

Benefit Insights

Recognize Value of Voluntary Benefits for Your Company and Your Employees Alike

Attracting and retaining valuable, productive employees can be a complex task. Differentiating your company from others, however, can help increase employee loyalty and attract top job candidates. One way to set your company apart from other employers is to offer a well-rounded and comprehensive voluntary employee benefit package.

A voluntary benefit program is a practical way to provide employees with the benefits they want, but with little or no cost to the company. Studies reveal that employees want choices regarding types of benefits due to their varying needs. Family status, finances, age, current coverage, and other circumstances drive the need for specific benefits.

Optional employee benefits include life insurance, short-term and long-term disability insurance, accident coverage, dental and vision insurance, and long-term care and critical illness insurance. These products become available at a fraction of the cost that would be incurred if purchased by the employees on an individual basis. Employees with health problems may also be able to receive guaranteed issue benefits.

Making certain to offer the right mix of benefits is the key to meeting employees' needs. It is crucial for an employer to conduct a realistic assessment of employee demographics. Many companies make the mistake of offering too many concierge-style benefits, in an effort to make their company look good. But in the end, this strategy doesn't satisfy employees' needs, and proves to be wasteful.

Making certain to offer the right mix of benefits is the key to meeting employees' needs.

When considering a voluntary benefit program to offer employees, look for benefits that produce clear, compelling



advantages to both your company and your employees alike. Employers should consider whether the voluntary benefit is cost effective, easy to implement, and satisfies employee

continued on page 4

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.



Human Resource & Benefits Solutions

The Elan Group, Inc.
2910 Bay to Bay Blvd.
Tampa, Florida 33629
Website: www.elan-group.com

Phone: (813) 839-1530
Fax: (813) 837-3487
Email: info@elan-group.com



Dependent Eligibility Audits Emerge as Health Plan Cost Cutting Tool

As employers search for ways to contain employee benefit plan costs, many are undertaking dependent eligibility audits. The logic-and potential cost savings-is compelling. Why pay for something-in this case, coverage for someone not entitled to it under the terms of a benefit plan-when you don't have to?

According to the results of client dependent eligibility audits conducted by HRAdvance, a third-party provider of audit services, the percentage of ineligible dependents detected in such audits ranges from 7% to 19%. And, with each employee dependent covered under a health plan running about \$3,400 annually (with this amount varying considerably company to company, according to figures from Aon Consulting), the potential cost savings can be dramatic, even for a small company. Aon cites the potential return on investment from dependent eligibility audits as high as 40 to 1. Savings should be considerable, when you consider that each removed ineligible dependent represents dollars saved year after year.

Though the cost savings are compelling, they're not the only reason to conduct a dependent eligibility audit. ERISA mandates that benefit plans be maintained for the "exclusive benefit" of employees, and employers as plan fiduciaries are required to operate plans accordingly. Arguably, covering ineligible individuals, which can create additional plan costs for all employees, runs afoul of these requirements.

The purpose of a dependent eligibility audit is to verify that individuals listed by employees as eligible for coverage under the plan-primarily spouses and dependent children-indeed meet the plan requirements for eligibility. A simple employee certification or affidavit of dependent eligibility does not provide proof of this, and therefore an audit requires employees to submit documents that substantiate eligibility. An audit will be a significant undertaking. Consider that you will need to:

- Review health plan documents (and the documents for any other plans for which the audit is being conducted) to determine the definitions for all possible eligible dependents.
- Determine the documentation you will require for substantiating eligibility. For example, in the case of a spouse, this may be not only a marriage license or certificate, but also a recently filed joint income tax return to show that the marriage continues to the present day.
- Establish a time line for informing employees about the audit and a deadline for submitting the required documentation, and develop communications materials accordingly.
- Determine the process by which employees can submit their documentation, and set up a mechanism to receive materials.

- Review submitted documentation to determine whether they meet the requirements for establishing eligibility, and establish a notification and grace period process for employees who fail to submit materials properly and/or on time. Inform employees of the audit results.
- Since these audits generate a large amount of paper, arrange for secure storage and/or disposal of the materials employees have submitted.
- Since the audit will likely generate questions from employees, a knowledgeable person or persons must be assigned to field employee inquiries.

Some companies choose to outsource dependent eligibility audits instead of conducting them in-house. Audit service providers cite the potential cost savings that can be achieved and the amount of work involved in a thorough, well-designed audit to argue that contracting for such services delivers a good return on investment. If you decide to use an outside resource, you'll likely have a choice of vendors-with more and more employers conducting dependent eligibility audits, an industry specializing in this particular employee benefit plan service has developed.

Other design considerations can impact the workload an audit generates. For example, in order to make the process more manageable, some companies audit only a particular dependent group, or a single company division or location at a time, instead of requiring all employees enrolling dependents to submit dependent documentation. If considering honing in on particular dependent groups, data from HRAdvance's client audit shows the distribution of ineligible dependents to be 43% children under age 19, 29% children over age 19, and 28% spouses. Another consideration that can impact the manageability of the audit is whether to conduct it retrospectively (and try to recover claims that shouldn't have been paid) or on a forward-looking basis only. Many employers also choose to precede the audit with an amnesty period during which employees can voluntarily remove dependents from the plan with no penalty.

Since most companies have traditionally run on an honor system when covering dependents-basically taking an employee's word for it that those dependents enrolled for coverage indeed meet a definition of eligible dependent-advance communications to alert employees of the audit, and the reasons for it, are critical to employee cooperation and, ultimately, how successful the audit will be. Use all available media, and stress that removing individuals who are not eligible for coverage will benefit not only the company, but all employees who are paying to have themselves, and family members, covered by the plan.

What Employees Need to Know About the Real Cost of Healthcare

Everyone in America knows that the healthcare landscape is rapidly changing. Although the Obama administration is working to make sweeping changes in how healthcare is paid for, no one yet knows if and/or when the new plans will affect individuals and businesses. In the meantime, insurance premiums are growing by leaps and bounds, and employers and healthcare organizations everywhere are seeking innovative approaches to reduce, or at least stabilize, these costs. Most experts agree that any savings generated from managed care options has long since evaporated. These experts feel the greatest chance for improvement lies in consumer directed healthcare. The idea behind the movement towards consumer directed care is that patients will better understand expenditures and will share in the costs, making them more discerning consumers of health care.



To understand why the cost of healthcare is skyrocketing, there are several factors to consider. The list includes:

- New Medications being marketed aggressively
- New Medical Technologies
- An Aging Population
- Overuse of Medical Services
- Cost Insulation that isolates patients from the real cost of healthcare services, as well as the true cost of pharmaceuticals

But what can be done about any of these factors? Obviously, insurance carriers, employers and consumers have little control over medical advancements or the increasing age of the U.S. population. Additionally, to attract and retain valuable employees, employers need to continue offering comprehensive medical plans. Although employers may not be able to directly affect costs, they can play an active role in creating an informed healthcare consumer.

In our current healthcare system, consumers are sheltered from the true value of their healthcare. Many employees believe that the average prescription drug and doctor visit costs little more than their \$15 or \$20 co-pay. But health insurers and employers are keenly aware of what these services cost. Taken together, the lack of incentives for employees to

use healthcare prudently, plus the ever-rising healthcare costs, lead us to the difficult spot we are in today.

Over recent years, defined contribution healthcare plans have garnered much attention to the need for consumer education. With a “consumer-directed” model of health coverage, consumers bear a significant amount of responsibility for financial decision-making. And although employees still have coverage for disastrous events, they may only have a certain set dollar amount to use toward day-to-day expenses, generally excluding preventative care. Therefore, when a consumer-directed approach is being considered, communication is vital, and a strategy for educating employees is a must.

How can employers help? The answer depends on the size and the resources of the company. Large companies, which are often self-funded, have a greater stake in the outcome of an educational effort. These companies might have the resources to hire third party providers to develop and implement programs for employee education. However, even many larger businesses may not have the extra time or resources to commit to a full-scale education effort.

Despite this fact, most employers have free access to education resources directly through their health insurer. In particular, pharmacy education is often integrated within a specific medical plan. For example, some insurance companies give their members cost comparison information of brand name versus generic drugs. Insurers have also created tiered pharmacy plans, which use lower co-pays to encourage members to use generic drugs whenever possible. Since an increasing proportion of health dollars is spent on developing and marketing pharmaceuticals, the situation would only worsen if not for these early education efforts.

Many insurance carriers in the U.S. now offer searchable online databases for their members where they can research the approximate cost of certain procedures. Employees considering a “routine” MRI are able to view the cost of this procedure and their out-of-pocket cost potential. While this information may not affect everyone’s decision, some will consider foregoing the procedure if they feel it is not really necessary.

Another idea is for insurance carrier representatives to host health seminars and workshops for businesses and employees. Topics could range from healthy diets to disease management, as well as the value of preventative care. Employers should show commitment to these programs by making such meetings mandatory.

Repetition is the key to making health education work. Employees should have easy access to healthcare alternatives. Communication at annual enrollment time is not enough. The message needs to be communicated more often, using multimedia with clear and clever delivery.

Undoubtedly, employers will benefit from lower premiums in the future by educating employees today. When employees utilize healthcare resources more efficiently, everyone wins. Over the long haul, cost-effective healthcare choices can produce savings that not only flow directly back to the employer, but to the consumer as well. And, in these tough economic times, who can argue with that?

continued from page 1...Recognize Value of Voluntary Benefits for Your Company and Your Employees Alike

needs. Consider these four factors when developing a benefits package:

Design - An effective benefits package must be affordable, competitive, comprehensive, easily understood, and valuable given the employer's and employees' present circumstances.

Communication - While the design of the benefits package is important, it offers little value if the details of the package are not properly communicated to employees. Your workers cannot enroll in a benefits program that they are not aware of, or that they do not understand.

Value - Benefits must be of true value to the employee. Instead of offering benefits that might be more trouble than they are worth, find out what employees really need and offer it to them.

Service - Understand service before, during, and after enrollment. Employers must be able to adminis-

ter the plans readily, and employees must be able to understand and utilize the benefits.

To make voluntary benefit programs even more appealing to employees, the Internal Revenue Service established a tax filing incentive called Section 125, commonly referred to as "cafeteria" or "POP" plans. Employees who participate in a 125 plan pay less FICA, federal, and state tax on the dollars routed through these plans. The employer also saves on the required FICA match.

The bottom line: employers can expand their fringe benefits to attract top-notch employees, without increasing overhead, by offering just the right mix of voluntary benefits. In today's tough economy, it is essential for employers to offer employees the best benefit options available. If designed with thought and care, a voluntary benefit package will result in a win-win situation for both the employer and employee.



Human Resource & Benefits Solutions

The Elan Group, Inc.
2910 Bay to Bay Blvd.
Tampa, Florida 33629
Website: www.elan-group.com

Phone: (813) 839-1530
Fax: (813) 837-3487
Email: info@elan-group.com

Benefit Insights