

Benefit Insights

Voluntary Benefits Are More Than an Accessory to an Employer's Core Benefits

Today, more employers than ever before are offering at least one type of voluntary employee benefit. The growing interest in voluntary benefits reflects tight human resources budgets, the changing face of employer-sponsored health insurance, and the varied and multi-faceted needs of a workforce that is ever-growing in diversity.

A study from Eastbridge Associates found that, overall, 66% of employers offered at least one voluntary benefit in 2009, compared with 54% that did so in 2006. The growth in voluntary benefits offerings has been especially noticeable among the smallest employers (10 - 100 employees), with 65% offering at least one type of voluntary benefit in 2009, compared with only half that did so in 2006.

A separate survey from the International Foundation of Employee Benefit Plans characterizes voluntary benefits as a "fundamental" part of employers' benefits packages, a "significant part of plan sponsors' strategic benefits approach." In that study, 84% of the surveyed employer group offered voluntary benefits.

What's making voluntary benefits more popular...and more important? Here are some of the reasons-

- Tight benefit budgets have constricted the growth of employer-paid-for benefits. Voluntary benefits enable workers to have access to coverages that are popular with employees-such as vision and dental-when the employer can't afford to include these in the basic benefits package, either on a contributory or noncontributory basis.
- The shift from employer paternalism to employee responsibility that began with the introduction of 401(k) plans has continued in full force, with employees now firmly in control of providing for their families' financial security.

Thus, popular voluntary benefits include supplemental life insurance, disability insurance and long-term care insurance-coverages that come into play when potentially cash-draining life events occur.

- In workplaces where consumer-directed health plans are offered, employees who are enrolled in these plans may turn to voluntary supplemental medical coverages to fill in the gaps left by these plans. Vendors have developed products that do just this, helping employees who buy the coverage to offset the higher deductibles or coinsurances of the underlying plan.
- Other types of supplemental medical plans have long been offered on a voluntary basis and they continue to play a role. These include plans that cover the indirect costs of an injury or illness, such as critical illness insurance that pays a cash benefit upon the diagnosis of a life-threatening disease or condition, and which can be used by the insured, or the insured's survivors, for any purpose they see fit; disease-specific insurance, such as cancer insurance, that may provide coverage beyond the primary medical plan for treatments associated with the disease; and hospital indemnity insurance, which supplements the primary plan in the event of an illness that requires a hospital stay.
- A primary driver of the voluntary benefits market has been the growing demographic diversity of the workplace, and the recognition that today's workers have a wide range of needs. Voluntary coverages that address this include long-term care insurance, financial planning, pet insurance, a sampling of life insurance products, and childcare and eldercare assistance.

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The Elan Group, Inc. is pleased to present you with the next edition of our corporate newsletter. We hope the articles in this and future editions will provide insight into an array of financial matters, and we urge you to contact us with questions and comments. Our firm works in the areas of insurance, investment, benefit planning for individuals and corporations and permanent employee placement. Our goal is to provide excellent service, competitive pricing, and products tailored to meet the special needs of each client.



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How Healthcare Reform Will Affect You

Just about everyone in the country is wondering how the passage of the health reform bill by Congress will affect him or her. According to Kaiser Health News, this historic legislation could “have an effect on almost every citizen.” People, even those who are unemployed, will be able to get medical care. But professionals who have been enjoying the best health coverage available may possibly see their benefits dwindle.

What Are the Immediate Changes?

There are certain things that will happen in the first 6 months after the bill is actually signed into law:

- Insurance companies will not be allowed to put lifetime limits on coverage. This means that people with chronic health conditions will never “use up” all of their insurance coverage.
- People with children on their company insurance plan can keep unmarried dependents enrolled until they turn 26. This is very important because of the number of college graduates who are unemployed.
- Insurance plans will be required to cover preventative health services like colonoscopies, osteoporosis screening, screening for things like high blood pressure, diabetes, and sexually transmitted diseases and quit-smoking counseling.
- Pre-existing serious health conditions can no longer prevent people from getting health insurance. They will be able to purchase coverage from a government-subsidized exchange. However, this coverage will not be available until 2014.

Health Insurance Will Be Required

Uninsured people will be required to purchase health insurance by 2014. Subsidies will be available that reduce the premiums subject to income limits.

Penalties will be imposed on people who do not purchase insurance that could be as much as 1 % of their income.

Changes to Medicare

Tighter controls may be put on decisions for care that are considered too costly. The care provided to older people may even be restricted. Cancer screening could be denied for older citizens.

The Medicare system will see a huge hit because approximately one-half of the health reform costs for the next 10 years will come from the Medicare budget.

Pre-Existing Illnesses and Loss of Coverage

Starting this year, the health reform bill will ensure that insurers can't deny coverage to any child based on existing health problems. In 2014, this will be expanded to include all applicants.

Within the first six months of the bill being signed into law, an insurer cannot drop policyholders except in cases of fraud.

Longer Wait Time to See Your Doctor

Millions more people will have access to health care but the number of healthcare workers will not grow quickly enough to keep up. You can expect to wait about twice as long to get in to see a doctor as it did in the past.

Changes to the Coverage You Get from Your Employer

Employers who offer high-value, ‘cadillac’ health plans will probably begin to cut back on those benefits. If they don't do so by 2019, they could face fines from the government. This could possibly mean no more vision or dental coverage or going to a specialist without a referral from your family doctor.

Benefits for Women

With this new health bill, insurers will have to cover maternity care the same way they cover any other medical procedure, but not until 2014. Employers will also be required to allow break time for mothers who are nursing and a private place where they can use their breast pump.

Losing or Leaving Your Job

If someone quits or loses their job, the same exchanges that help lower income people purchase insurance will be available. This means when you leave your job, you don't necessarily have to pay the high COBRA costs. This is very important for people with a pre-existing condition. You may even be able to get free health coverage under some circumstances.

Higher Taxes

In 2013, Medicare payroll tax will go up for incomes over \$200,000 a year.



Encourage Employees to Revisit Life Insurance Needs

Many Americans believe that life insurance is the best way to protect their families against the risk of income loss resulting from the death of a breadwinner. That being the case, it is surprising that only a small number of employers, around fifteen percent, report that more than half of their employees participate in their voluntary supplemental life insurance programs, according to a survey by MetLife. Furthermore, more than half of all households in the United States have no insurance or are underinsured, according to a fact sheet created by LIMRA International. What are the reasons for this disparity and what are the steps employers can take in order to encourage more of their employees to sign up for the coverage they need?

The basic term life insurance coverage offered by employers is usually a free benefit. The Bureau of Labor Statistics reported in 2005 that sixty-four percent of full-time employees had access to life insurance benefits through their workplaces, and that eighty-nine percent of employees that did have coverage received it for free. On the surface, this is a very good thing, but there is a problem with this. This is not enough coverage for the employee's family.

This is the reason why employers offer supplemental life insurance through their regular insurance programs. Unfortunately, there is still the problem of the disparity noted

above. This disparity is the result of several factors, such as health insurance and 401(k) plans. In addition, young and single employees may feel they don't need supplemental coverage now, but when they marry and start a family, they do not upgrade to more comprehensive insurance policies.

According to MetLife, the best way for employers to increase the rate of supplemental life insurance coverage participation is to focus on communicating the benefits to their employees. The important aspect to focus on is the immediate benefits from signing up for supplemental coverage. MetLife found that, when employers did so, the rate of participation jumped by ten to fifteen percent. Employers are encouraged to use multiple channels of communication and to use them at different times of the year. In this way, they may reach a greater number of employees who are not focused on other benefits.

Employers must also make every effort to ask their insurance providers about which features of their plans to promote. For example, many life insurance providers offers a benefit known as accelerated death benefits, which means that in the event of a terminal illness, the policyholder's family will start receiving payouts before death. Supplemental life insurance can be easy to sell to employees, if the right tactics are used.

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- Another marker of today's workforce is how time-pressed employees are, and certain types of voluntary products directly address this reality. For example, by bringing products that most individuals need-such as auto insurance and homeowners/renters insurance-into the workplace, employees save the time of researching these necessary coverages on their own, and also enjoy

the convenience of paying for the insurance through payroll deduction and the cost savings of a group rating.

Though the voluntary insurance marketplace has been around for some time, it is growing in importance for the reasons noted above. Today, voluntary benefits are more than an accessory to an employer's core benefits; they are a seamless, strategic and essential component of a total compensation package.

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ning in mid-career, face the double crunch of saving for retirement at the same time they are attempting to finance their children's college education.

Other products in the voluntary benefits market include vision insurance, legal services plans, auto/homeowners'/renters' insurance, and pet care insurance.

In deciding upon a particular voluntary benefit product or vendor, an employer should keep several things in mind:

- Is the type of product one for which employees have expressed an interest (as demonstrated by requests made or surveys done of the workforce) or one that you are comfortably sure employees will want?

- If administrative processes by the company's human resources/benefits staff will be required, are they easy to understand and economical in terms of the amount of time they will require?
- After examining detailed information on the product, does it seem to provide what its name implies?
- Is the carrier/vendor financially stable and reputable?

If chosen properly, voluntary benefits can be a welcome, win-win supplement to an employer's benefits package.

Voluntary Benefits: A Win-Win that Satisfies Employee Interests and Employer Needs

The voluntary benefits market is growing, and with good reason. Voluntary benefits-offered through the workplace but paid for fully by employees-enable an employer to make a wide array of supplemental benefits available to employees, at little or no cost to the company. Voluntary benefits products are so attractive that, according to one study, more than six in ten employers now offer at least one type of voluntary benefit.

The advantages of voluntary benefits are well known. Because a voluntary benefit product is marketed and sold in a group setting, employees can purchase the benefits at a group rate, pay for them through payroll deduction, and save the time of shopping for them on their own.

For eight consecutive years, Metlife has conducted research on employees and employers regarding the U.S. benefits industry, and compiled the results in its annual Study of Employee Benefits Trends. The 2010 study reveals the apparent resilience of workplace benefits even during a tough economy. It also shows that although employers and employees continue to deal with the effects of the economic downturn, they are focused on the long term, and value voluntary benefits. However, there is a slight disconnect on how much worth employers/employees place on voluntary benefits.

According to the 2010 study, 57% of employees agree that voluntary benefits provide access to options that better fit their needs. Furthermore, 60% of employees surveyed believe that voluntary benefits are valuable to provide them with extra coverage that supplements employer-sponsored benefits.

From the employer's perspective, the study found that many employers underestimate the value employees place on voluntary benefits. Just as employees expressed greater interest in voluntary benefits, the importance of these benefits has declined among employers. As a result, there may be a missed opportunity for employers to improve satisfaction with benefits program.

The most in-demand voluntary benefits continue to be those that supplement core medical, life, or disability coverages. These include dental, critical illness, specific illness, hospital supplemental, medical supplemental, disability buy-up, and supplemental life coverages. However, demographic trends are contributing to growing interest in long-term care and financial planning products. As more people become faced with their parents' eldercare needs, they begin to appreciate the cost of extended care and anticipate what their own needs may be in a few short years. And, many workers, begin-

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