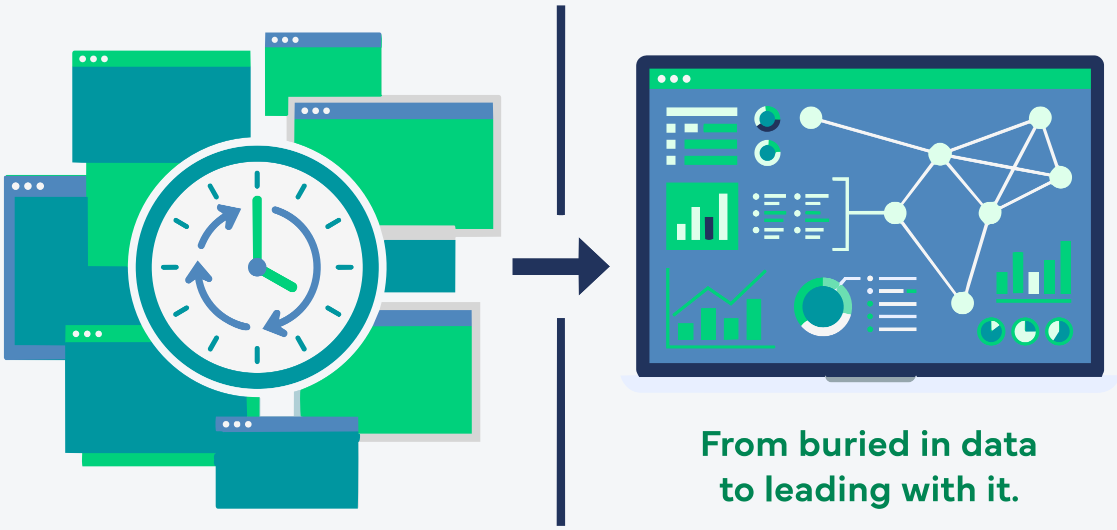
From cost center to strategic asset

You can't lead from a position you don't understand. Benefits intelligence gives you that understanding. Instead of discovering errors after the fact, benefits intelligence prevents them. Instead of accepting carrier bills as-is, benefits intelligence catches the discrepancies. Instead of guessing what employees value, you know – because the data tells you.

Insights from benefits intelligence data prompts more powerful questions: Which benefits drive retention for high performers? Where are we overspending? What would happen if we restructured the plan?

HR earns its seat at the table by delivering insights the business can't get anywhere else.

Without benefits intelligence	With benefits intelligence
Discover errors after the fact	Prevent errors proactively
Annual plan reviews	Continuous optimization
Guess what employees value	Know what drives retention
Respond to compliance audits	Ensure ongoing compliance
Accept carrier bills as-is	Audit and catch discrepancies
Hope benefits are working	Measure and prove ROI



From buried in data to leading with it.

Source: Research synthesis

SECTION 9

Now what?

You've seen what "good enough" actually costs. What will you do about it?

The shift to benefits intelligence doesn't have to be overwhelming. Here's how organizations typically make the move:

1. **Assess where you are.** Start by understanding your current state. Where are the manual processes? Where do errors cluster? What data lives in silos?
2. **Quantify your hidden costs.** Use the framework in this e-book to estimate what complexity is costing you. Even rough numbers can build the business case for change.
3. **Prioritize integration over perfection.** You don't need to replace every system at once. Focus first on connecting the data that matters most – benefits, payroll and HRIS – so you can see across silos.
4. **Build toward predictive capability.** Once your data flows, you can start asking better questions: Which benefits drive retention? Where are we overspending? What's underutilized? This is where benefits intelligence becomes strategic.
5. **Find a partner who's already built benefits intelligence.** Look for a benefits administration partner with the technology to integrate your data, the scale to benchmark against peers and the expertise to help you act on what the data reveals.

The cost of waiting is already adding up.

The hourglass is running. Every month spent in administrative mode is another month of hidden costs, and another month the gap widens between you and the organizations that have already made the shift.

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