



BENEFITS MODERNIZATION:

AN EFFECTIVE SOLUTION TO THE PUBLIC SECTOR'S RECRUITMENT AND RETENTION CHALLENGES

Traditionally, a culture of stability and better benefits attracted workers to the public sector, but budget cutbacks, job losses, furloughs and pay freezes have increasingly made government less appealing for potential employees.

These cutbacks, along with a retiring workforce and the need for more talent, are creating a perfect storm for governments looking to recruit skilled workers — and keep them long term.

For government agencies, a focus on employee benefits may be the answer. Benefits can play a key role in both recruitment and retention, according to a recent Governing Institute survey of 167 state and local government officials.

Sixty-five percent of survey respondents said benefits have been a critical factor in their decision to stay in the public sector, while 28 percent said benefits are a best practice for attracting and retaining employees. Competitive benefits also ranked as the most important factor for retention.

By mirroring innovative strategies in the private sector, such as customizing benefits, addressing coverage gaps and offering voluntary benefits, the public sector can take a modern approach to creating

benefits packages that will keep workers engaged and satisfied and address the ongoing challenge of retention.

Cost management will be an overarching priority as government agencies modernize benefits, but collaborating with a strategic partner can help agencies offer better benefits at a sustainable cost.

Colonial Life has spent decades helping the public sector achieve this balance. It offers end-to-end enrollment solutions for benefits administration, communication and education, taking the administrative burden off employers while offering flexibility, cost control and added value for employees.

BENEFITS TRANSFORMATION: CURRENT CHALLENGES

Budgetary issues often hamstring government agencies when it comes to offering incentives that could improve employee engagement and satisfaction. This challenge was confirmed by 90 percent of survey respondents who said budget constraints are the largest barrier for employers who want to increase or improve benefits.

These same budget constraints and shifting public policy have forced agencies to change their deductible plan lines and move

some of the cost burden to employees.¹ Employees now have to make a higher contribution to their benefits, which means they're taking home less money.

At the same time, the public sector faces competition from the private sector as many companies begin to offer value-added non-insurance benefits, including telemedicine and identity theft services, travel assistance and wellness discounts.

The country's demographics also will affect the public sector workforce. The labor force participation rate continues to shrink as baby boomers retire.² Public sector workers tend to be older than their private sector counterparts, so government agencies are faced with the challenge of finding younger workers to replace them.

There's a generational divide when it comes to benefits satisfaction that the public sector will need to address to recruit and retain younger workers. According to the survey, baby boomers are more satisfied with their benefits than millennials and Gen Xers.

FOR MORE THAN 60 YEARS, COLONIAL LIFE HAS OFFERED END-TO-END BENEFITS SOLUTIONS TAILORED TO THE UNIQUE NEEDS OF THE PUBLIC SECTOR, AND IS THE ONLY INSURANCE COMPANY THAT'S ALSO AN ENROLLMENT COMPANY.

On the whole, 38 percent of those surveyed said they were somewhat satisfied with their benefits, while another 8 percent were either ambivalent or dissatisfied with them. This shows there's an opportunity for the public sector to improve the benefits it provides.

Working with the right strategic partner is the most effective way the public sector can transform its benefits approach, overcome these challenges, and attract and retain the best talent.

MODERNIZING BENEFITS ENROLLMENT, COMMUNICATIONS & EDUCATION

For more than 60 years, Colonial Life has offered end-to-end benefits solutions tailored to the unique needs of the public sector, and is the only insurance company that's also an enrollment company. Colonial Life takes advantage of the latest technology, offers benefits customization, and uses communications and education tools to make the benefits administration process more efficient.

Using technology to streamline enrollment. Hialeah, Fla., with a population of more than 224,000 people, is the sixth largest city in the state, and relies on 3,000 employees to serve its residents.

However, the system it used to provide employee benefits was outdated — the city relied on a combination of paper and Excel spreadsheets for benefits enrollment. It worked with Colonial Life

THE VALUE OF VOLUNTARY BENEFITS

Moving non-core benefits to employee-paid voluntary benefits is one way the public sector can provide more affordable coverage options and give employees choices that align with their family's needs. A growing number of public sector employees have voluntary benefits:

57% HAVE SUPPLEMENTAL INSURANCE LIKE CRITICAL ILLNESS OR ACCIDENT INSURANCE

73% HAVE DISABILITY INSURANCE

to modernize the process, transitioning from a paper system to the company's proprietary enrollment platform, which saved time and improved efficiencies for Hialeah's benefits administrators.

Within its electronic platform, Colonial Life can help agencies enroll employees in all core benefits. The platform also serves other functions, such as providing housing benefits election forms and performing dependent verification, during which Colonial Life gives agencies an electronic affidavit and a list of identified ineligible dependents. Since research has shown dependents account for 55 percent of those covered in an employer's health plan, this service can lead to significant cost savings for government agencies.³

With Colonial Life's technology solutions, public sector agencies can leverage a secure, central repository for all their insurance and benefits data and related employee information. The solutions increase efficiency without adding headcount or forcing agencies to rely on an enrollment company to manage the benefits process — all of which saves valuable public sector dollars.

Offering customization and voluntary benefits. According to a 2014 study, 80 percent of employees value benefits customized for their age and circumstances; 78 percent want more varied benefits; and 60 percent are willing to help pay for more benefits choice.⁴ A clear trend is emerging: Employees want personalized benefits.

Moving non-core benefits to employee-paid voluntary benefits is one way the public sector can provide more affordable coverage options and give employees choices that align with their family's needs. This also leads to cost savings, because there's no direct cost to the employer and employees can avoid higher deductibles and increased out-of-pocket costs.

Colonial Life is a market leader in providing financial protection benefits through the workplace, including disability, life, accident, cancer, critical illness, dental and hospital confinement indemnity insurance (note that these are voluntary benefits, and the others such as identity coverage, etc., are value-added programs).

According to the Governing Institute survey, a growing number of public sector employees have voluntary benefits: 57 percent have supplemental insurance like critical illness or accident insurance, and 73 percent have disability insurance. This indicates more employers are willing to offer voluntary benefits. Public sector agencies that haven't yet followed suit should do so to stay competitive.

While voluntary products can help fill the gap in coverage for an existing core benefits plan, Colonial Life recognizes that value-added programs such as identity theft protection, legal services, telemedicine and a funded flex program that covers the administrative fees of a flexible spending account can help enrich the overall employee protection package. Colonial Life offers a variety of value-added services at no additional cost to the employer with minimum enrollment participation requirements.

Improving benefits communication and education. Colonial Life's proprietary platform allows employers to easily communicate every benefit offered to employees. Clear communication is key to helping employees understand the value they're receiving.

Fifty-nine percent of survey respondents said communication is the most highly valued aspect of benefits administration, and other research has shown employees who say their benefits communication is effective are more than twice as likely to say they're very loyal to their company.⁵

However, 61 percent of public sector employees in the survey said they do not actively seek available information about their benefits package, while 26 and 32 percent, respectively, said the materials explaining benefits provided to them and the options available are unclear.

Colonial Life offers 1-to-1 benefits counseling to help employees better understand their benefits and provides benefits statements that detail the value, so employees can see the investment their employer is making in them.⁶ The company also uses various methods to educate employees about the benefits process, including online tools and face-to-face communication. Research has shown it's critical for benefits administrators to tailor education to various demographics. Technology-savvy millennials and Gen Xers often rely on online tools, social networks and online research as part of their decision-making process, but still value face-to-face communication.⁷ Baby boomers often rely on employer-provided brochures and insurance broker websites to make their benefits decisions independently.

Understanding how each of these groups makes these decisions — and tailoring communication strategies to their preferences — is key to improving benefits education. Reviewing the effectiveness of this process also is critical, which is why Colonial Life offers post-enrollment surveys to measure employee satisfaction with the enrollment process.

A CHECKLIST FOR BENEFITS ADMINISTRATORS: STRATEGIES TO MANAGE COSTS & IMPROVE RETENTION

Providing valuable employee benefits is only half the battle for employers — they also must find a way to pay for them. Currently, benefits administrators use several strategies to manage costs, including increasing deductibles and coinsurance percentages (68 percent) and launching employee wellness programs (61 percent), according to the Governing Institute survey. Public sector benefits administrators can leverage the following strategies to help manage benefits costs.

THE ROLE OF BENEFITS IN RECRUITMENT AND RETENTION

65% OF GOVERNMENT OFFICIALS SAID BENEFITS HAVE BEEN A CRITICAL FACTOR IN THEIR DECISION TO STAY IN THE PUBLIC SECTOR.

28% SAID BENEFITS ARE A BEST PRACTICE FOR ATTRACTING AND RETAINING EMPLOYEES.



✓ **FACILITATE COST SHARING.** Health care costs repeatedly surpass the rate of inflation, so sharing the cost with employees is one strategy, especially since research has shown employees are comfortable with less choice versus higher premiums. Increasing employee deductibles and coinsurance percentages can help limit plan disbursements because employees will pay more of the total costs.

✓ **CONFIRM ELIGIBLE DEPENDENTS.** Identify and remove ineligible employee dependents from your plan to uncover significant savings.

✓ **BOOST TAX SAVINGS.** Provide Section 125 health plans (FSAs) to create significant payroll tax savings and further stretch each employee's dollar. A Government Finance Officer study showed that a community college employed this strategy and realized more than \$100,000 in tax savings for employees and \$26,000 in FICA savings.⁸

✓ **SUPPORT VARIABLE PREMIUM CONTRIBUTIONS.** Structure employee premium contributions as a percentage of the total premium or a flat employer contribution where employees must cover the balance.

✓ **INVEST IN WELLNESS PROGRAMS.** Take a structured approach to improving employee health and, therefore, reduce the need for more costly health care interventions. Studies show employers save \$3 for every \$1 invested in wellness programs over a three-year period.⁹

✓ **CONSIDER SELF-INSURANCE.** Retain the risk associated with health insurance and paying for each out-of-pocket claim — and the profit generated by avoiding a fixed premium.

✓ **PARTICIPATE IN COOPERATIVE PURCHASING.** Pool with other employers to augment purchasing power. This may reduce costs by 5 to 20 percent and allow for best-practice sharing.¹⁰

✓ **USE VALUE-BASED INSURANCE DESIGN (VBID) DISEASE MANAGEMENT.** Use cost differentials to direct limited medical resources to their best effect. Since 1996, one U.S. city has run a highly successful disease management program that conforms to VBID principles. The city has seen positive results from each of its five programs — covering diabetes, asthma, depression, hypertension and cholesterol — within one year and has achieved an ROI of about \$4 for every dollar invested.¹¹

✓ **PARTNER FOR ENROLLMENT.** Leverage an external service provider to handle core and voluntary enrollment, eliminating many related costs, such as IT expenses, additional headcount and man hours managing external partners.

✓ **EFFECTIVELY EDUCATE EMPLOYEES.** Employers should provide complimentary materials and 1-to-1 counseling to help employees understand and appreciate the benefits offered.

CONCLUSION

As the public sector continues to compete with private companies to attract and keep the best talent, it must implement innovative solutions to address its challenges. Perhaps the most innovative thing government agencies can do is also the simplest — go back to basics. What attracted many workers to the public sector in the first place was the stability and benefits that extended well beyond their working years, helping them build a strong financial legacy for themselves and their families.

Benefits are a key part of this equation, but the onus is on employers to balance giving employees the benefits they deserve at a cost that doesn't take up a larger share of their paycheck or an agency's budget. The public sector can accomplish this through various strategies that modernize its benefits approach, including voluntary benefits, streamlined administration, communication and education.

Agencies who work with a strategic partner will gain a valuable advantage and put themselves in the best position to communicate the investment they're making in benefits and its true value, helping to improve retention.

Endnotes:

1. www.nytimes.com/2016/09/15/business/health-insurance-analysis-kaiser.html?_r=0
2. www.bloomberg.com/news/articles/2017-01-06/older-americans-are-retiring-in-droves
3. www.gfoa.org/sites/default/files/GFOACContainingHealthCareCosts.pdf
4. www.coloniallife.com/newsroom/news-releases/new-white-paper-points-path-to-more-effective-benefits-enrollments
5. Ibid.
6. www.coloniallife.com/employers/public-sector/benefits-communication-and-education
7. www.coloniallife.com/newsroom/news-releases/new-white-paper-points-path-to-more-effective-benefits-enrollments
8. www.gfoa.org/sites/default/files/GFOACContainingHealthCareCosts.pdf
9. www.gfoa.org/proven-techniques-getting-returns-employee-wellness-programs
10. www.gfoa.org/sites/default/files/GFOACContainingHealthCareCosts.pdf
11. Ibid.

This piece was developed and written by the Governing Content Studio, with information and input from Colonial Life.

Produced by: **GOVERNING**

Governing covers politics, policy and management for state and local government leaders. Recognized as the most credible and authoritative voice in its field, *Governing* provides non-partisan news, insight and analysis on budget and finance; transportation and infrastructure; workforce and economic development; health and human services and more.

Governing is a division of e.Republic, the nation's only media and research company focused exclusively on state and local government and education.

www.governing.com


In collaboration with: The benefits of good hard work.®

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. For more than 60 years, they've been providing financial protection to the public sector. Today, they serve nearly 550,000 public sector employees in more than 5,000 local governments, 41 state governments and 3,000 education agencies.

For more information, visit www.coloniallife.com or connect with the company at www.facebook.com/coloniallifebenefits, www.twitter.com/coloniallife and www.linkedin.com/company/colonial-life.

Colonial Life is a registered trademark and marketing brand of Colonial Life & Accident Insurance Company. Insurance products are underwritten by Colonial Life & Accident Insurance Company.