

Now's The Time to Police Your HRO



The current downturn finds numerous service providers toughening invoicing and payment procedures. There is

newfound recourse to contract scope terms and a heightened tendency to characterize any request for service adjustments as a change order.

Clients, like service providers, are looking for the best “bang for their buck,” and it is worthwhile to consider what clients can also do within the terms of existing service agreements.

Client project management and HRO management officers have a number of levers they can use to achieve better service for their expenditures. Habits may have drifted into the relationship during periods of high usage and economic prosperity that may no longer be appropriate.

Often, just increased policing in the following areas will result in savings:

- **Change requests or change orders:** Many times, service providers treat something as a CR that is already implicitly or explicitly covered in the process price. Providers have a tendency to give themselves the benefit of the doubt in judging whether a new activity is covered by the agreement.

Even if there is not specific, explicit coverage, contract managers might find CR coverage in the “sweeps clause,” which states that any logical component of an HR process that was provided internally prior to the service agreement will be furnished by the service provider after the agreement is signed.

Typically, there are multiple process steps inherent in annual open enrollments that are performed once a year and not explicitly stated in the agreement. The sweeps clause justifies those being done by the service provider at no extra cost.

- **Service levels:** Often, service-level reporting will be less formal and less indicative of the overall health of the relationship after the first full year of services. Major transition problems will have been worked through, and service-level reporting will be almost mechanical.

Clients should take a renewed interest in all areas of service-level reporting. These levels reflect the services purchased, and they are the best way to demonstrate that the client is getting value. Be sure that service levels are current and comprehensive, and that any penalties are being collected.

- **Volume pricing:** Unfortunately, many companies are currently laying off people. Many service agreements have reduced resource credits and the volume-driven pricing in them. Make sure to tender to the RRC credit documentation promptly as reductions in force take place. The fact that the service provider may still be providing some type of follow-on service, such as COBRA administration, does not mean that the RRC is not already applicable.

These are the main areas that can yield some immediate benefit to the client in an HRO service agreement. To realize these savings and benefits, a careful review of existing terms is necessary. Happy hunting.

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