

10 RFP Questions to Help Avoid M&A Surprises

Find the right benefits administration partner
before your next merger or acquisition



Mergers and acquisitions on the rise

Due to tightening regulations and an evolving economic environment, mergers and acquisitions (M&As) are on the rise. In fact, 92% of M&A executives expect deal volume to increase or stay the same over the next 12 months.

While the conventional wisdom is that mergers and acquisitions are generally beneficial, not all turn out that way. For a corporate transaction of this type to be successful, businesses must take a variety of factors into consideration, including economic certainty, accurate valuation of the target company, the stability of regulatory forces, and more.





Effective integration remains important

Those who work in HR won't be surprised to learn that 30% of executives at corporations and 23% of private equity investors (PEI) cite "post-close integration" as the most important element in achieving a successful M&A deal.

HR knows the challenges that M&A activity presents. Teams must act quickly to communicate change, preserve morale, find a way to unite cultures and organizational structure, identify potential redundancies in staff and determine harmonization of compensation and benefits—all while doing their regular jobs and somehow avoiding an administrative nightmare.

That's when having the right benefits administration partner can really help.





Benefits matter in times of transition

Failure to provide your acquired employees with the right benefits in the right place and at the right time can undermine your relationship with the newest members of your organizational family. During a time when uncertainty is to be expected, the last thing you want is for valued employees to feel underserved.

On the other hand, a better-than-expected benefits experience gives recently migrated employees a good reason to stick with you, despite all the other changes they may experience during the transition.





Find the right partner before your next transaction

When the stakes are this high, it helps to have the right partner in your corner.

But with contracts for benefits technology and services lasting two, three or even five years, the time to find out whether your vendor has the flexibility, expertise and capacity for a successful merger or acquisition is not two or three weeks before the transition.

This should be addressed during your initial selection process.





10 Questions to include in your next RFP

For many employers, the search for HR technology begins with a request for proposal (RFP). To help organizations determine and convey their unique needs to vendors, we produced [The Art of the RFP](#), a guide with tips on how to structure your RFP, recommended timelines and more than 250 sample questions.

For organizations with a lot of M&A activity, we created this companion guide. **In it you'll find 10 important ideas and sample questions you can incorporate into your next RFP for benefits administration technology.**

Read on for 10 sample questions to include in your next RFP.





First, describe your M&A needs

Before we introduce the 10 best questions to include in your RFP, let's talk about you.

A great RFP process begins with two-way communication. That's why most RFPs include a detailed description of the organization issuing the request. Potential vendors will want to know the core details of your benefits such as number of participants, carriers and eligibility rules. They're also interested in your HR team's strategic goals, employee engagement strategy and desired outcomes.

If you have experienced a merger or acquisition in the past, let your prospective vendors know. Make sure to include details such as the frequency of such activities, how many employees are typically impacted and any challenges you have experienced.

Now, on with the tips and sample questions.



1

Use scenarios to describe your needs.

As discussed in our e-book, [The Top 7 Off-Target RFP Questions](#), avoid asking vague questions. **They'll only produce vague answers.** The more specific and contextualized your question, the more likely you are to get a precise and complete answer. Using scenarios is an effective way to present your question.



SAMPLE:

Acme Company typically completes 2 to 3 acquisitions each year where we bring acquired employees into our benefits on day one. What are your best practices for successfully accomplishing multiple acquisitions like this each year?



2

Ask how the most common costs are calculated.

Because mergers and acquisitions have cost repercussions across nearly every area of an organization, it's natural to assume that benefits administration is no different. However, it's important to point out that some vendors consider M&A activity an opportunity for additional revenue. **That's why many vendors—but not all—establish change orders.** To ensure you have full transparency into their business model and pricing structure, ask each vendor about their typical change fees.

SAMPLE:

Provide an attachment detailing all costs common to a merger or acquisition, including, but not limited to, adding members to new or existing plans or providing file feeds to additional carriers. Include examples of how these costs are calculated and whether they differ based on member volume.



3

Ask about the other, less common fees the vendor would charge in certain situations.

Due to the complex nature of benefits and the unique ways employers package those benefits, most vendors will have cost schedules in place for changes of a more customized nature. **These may include special single-sign-on requirements, paper-based fulfillment obligations or expectations for a certain brand of member experience.** Ask about them to avoid surprises.



SAMPLE:

For organizations similar in size and complexity to Acme Company, what have been the typical annual out-of-scope fees as a percentage of the administration fees? What activities, including those related to mergers and acquisitions, typically generate out-of-scope charges?

4

Find out how quickly the vendor can swoop into action.

Mergers and acquisitions can happen so quickly, you might ask yourself, “Why is HR always the last to know?” Regardless, you’re on the spot to meet your organization’s business needs and do so in a timely and predictable manner. **And, you have an obligation to provide the most positive experience to the employees impacted by the M&A activity.** When time is of the essence, make sure you know what to expect.

SAMPLE:

For mergers and acquisitions, how much time does it typically take to set up benefits for a new group? What variables impact the required time this will take? Describe your best practice approach and how you will minimize the level of effort required by the Acme Company team.



5

Ask about the timeframes required for each milestone.

As human beings, we're somewhat inconsistent when it comes to time estimates. Some of us focus on the most time-consuming part of a project, while others think more holistically, from pre-planning to execution to follow-up. Migrating members to a benefits platform due to a merger or acquisition can be complex and the timelines for certain milestones (e.g., enrollment, vendor file feeds, payroll deductions, carrier remittances, reporting, etc.) are often staggered. **So, when asking "how long," be as specific as possible.**



SAMPLE:

Assume we acquire a 500-employee company and want them to have Acme Company benefits on day one. Provide a high-level overview of the process and time required. Include a timeline that shows the level of effort and time required from your team and ours.

6

Determine the vendor's stability based on their own M&A history.

We've all heard about technology startups that began with a great idea but ultimately failed due to poor infrastructure or making the wrong investments in human capital. **With many contracts for HR technology lasting two, three or even five years, it's increasingly important to get assurances that the vendor you choose will be with you for the long haul.** Oftentimes, their own experiences with mergers and acquisitions can tell you a lot about their stability.

SAMPLE:

Describe any organizational changes (e.g., mergers, acquisitions, divestitures, etc.) that have occurred in the past 10 years. If you've experienced any restructuring during this time, please share any insights for optimizing the process.



7

Ask about resources that ensure a positive experience.

Vendors who are particularly good at bringing on new groups due to a merger or acquisition succeed not because of the sheer volume they handle. **They succeed because they think of the process as both a science and an art.** Rather than ask your vendor about the level of experience they have with M&A, find out about the tools and processes they have in place to ensure an optimal experience for you and your members.



SAMPLE:

Describe your process of working with a client before, during and after a merger or acquisition. Include samples of any checklists or other documents that are used, from the discovery stage to reporting.



Find out how the vendor will help you stay compliant.

Mergers and acquisitions pose a host of issues under the Affordable Care Act, COBRA and other regulations.

Make sure your vendor can accommodate all your compliance needs. Also ask whether any of this work is subcontracted or completed within separate systems; either can significantly impact the time it'll take for your new group to be up and running.

SAMPLE:

Describe the system(s) you use to ensure ACA compliance and how each system is integrated with your administrative system. Include whether you can intake historical ACA data for acquired populations. If your ACA services are provided by an outside vendor, indicate which vendor you use and describe the timelines associated with each service.



Determine whether the vendor is staffed to meet your needs.

Depending on the frequency and size of your acquisitions or mergers, you may find yourself in a difficult position if your vendor is not staffed appropriately. **Ask about the resources they have in place for onboarding your new groups as well as ongoing resources to support you and your members.** Also probe how the vendor will ramp up to provide a positive consumer experience for the new employees.



SAMPLE:

Describe your capacity for setting up a new group for and providing support to approximately 3,500 participants. Include details related to the availability of project managers, onboarding teams and customer service staff, including whether temporary employees or contractors are leveraged to meet short-term demands.

Consider the employees to whom you'll have to say goodbye.

Staff reductions: it's one of the most difficult jobs any HR professional will face. And it's especially common among organizations that experience a lot of M&A activity. While the frequency of such activities certainly teaches you empathy for exiting team members, it's a terribly risky proposition. **Not only is your reputation at stake, each alumni employee who elects COBRA coverage exposes you to claims risk.** Fortunately, some benefits administration partners offer alternatives to COBRA coverage—an attractive option that has only increased due to the “gig economy” and younger employees looking for more “portable” coverage.

SAMPLE:

What solutions do you have in place for employees displaced (i.e., off-boarded) due to mergers, acquisitions or other reasons? Do you offer any alternative coverages for non-benefit eligible individuals? If so, how do they work and what is the risk to the employer?



While RFPs can be a big undertaking, they nevertheless allow you to describe your specific needs for achieving your unique business outcomes. This is especially important if your organization experiences a lot of M&A activity.

In addition to all the requirements other organizations have for selecting a vendor, you must evaluate the vendor's ability to meet your needs in terms of cost, expediency, flexibility, experience and staffing capabilities.

- Cost
- Expediency
- Flexibility
- Experience
- Staffing

➔ Ready to learn more about crafting an RFP for benefits administration technology? Check out our guide, **The Art of the RFP**. You'll get:

- Tips on how to structure your RFP
- Suggested timelines to ensure success
- More than 250 sample questions across 19 topics



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