Although many of us tend to think of government workers as having great salaries and rich benefits plans, that’s not necessarily the case anymore. Many state and local governments find themselves struggling—just like their private-sector counterparts—to offer competitive wages and benefits. One item noticeably absent from most public-sector plans is disability coverage.

Although disability coverage is considered a staple in most employee benefits packages, research shows state and local government employees have more limited access to disability insurance than the private sector. The Bureau of Labor Statistics reports only 23% of state and local government workers have access to short-term disability insurance.¹ Yet 39% of employers in private industry offer this coverage to their employees. Why the discrepancy?

**PUBLIC VERSUS PRIVATE-SECTOR BENEFITS**

Several factors may account for this difference. First, short-term disability insurance generally costs more for employers to provide than long-term disability coverage because of its high utilization. Second, most public-sector employers offer generous paid sick leave benefits, relying on sick days as a substitute for short-term disability coverage. Take a look at the startling difference between public and private sector sick leave benefits:²

- Nearly 90% of state and local government employees have access to sick leave. Ninety-two percent of them can carry over their unused time.
- Only 61% of private-sector employees have access to sick leave. And just 43% can carry over their unused benefits.

While paid sick leave certainly helps employees during a short-term illness or injury, it’s no solution for newer employees who haven’t accrued much time off. And once employees use up their sick leave, they must accrue more before having this benefit available. This leaves them vulnerable during the period when their sick leave bank is empty. The false sense of security that comes from relying on sick leave as a substitute for disability coverage can be risky.

**OFFER DISABILITY COVERAGE WITHOUT INCREASING COSTS**

Nearly 90% of the short-term disability coverage offered to public-sector employees today is employer-paid.³ But with revenue
shortfalls and increased public scrutiny, many government employers are looking for ways to trim the cost of benefits. One way to cut the budget without impacting quality is to offer voluntary short-term disability coverage. A survey of government financial officers shows 34% of them had recently moved non-core employee benefits such as short-term disability and dental insurance to voluntary, employee-paid benefits. Seventy percent of them would recommend this option to others as a cost-control measure.4

**EMPLOYEES ARE WILLING TO PAY FOR DISABILITY COVERAGE**

Employees value disability coverage because they understand the importance of their paychecks. Without an income, they face the potential of financial disaster. Today, 71% of Americans live paycheck to paycheck. And 48% of families in the United States don’t save any of the money they make.5 Disability coverage could be their only salvation if they become sick or injured and unable to work.

Government employers looking to save costs can choose to pay part of the cost of voluntary coverage or let their employees pay the full premium. Workers are certainly willing to do so. More than half of employees (56%) say they would pay $30 in monthly premiums for income protection.6

Either option gives public-sector employees access to valuable coverage that protects their most important asset: their incomes.

**DON’T OVERLOOK BENEFITS COMMUNICATION**

Governments have historically used generous health insurance and benefits packages to hire and retain quality employees. As a result, public-sector workers have made long-term decisions based on their expectations that these benefits will continue. This means employers must be careful how they manage this necessary and potentially frightening cultural shift. They need to maintain employee satisfaction and productivity, yet they must help their employees accept greater personal responsibility for their benefits.

Providing good benefits communication can help employees adjust to these changes, and can be provided without additional expense. A top voluntary benefits partner can meet one-to-one with each employee at no additional cost to explain the benefits offered and help employees select the coverage that’s best for them and their families.

**HELP THE PUBLIC SECTOR**

Government employers are looking more closely than ever at how they can trim the costs of their benefits, but they don’t have to eliminate coverage or refrain from offering new benefits that employees truly want and need. Show them how voluntary coverage such as short-term disability insurance can make their benefits programs stronger than ever. HIU

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**OPINION**

*Continued from page 57*

words, you could offer credits of what you want, to whom you want.

Even knowing that from a plan perspective it is completely legal to “dump risk” into the exchanges, there are still many pitfalls, both legal and ethical, to such a “strategy.” The messaging to the employee needs to be very specific as to not run afoul or ERISA and Fair Labor Standards. Any employer wishing to attempt to place risk into the exchange would be best served by consulting their legal counsel as to the language behind the message.

More concerning to a consultant must be the ethical impact of such maneuvering. Placing high-risk members into the exchange is simply transferring risk to a broader pool. The immediate impacts may be positive for the client but, in the long term, it does not have any impact on the overall risk of the entire population, thus cannot be viewed as a model for sustainability. Essentially, it is a short-term solution that will not stem the tide of a larger problem. An employer cannot expect to place high-risk employees into the exchange on a year-by-year basis, thus eroding the group plan until the loophole is eventually closed.

Employers may not be so concerned about the larger problem, but they should be concerned about the cultural impacts of such a program. Employers need to consider the consequences within their organization when the water-cooler talk becomes focused on the $25,000 bonus the janitor received for going into the exchange. There will undoubtedly be a line around the HR department and some very confused and angry employees.

The framework and makeup of the PPACA focus primarily on insurance reform and make it a “bill of access” designed to give a greater portion of the population access to the healthcare delivery system in full. As such, it does not address issues such as risk, which means there will be a host of scenarios in which the bill may be exploited for short-term gains at the expense of long-term success for the bill, employers, employees and individuals. While the exchange may well be a viable option as a dumping ground for high-risk members of an employer-sponsored group plan, the viability of such a strategy has to be viewed with a great deal of skepticism. HIU

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2 Ibid.
3 Ibid.
5 U.S. Federal Reserve Board, Survey of Consumer Finances, 2010
6 Consumer Federation of America and Unum, Employee Knowledge and Attitudes about Employer-Provided Disability Insurance, 2012