



Big-Picture Benefits

Looking past health care reform to a stronger benefits program



Whether health care reform legislation does or doesn't change — now or in the future — employers can take active steps toward creating a strong benefits program by looking at the broader view of benefits and solutions available to them and their employees.

Is it in or out?

For the past eight years — through two administrations, numerous proposals, countless hours of debates and hundreds of votes — health care reform legislation has been a near-constant source of concern and confusion for many of America's employers, their benefits brokers and insurance providers.

And with good reason: Major medical insurance is the bedrock of a solid employee benefits program and a major employer expense. Unfortunately, on-again, off-again changes to health care reform legislation are needlessly distracting employers from looking at the full scope of their employee benefits plan.

A comprehensive, competitive employee benefits plan includes far more than major medical insurance. Employers who want to attract and retain the best talent need to focus on the bigger picture of their benefits plans. In fact, there are many other options to consider that will help manage the bottom line and offer a benefits program that gives their business a competitive edge. These include:

- Solutions that help control ever-increasing health insurance and health care costs.
- Benefits that help bridge the widening the gap between what's covered and what employees pay for out-of-pocket created by the accelerating trend toward high-deductible health plans.
- Greater flexibility and choice in benefits to meet the needs of today's increasingly diverse workforce.
- Communication support to ensure employees understand their needs and options, make the best choices for themselves and their families, and justify employers' considerable investment in the benefits package.



Employers who want to attract and retain the best talent need to look beyond the short-term distraction of health care reform and focus on the bigger picture of their benefits plans.

WORKERS FACING HIGH DEDUCTIBLES

 **51%**
\$1,000 or more

 **23%**
\$2,000 or more

Kaiser/HRET, 2016

EMPLOYEES SHOULDERING GREATER SHARE OF RISING PREMIUMS

2007-2016 average annual premium growth	
Employees	up 63%
Employers	up 40%
TOTAL	up 44%

Kaiser/HRET, 2016



EMPLOYEES STRUGGLE TO PAY MEDICAL BILLS

47% Can't cover \$400 emergency expense

31% Skipped medical care because of cost

Federal Reserve, 2015

Controlling costs

Despite all the debate on health care reform legislation, one fact is undeniably clear: It hasn't stopped health insurance and health care costs from spiraling ever upward. Health care premiums have increased by more than 300 percent since 1999.¹ And employers are continuing to struggle with those growing costs.

Employers typically react in one of three ways:

- 1. Absorb the increases.** Some employers try this first, but it has a direct, negative impact on their bottom line that may not be sustainable.
- 2. Drop health coverage.** Most employers are avoiding this path. In fact, the percentage of firms offering health benefits has held steady for the past five years.²
- 3. Shift more costs to employees.** More than half of employers in one recent study are increasing the amount of premium employees contribute toward their major medical coverage, increasing the amount of coinsurance employees must pay, or moving to a high-deductible health plan.³ Unfortunately, higher premiums and coinsurance can have an immediate negative impact on employees. High-deductible plans keep health premiums lower, but also increase employees' financial risk.

However, many employers are turning to an additional solution: redesigning their benefits package to include a higher-deductible health plan, paired with voluntary benefits to reduce employees' financial exposure. Voluntary benefits such as hospitalization, accident, critical illness and cancer insurance can help employees cover out-of-pocket medical costs, including deductibles and coinsurance. The benefits can also help pay expenses medical insurance doesn't cover, such as transportation for treatment or even household bills while employees are out of work.

This type of coverage can be selected and paid for by employees, so it can be offered at no direct cost to the employer. However, some employers find they're able to pay for some or all of the voluntary coverage with the premium savings from the high-deductible health plan. Total costs can be the same or lower than before, without sacrificing coverage.



Employers can control rising costs by redesigning their benefits package to include a higher-deductible health plan, paired with voluntary benefits to reduce employees' financial exposure.

Closing gaps


Employees are falling further and further behind in the economic race with health care costs. The average deductible for employer-sponsored health plans surged 13 percent in 2016.⁴ By comparison, workers' wages increased only 2 percent.⁵ In the last decade, the average deductible quadrupled from \$300 to \$1,200 — at least seven times faster than wages have risen in the same period.⁶ It's even more at small firms with fewer than 200 workers, where average deductibles top \$1,600.⁷ For those with high-deductible plans, the gap is even wider.

At either end of that scale, many American workers would struggle to pay the bill. Nearly half — 47 percent — of surveyed Americans say they couldn't cover a \$400 emergency expense or would have to sell something or borrow the money. And close to a third went without some medical care in the past year because they couldn't afford it.⁸

Voluntary benefits can help bridge this widening financial gap. Employees can choose from hospital confinement, accident, disability, critical illness, cancer, life insurance and other types of coverage for themselves and family members. Benefits are paid directly to the insured to use however needed — for out-of-pocket medical or nonmedical costs — and aren't reduced by other insurance.

Because the coverage is offered through the workplace, employees can purchase it for less than they could buy it on their own. Payroll deduction adds to the convenience and most

types of coverage can be paid for on a pretax basis, reducing the net cost. Pretaxing can also save employers money by reducing payroll taxes.



Voluntary benefits can help bridge the widening financial gap between employees' resources and their potential exposure.

Creating choices

There are five generations, many ethnicities and varying family situations among those in the workplace today — all with different financial protection needs. The benefits that appeal to young singles in their first jobs, mid-career workers with active families and veteran employees eyeing retirement can be quite different.


The U.S. workforce is more varied than ever. It's aging: While Millennials and Gen Z are getting headlines, the 55-and-up age group will continue to grow in the coming decades.⁹ The share of Hispanics in the workplace is growing faster than the non-Hispanic labor force.¹⁰ Foreign-born workers make up 28 percent of the labor force in some areas of the country.¹¹

Voluntary benefits offer employers a solution to the challenging task of creating a benefits program that meets the needs of this increasingly diverse workforce. Adding voluntary benefits — coverage that employees select and may pay for themselves — allows employers to offer expanded choices, greater flexibility and affordability their workforce wants and needs.

Employees want these additional benefits: One recent study showed a third of employees enroll in every type of coverage offered.¹² The same study showed for nearly every type of coverage, the primary reason for purchase is peace of mind. Clearly, employees are aware of their financial fragility and are willing to take steps to protect their economic wellbeing through voluntary coverage.

A strong benefits package also positively affects workers' attitudes toward their employers. This is especially important to employers finding retention of talent a major concern. Access to voluntary benefits makes employees much more likely to recommend their employer to others.¹³

And while a growing number of employers are offering voluntary benefits, they tend to underestimate the strong interest their workers have in this coverage. There are large gaps between what employees list as “must-have” benefits compared with what employers offer, especially for accident, critical illness and hospital confinement insurance.¹⁴



Voluntary benefits offer employers a solution to the challenging task of creating a benefits program that meets the needs of their increasingly diverse workforce with expanded choices, greater flexibility and affordability.

Communicating effectively

Employers and employees agree effective communication is essential to ensure employees understand their needs and options, make the best choices for themselves and their families, and justify employers' considerable investment in the benefits package. But there's a significant disconnect between how employers and employees view their benefits communication.

Just over a third of employers have a formal benefits communication plan, yet the vast majority — 92 percent — think their approach is at least somewhat successful.¹⁵ Their workers disagree: Only a third of employees strongly agree they have a good understanding of all the insurance benefits offered by their employer.¹⁶

One reason for this discrepancy is the type of benefits communication and enrollment support employers provide. While nearly all employers with fewer than 500 employees — 94 percent — agree one-to-one enrollments are effective, only 43 percent offer them.¹⁷ Yet surveys of employees who have participated in individual benefits counseling show 95 percent say it was valuable and 98 percent say they understand their benefits better.¹⁸



MEDICAL COSTS FAR OUTPACING WAGE GROWTH

13% ↑

2016 average deductible

2% ↑

2016 average wages

Kaiser/HRET, 2016;
Bureau of Labor Statistics, 2017



EMPLOYERS UNDERESTIMATE EMPLOYEE INTEREST IN VOLUNTARY BENEFITS

Employees “must have”

Accident	44%
Critical Illness	28%
Hospital Confinement	24%

Employers offer

Accident	25%
Critical Illness	18%
Hospital Confinement	14%

MetLife, 2016



EMPLOYEES VALUE ONE-TO-ONE BENEFITS COUNSELING

95%

It was valuable

98%

I understand my benefits better

Colonial Life post-enrollment surveys, 2009-2016

One-to-one enrollments are particularly helpful to employees when considering less-understood voluntary benefits such as accident and critical illness insurance. Individual meetings are a large differentiator between those who enrolled and those who waived such coverage, far outpacing more common communication methods including group meetings, printed materials and websites.¹⁹

Benefits communication support doesn't have to hurt the bottom line for employers. Leading benefits providers offer communication materials and tools as part of their services, at no additional cost. Some will customize printed materials and websites for each customer.



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Conclusion

A strong benefits program is an essential tool for employers to compete for and keep their talented workforce. It's also one of the single largest expenses employers must deal with, and — no matter what happens with health care reform legislation — that cost is likely to continue rising.

Employers who broaden their vision beyond major medical coverage to include voluntary benefits and benefits communication will be ideally positioned to both manage the bottom line and give their business a competitive edge. Increasingly, employers are finding voluntary benefits offer solutions to control costs, help employees protect their financial wellbeing, and provide expanded options for a diverse workforce.

Rather than taking a wait-and-see attitude, forward-looking employers of all sizes can take advantage of the voluntary benefits solution today.

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About Colonial Life

Colonial Life & Accident Insurance Company is a market leader in providing financial protection benefits through the workplace, including disability, life, accident, dental, cancer, critical illness and hospital confinement indemnity insurance. The company's benefit services and education, innovative enrollment technology and personal service support more than 86,000 businesses and organizations, representing 3.7 million of America's workers and their families. For more information visit ColonialLife.com or connect with the company at www.facebook.com/coloniallifebenefits, www.twitter.com/coloniallife and www.linkedin.com/company/colonial-life.

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