



Benefit Insights

Communications Top Concern in Benefits Enrollment

Any benefits or human resources professional who has been through an open enrollment season knows the importance of communications in ensuring that the enrollment process goes smoothly and successfully. Yet, overall, employers still have work to do in crafting and delivering communications that engage employees and result in their careful and considered selection of benefits.

A survey from the Guardian Life Insurance Company found that almost half of employees spend little or no time reviewing their benefits options each year. On average, the survey found, employees spend 1.4 hours reviewing benefits selections, compared with the 2.8 hours they spend preparing and filing taxes and the 4.9 hours they spend on holiday shopping. The result, according to the survey, is a basic misunderstanding about the advantages of group benefits products. For example, though 70% of surveyed employees said they knew the differences between group and individual life insurance coverage, almost half of these employees said they thought a medical exam was required to enroll in group life insurance. And, though two-thirds of employees said they knew the differences between group and individual disability coverage, almost half believed they needed a medical exam to enroll in the group plan. For both of these coverages, medical underwriting is not typically required. Furthermore, nearly a quarter of the employee-respondents thought that group disability coverage would be more expensive than an individual disability product.

Employers recognize these communications challenges. A survey from human resources consultant Watson Wyatt found that communications challenges topped the list of employer concerns during the most recent annual benefits enrollment period, with 63% of surveyed firms citing employee communications as a top challenge. More than a third—36%—cited more fully engaging employees in the enrollment process as a



top challenge. In contrast, the surveyed employers were highly satisfied with the transactional aspects of benefits enrollment, with 75% being satisfied or very satisfied with the completeness and accuracy of the selections made. (The average company reported that two-thirds of employee enrollments were completed on the Web.)

Many of the employers reported employee concerns with those parts of the enrollment process that require employees' thoughtful decision making—contributions to health spending accounts, choosing between different plans, coordinating with a spouse's plan. Also, 28% cited the complexity of the enrollment process as an employee concern, while 27% cited employee challenges grappling with plan changes.

The past several years have seen the continued shift of responsibility to workers for an increasing number of decisions involving employee benefits. Clearly, this shift heightens the need for communications that not only inform employees, but also engage them as involved, educated decision makers. Now is a good time to critically review your last open enrollment period, talk with employees about their experiences, and assess both the successes and failures of the process. The information that you glean can be invaluable as you craft communications for the next enrollment period.

It is with great satisfaction that we bring our newsletter to you. In this quarterly issue, we will discuss pertinent financial and benefits topics which affect you and your employees. If you have a topic for future discussion, please email us at:

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EAPs Can Help Employees Manage Everyday Stress

Stress—whatever its source—takes its toll in the workplace. Some estimates put the cost of stress at \$300 billion annually, in lost productivity, absenteeism, health care costs and other losses. But do you really need to put a dollar figure on the costs of stress to know that it can negatively impact your organization? Consider some of the consequences that stress can have—

- Stress sufferers often report trouble sleeping, resulting in a less-than-optimal level of alertness during the workday. This can lead to poor concentration, errors, and accidents.
- Stress can affect mood, and cause poor employee-to-employee and employee-to-management interactions, lowering morale, hampering communications and impacting productivity.
- Over time, stress can harm one's health. Digestive disorders, hypertension, headaches, depression and substance abuse all are linked to stress, and can result in increased absenteeism and a higher volume of health care and workers' compensation claims.

Though the root causes of stress can be varied—relationships/marriage, money, anxiety about children or elderly parents, time pressure—the workplace, itself, is a primary source of modern-day stress. The National Institute for Occupational Safety and Health reports various studies' findings on workplace-based stress—

- 40 % of workers say their job is very or extremely stressful.
- 26 % of workers say they are often burned out or stressed out by their work.
- 29 % of workers say they feel extremely stressed at work.

And, work/life consultant WFC Resources reports that 80 % of surveyed employers said that job-related stress is a serious challenge in their organizations, while 83 % said that stress was having an impact on employee productivity.

Clearly, employers have good reason to try to help employees manage stress, whatever its source. An employee assistance program (EAP) can be an invaluable tool in such efforts. EAPs provide referrals and/or treatment, crisis counseling and related support to those using their services for a variety of problems—marital, mental health, crisis intervention, financial, legal, work-related, substance-related, etc. With the increased stresses of modern life, EAPs arguably are a more valuable benefit than ever. One analysis of EAPs from Blue Cross and Blue Shield of Minnesota found that call volume increased 23 % from 2005 to 2006, even though the number of members with access remained unchanged.

This same analysis examined the reasons why employees were calling for assistance: 20 % called principally about



marital issues, 17 % called because of workplace stress, 17 % called about depression and other mental health issues, and just over 7 % called because of an alcohol or drug problem. Though stress did not top the list, EAP counselors found stress to be the underlying causal factor behind many of the other problems, including depression, marital conflict, job worries, family issues, parenting concerns and substance abuse, according to the analysis.

The study also looked at the financial impact of the EAP at one organization, and found that when employees called the EAP, their productivity rose 8.5 % (based on EAP participants' estimates), saving their employer more than \$130,000.

An EAP is an included benefit in many health plans today, and is also available through standalone vendors. An EAP is not the kind of benefit employees are likely to think of often—like the health plan, dental benefits or 401(k) plan, for example—so it is important to communicate the availability and importance of the EAP to employees on a regular basis. By offering employees access to an EAP and giving the EAP some profile, employees may be better able to manage their stress and prevent it from having a negative impact in the workplace.

Voluntary Benefit Programs Serve As an Excellent Recruiting and Retention Tool

Employers know that benefit programs can be a huge recruiting and retention tool. Many people are willing to trade off salary considerations or work at less than optimal jobs in order to access insurance benefits. In fact, many people work just for the benefits.

This employee behavior makes perfect sense when the value of employer-sponsored and/or partially paid benefits is compared with the costs of purchasing those benefits on an individual basis. From 2000 to 2006, health insurance premiums rose 87% while salaries and wages rose just 20%.¹ The average insurance premium in 2006 was \$11,480, more than the annual salary of a minimum wage worker,² making it impossible for many workers to consider maintaining health insurance outside of a work situation where the employer pays a substantial portion of the cost. Moreover, group programs are often far less expensive than individual rates for a variety of benefit offerings.

Most employers cannot afford to continually add new benefit programs to their offerings, particularly since health-care premiums continue to rise. However, employers can help their employees by offering non-employer-supported group benefits programs.

For example, individual short-term disability insurance is extremely expensive for several reasons:

- Individual insurance must be sold individually, adding marketing and administrative costs;
- Those seeking short-term disability insurance on an individual basis are typically those with the highest likelihood of submitting a claim, creating an adverse selection group.

Short-term disability insurance is an extremely valuable benefit, particularly if your company has a limited sick leave benefit. Your company may be in the position to offer this benefit to employees on an unpaid basis:

- The group sale makes the group premium less expensive;
- The coverage group is based on employment, not on need



for short-term disability insurance, eliminating the adverse selection to some degree.

Consequently, your company may be able to offer employees a lower premium short-term disability program, a substantial benefit even if the company does not contribute toward the premium. The company does make the commitment to administer the program but most organizations can easily add payroll deduction options through their automated payroll system so the administrative burden is minimal. If you consider this approach, be sure to understand any ramifications of less than full employee participation. For example, the offering vendor may be unwilling to extend coverage unless there is at least 60% participation to avoid adverse selection.

There are a variety of group programs that could be offered in this way including supplemental life, long term disability, long-term care insurance and so on.

Employee recruitment and retention is an expensive proposition. Offering access to employee-paid group benefits that help your employees obtain important security can be an investment that produces an excellent return for your organization.

1 Rowland, Diane, Kaiser Family Foundation, "Economic Challenges Facing Middle Class Americans", testimony before the U.S. House of Representatives Ways and Means Committee, January 31, 2007

2 Ibid.

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If considering a mini-medical plan, one of the key factors is making sure that the plan will be accurately communicated to employees. As noted above, mini-medical plans are very different from the types of health plans typically offered in the workplace, and it will be important that employees really understand the limited nature of the coverage they are buying (or, that they are contributing to, if the employer also is making a premium contribution). Beyond this, many of the same factors applied in deciding upon any medical plan should be considered: What plans are available in my state? Is there a provider network and,

if so, is it adequate for my employees? Does the plan apply pre-existing condition limitations? What, if any, employer contribution will be required? Are there any participation requirements?

While they won't be right for every workplace, mini-medical plans can fill gaps in workforce coverage and even bring health coverage into a workplace that previously had none. And, as with any type of benefit, employers hope that the mini-medical plan will contribute toward reduced turnover and make for a more loyal and engaged workforce.

Mini-Medical Plans Offer Coverage Option When the Alternative May Be None

Mini-medical plans—also known as limited medical plans—appear to be a fast-growing segment of the health insurance market. These basic, low-cost medical plans provide the opportunity for employers to offer health coverage in situations where offering more traditional types of coverage is not an option.

Though mini-medical plans can differ in design, they typically are intended to pay a limited, defined benefit amount at the front-end of medical care, and have a low annual benefit cap (\$10,000 to \$25,000). Covered benefits typically include doctors' visits, hospital stays, emergency room visits, wellness care, prescription drugs, and the like. Some plans also will cover a more extensive list of services, such as for mental health and substance abuse. However, for any service covered, the benefit the mini-medical plan will pay will be more limited than what a major medical plan would cover. For example, a plan might pay \$40 for a doctor's office visit, and pay a maximum of \$240 annually for doctor's office visits; up to \$75 in wellness services in a year; and \$100 for a day of hospital care. Members are responsible for paying all amounts in excess of these limits. Some plans are based on an indemnity model (and pay a set amount toward a service with the member paying the rest), while others require cost-sharing through a copayment (but still use a network negotiated fee or UCR rate to limit the benefit paid for the service).

As noted above, the annual maximum benefit cap is low, compared to what would be found in a major medical plan. Thus, these plans shouldn't be confused with catastrophic medical plans, which also carry lower premium costs than a major medical plan, but which are designed to insure against high-cost events, and only kick in after the insured has paid a substantial sum in up-front costs. The mini-medical plan is quite the opposite, intended to provide some coverage for more everyday medical care, and not for the high-cost, catastrophic events.

So why are employers looking at mini-medical plans? These plans can enable employers to fill coverage gaps and offer coverage to employees who, for whatever reason, are not eligible for the company's medical plan—part-time employees, new hires who haven't yet satisfied any waiting period, seasonal workers. With their much-lower premium price tag, mini-medical plans can also provide a solution for employers in industries with a low wage, where even the most basic major medical plan is not affordable for the typical employee. And, for some very small employers or new companies for which any type of major medical plan simply is not in the budget, mini-medical plans can be a way to offer some health coverage.

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