A Complete Guide to Employee Benefits:

What Growing Companies Need to Know

Namely

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Introduction

Ah, benefits. An important employee offering at any company—from the newest startup to the world's best-known brand. Benefits programs are crucial for boosting recruitment, retaining top talent, showing employees that you care, and staying on top of the fiercest competitors in your industry. They're the ultimate productivity hack—the way to a happier, healthier workforce.

If you're in charge of selecting benefits for your employees, you probably have one big question on your mind.

"How can I get employees the quality care they want—the kind that makes them stick around—without breaking the bank?"

Introduction

In "The future of benefits enrollment technology" on LifeHealthPRO, Richard Shaffer implores employers and providers alike to be "choice architects" for their employees.[1] As you decide on the plans your company will offer, anyone will advise you to discover what your employees care about most. Once you have some answers, always keep in mind your end goal: make benefits selection as *easy* and *clear* as possible for employees.

Introduction

This eBook will help you kick off those goals in five sections.

We will explore:

- **What kind of coverage to offer and to whom**
- **Considerations regarding deductibles and your contribution**
- **What benefits technology you should use**
- **How to implement the enrollment and communication periods**

As MetLife's "12th Annual U.S. Employee Benefit Trends Study" revealed, now more than ever, employees are embracing increased personal contribution to benefits programs.[2] Arguably, benefits are the most important financial decision employees face annually. But they still need an employer's help to find the right plan. With that in mind, read on for the initial steps to take when rolling out benefits enrollment. Start unlocking a competitive advantage that bodes well for any business: peace of mind, for both you and your workers.

1

Determine what kind of coverage you will offer and to whom.

What kind of coverage can employees expect from you? It's not an easy question to answer. Different employees have different pressing priorities—medical, dental, life insurance, worker's compensation, disability insurance, you name it.

Survey your current employees to see what matters most to them. It's the only way to really get a pulse on what they find the most valuable—and see how they feel about any benefits you currently offer.

While talking to your people, also benchmark what your competitors' plans look like. Ask around your professional network and see what information your recent interviewees can lend.

What are the bare minimum benefits you should offer? *Forbes* has this advice: **"To attract talent and compete effectively, entrepreneurs [and small businesses] should offer health insurance, some life and disability insurance and probably a retirement savings plan."**[3]

Medical, Dental, and Vision

According to the Bureau of Labor Statistics, **employer-provided medical care** was available to 86% of full-time private industry workers in the United States in March 2014. For comparison's sake, only 23% of part-time workers had medical care benefits available. In smaller establishments (companies with fewer than 100 employees), 57% of workers had access to medical care.[4] By 2016, even employers with just 50 workers will have to report health care offerings to the IRS under the Affordable Care Act's employer mandate.

In short, health insurance is a must. Typical coverage usually includes:

- Treatment of illness, disease, or accidents
- Inpatient hospital treatments
- Prescription drugs

Likely, the following will not be included in the medical plans you source:

- Work-related injuries falling under worker's compensation
- Cosmetic surgery
- Services not recommended by a physician

Medical, Dental, and Vision

Another quick rule of thumb: your employees should never have to pay for their own preventative care (shots, screening tests, etc.). New health care laws now protect consumers and provide for free preventative care, so that expectation is certainly set.[5]

Voluntary supplemental health benefits may include accident, critical illness, and hospital indemnity plans. These plans help employees manage unexpected health care costs that medical plans might not cover.

Finally, according to BenefitsPro, 98% of dental benefits are provided through stand-alone dental policies for individuals and families, independent of a medical plan.[6] Like your health plan, dental plans can be fully or partially funded by employers. The same goes for vision. More and more employees expect at least partially funded vision and dental, so you'll want to explore your options there.

Ancillary Plans

Ancillary Benefits are employee offerings that don't fall under major medical coverage. In terms of priority as an employer, ancillary benefits fall somewhere after medical and dental (your highest priority) and before vision and voluntary benefits. Here are some important ancillary benefits to put on your radar:

- **Life and Disability Insurance:** According to LIMRA's 2014 Insurance Barometer Study, 78% of life insurance is purchased in the workplace. Not only that, but 90% of long-term disability coverage is bought in the workplace as well.[7] For many, the office is the only place where employees can get information about these plans, or even consider them. Additionally, life and disability insurance purchased in the workplace is available at guaranteed or modified issue. That means employees do not have to go through medical tests in order to obtain coverage.

Ancillary Plans

of companies with between 5 and 99 employees offer a 401(k)

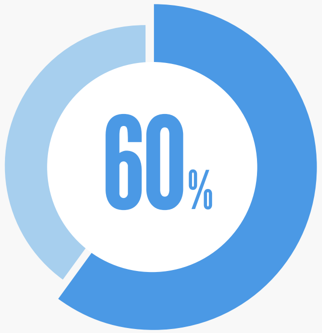
- **Retirement:** According to the New York Times, 401(k) plans are a differentiator for small businesses.[8] Capital One's ShareBuilder 401k[9] reports that only one in four firms with 50 or fewer employees had a plan in place, and *Inc.* cites that just 15% of companies with between five and 99 employees offer a 401(k).[10] While millennial employees are unlikely to be concerned about retirement right now, for the long term—as your company becomes larger and larger—the absence of a retirement plan will become more and more noticeable. Fortunately, as *NYT* mentions, it is much easier and cheaper to set up a 401(k) than it was, say, ten years ago. Also, if you have fewer than 100 employees, you can claim up to $500 in tax credits to help out with administrative costs for each of the first three years of your first-time plan.

Ancillary Plans

- **EAP (Employee Assistance Program):** An employee assistance program offers short-term counseling and referral services for both employees and their family members. If personal issues are negatively affecting job performance—occupational stress, substance abuse, major life events, and more—managers can refer employees to the EAP. Usually, the service is prepaid by the employer.
- **Travel Assistance:** Travel assistance programs can provide coverage for medical emergencies, illnesses, or accidents that happen when an employee travels. If your workers are often on the go, especially internationally, this is definitely an ancillary benefit to consider.

Ancillary benefits typically aren't offered by small businesses, but you should be aware of them. They can boost your benefit program's competitive edge.

Ancillary Plans



of employers offer voluntary benefits to reduce benefits cost.

Today, employees are more interested and willing to pay for voluntary benefits outside of the core services you offer, medical benefits included. Over half of employers surveyed by MetLife (55%) saw employees interested in a wider range of voluntary products. The survey further reported that “60% of employers agree (and 34% strongly agree) that the reason they offer voluntary benefits is to replace employer-paid benefits programs to reduce benefits costs.”[11] The finding not only follows a general benefits trend towards greater employee contribution, but also maps to the workplace’s growing millennial workforce. Generation Y, as we know, have grown up with lives full of choice, and they expect the same from their employee benefits.

Ancillary Plans

Finally, *worker's compensation* is insurance for when employees are injured on the job. It provides for their wages and medical benefits. When accepting it, employees also forfeit their right to sue the company for negligence. The priority for worker's comp will depend on your industry (e.g. construction work involves plenty of dangerous tasks). If it applies to your plans, check out page 27 for information on worker's comp premiums.

Whom Should You Cover

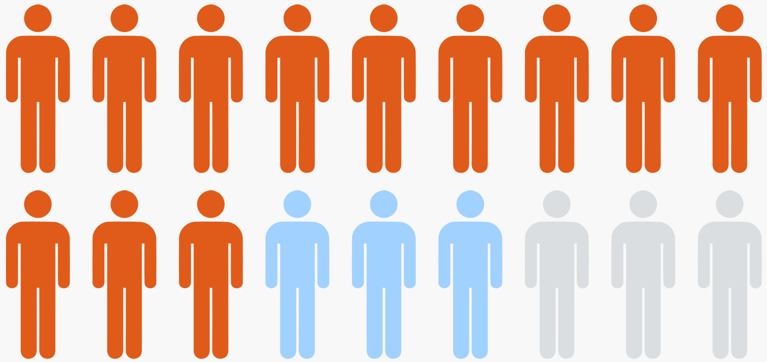
Employers must carefully consider who their benefits will cover. How will part-time employee coverage differ from full-time employees? Will upper management receive richer benefits than non-management employees, like disability or life insurance options with a higher maximum? Do some employees already have coverage from spouses? Or maybe employees already have their own individual health plans.

One of the biggest employer mistakes, one with legal ramifications, is leaving employees out of your plan. For example, the Affordable Care Act employer mandate requires that large employers extend coverage to employees' dependents up to the age of 26. Be sure to consult with a benefits expert at your solution provider when deciding on who exactly should receive coverage.

Whom Should You Cover

There are two numbers you're in search of when estimating who you will cover: **how many employees to offer coverage to**

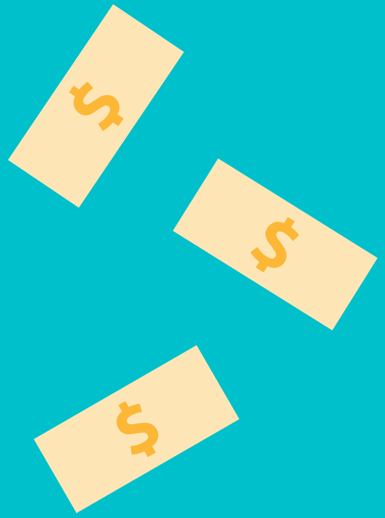
and of those employees, who will actually participate in your offerings.



These two numbers are the biggest factors in your next determination: budget

2

Determine deductibles and your contribution.



MetLife reports that cost is the most important factor when it comes to employees making benefits decisions.[12] A big issue, especially for small businesses, is balancing the cost structure of health, dental, and any number of benefits between employer and employee.

Whether or not you offer a more traditional group insurance plan, a high-deductible health plan, or another plan structure, there are many options available for helping ease the burden of cost on your employees. Plus, you can setup a benefits plan that is ultimately affordable for you. Here's an outline of some key issues to be aware of when it comes to cost.

Premiums vs. Deductibles

Cost-sharing refers to how employers and employees end up splitting benefits costs. For the purpose of our discussion, we'll be focusing on health care. Dr. Jeffrey Kullgren, University of Michigan Medical School Professor, told *Time*, "Whether we like it or not, higher levels of cost sharing is the way of the future."[13] As far as group health insurance plans go, the cost structure hinges upon two amounts: premiums and deductibles.

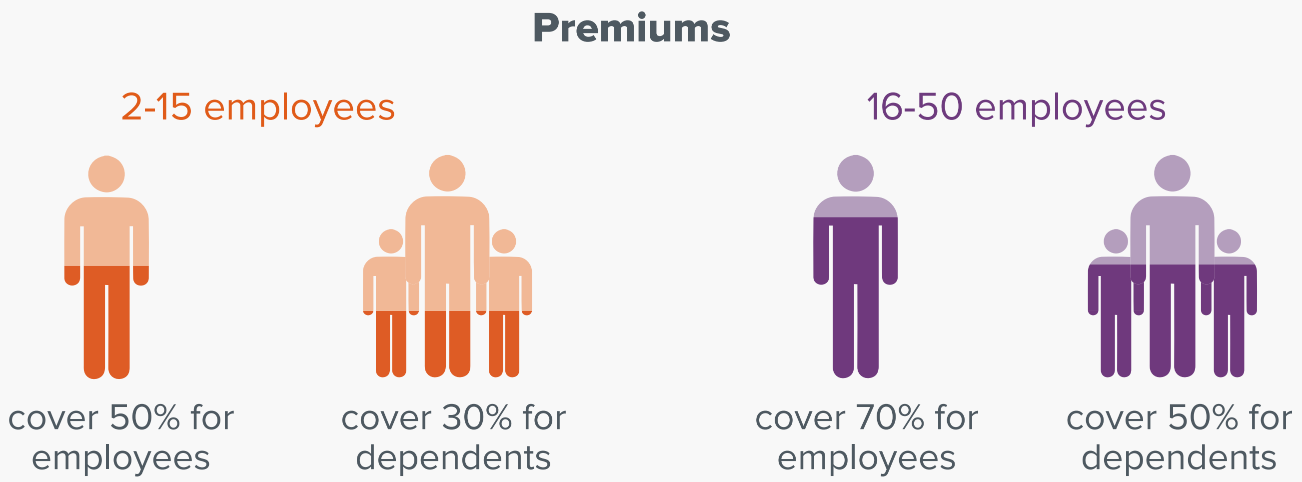
Premiums vs. Deductibles

Premiums are the portions that employers and employees pay, often monthly, for insurance costs. The lower the total premium, the less the employer pays monthly.

Deductibles are the amounts employees are responsible to pay before their insurance company begins covering expenses (with the exception of preventative care). The higher the deductible, the more the employee pays, and the lower the cost to the employer.

Within a group health insurance plan, an employer in most states must cover at least 50% of their employees' monthly premium. The cost is called a minimum contribution or cost-sharing percentage, and the employee pays the rest. Typically, the plan will cover employees and all of their family members. The approach is more plan-centric, as opposed to defined contribution plans that take a more monetary perspective as described later in this eBook.

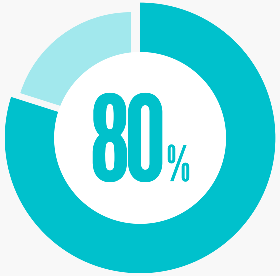
Premiums vs. Deductibles



The big question regarding group health insurance plans is how high should the premium be? And what about the deductible? The higher the deductible, the higher the potential cost to the employee. The less the premium, the less your company will pay.

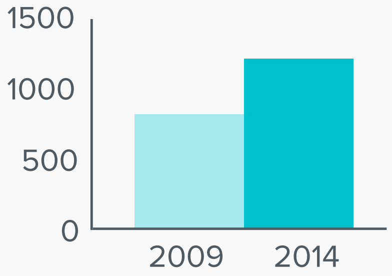
The Wall Street Journal reports that companies with two to 15 employees typically only cover about half of the premiums for their employees and 30% for the employees' dependents. Companies with 16 to 50 employees, however, throw in about 70% for employees and 50% for dependents.[14] The good news about money that you do end up contributing to benefits premiums is that it is usually tax deductible for your business.

Premiums vs. Deductibles



of insured workers had policies that included a deductible in 2014.

Nationally, benefits plans are shifting towards high-deductible health plans, meaning lower premiums, higher deductibles, and more financial responsibility placed on employees. *U.S. News and World Report* mentions that in 2014, 80% of insured workers had policies that included a deductible, citing the 2014 Employer Health Benefits Survey from the Kaiser Family Foundation Health Research & Educational Trust.



Furthermore, from the same survey, we've seen a rise in the average annual deductible among employees by 47% since 2009, from $826 to $1,217.[15]

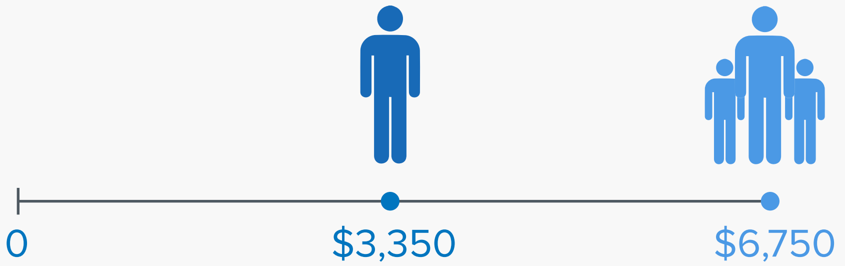
Premiums vs. Deductibles

Still, going along with the high-deductible trend may not be the best strategy at your own company. For one, high deductibles may encourage workers to not get the necessary care they may need. Also, if you're in a very competitive, well-funded industry—say a tech startup—you may invest more heavily in an innovative benefits program to encourage recruitment and retention as your company quickly scales up.

Again, keep an eye on competition. Covering more costs makes your company stand out. The more competitive your industry, the more likely you are to pay higher premiums. Benefits can close the deal when hiring top talent, and they boost retention when your current workforce sees how much you care. Ask yourself what the main goal of your benefits program is before immediately adopting a high-deductible group health insurance plan. Then, balance deductibles and premiums appropriately to offer enough variety and affordability to employees.

Health Savings Accounts

2016 HSA Contribution Limitations



If you do decide to implement a high-deductible health plan, there are several options at your disposal if you're interested in lessening the cost burden on your employees. An increasingly popular option is the **health savings account (HSA)**. In 2013, HSAs grew to $18.1 billion in assets in more than 9.1 million accounts, according to BenefitsPro.[16]

Employers are increasingly pairing high-deductible plans with HSAs, passing on the cost savings on premiums to employees and themselves. An HSA is a medical savings account, owned by the employee, in which funds are not subject to federal taxes. The employee or the employer may contribute to an HSA. As of 2016, the annual limitation on contributions for someone with self-only coverage with a high-deductible health plan is $3,350. For family coverage under a high-deductible plan, the limit is $6,750.[17]

Health Savings Accounts

Typically, contributions work as they do for a 401(k) plan, e.g. they are taken from paychecks on a pre-tax basis. According to a 2013 Kaiser Family Foundation Survey, workers on average receive an annual employer contribution to their HSA of $653 for single coverage and $1,150 for family coverage.[18]

Again, if a high-deductible health plan with an HSA results in lower premiums and better employee coverage, it may be a nice benefits option at your company. However, the same drawbacks to high-deductible plans still stand for employees, mainly the avoidance of the care they may need.

Health Reimbursement Accounts

Now, there are two other offers we see companies pairing with high-deductible plans. A **health reimbursement account (HRA)** is an employer-funded, tax-advantaged health benefit plan. An employer sets an amount to contribute to the account, but only after the employee has an approved medical expense. If an employee leaves the company, he or she cannot take HRA funds with them.

Flexible Spending Accounts

A **flexible spending account (FSA)** is yet another tax-advantaged financial account that is completely employee-funded. The employee sets aside a portion of their paycheck to go into the account to be put towards qualified medical expenses. FSAs are not exclusive to high-deductible health plans—funds can often be used for other benefits like dependent care. Also, if an employee leaves his or her job, they will often lose their funds. But, any money that they do utilize takes advantage of tax savings.

So, if you do institute a high-deductible plan, explore account options that help employees better pay for their care.

A final note on **worker's comp premiums**: the more employees you add to your growing company, the higher your worker's comp premiums will be. At a quickly scaling company, this can result in a pretty big unexpected expense at the end of the year. Consider benefits administration technology that can adjust premiums directly based on your payroll. That way, you can pay-as-you-go rather than be caught ponying up at year's end.

Defined Contributions

Finally, in an effort to make the budget planning of group health insurance plans less confusing, employers may turn instead to **defined contributions**. In this case, an employee is supplied with a set amount by the employer to put towards the cost of his or her care. The contribution goes towards employee premiums, and depending on how the plan is setup, may be presented as a lump sum or monthly contribution.[19] A higher deductible may be extended to employees because of the employer contribution, meaning less cost to you.

Defined Contributions

Defined contribution plans can be set up by plan, meaning employees may be left to find their own health care on online marketplaces, and then the rest of their benefits are offered in a traditional format. Employees may appreciate added flexibility and freedom of choice with this structure.

Or, defined contribution plans may be set up by benefits package. An employer may select a private exchange so employees can shop plans from different insurers for *all* benefits. Decision support, for this option, is a must when guiding employees through plans and offerings. Employees need to have an engaging benefits selection experience. The more support and information, the better.

A main benefit of defined contribution plans, as Kaiser Health News mentions, is employers can predict their health care costs.[20] Note that defined contribution plans mean less administrative time charting employee and employer spending. According to a recent SHRM survey, 4 in 10 employers (41%) say they may adopt a defined contribution health care plan by 2018.[21]

Defined Contributions

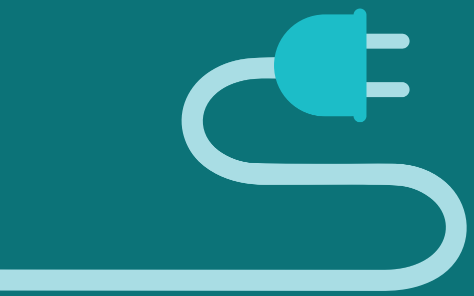
$$\frac{\text{Your annual health benefits budget per plan}}{\text{The total number of employees estimated to participate}} = \textbf{Your average per employee contribution amount}$$

When it comes to benefits budgeting, be sure your health insurance broker helps you with the actual dollar amount of quotes per plan.

- Divide your annual health benefits budget per plan by the total number of employees estimated to participate. This is your average per employee contribution amount. Use this number for comparisons as you review each plan.

Also, look for tax-deductible benefits wherever applicable. The savings passed on to the employee can potentially be more cost-effective than raising that employee’s salary. Health insurance, for one, is tax-deductible to the employer and tax-exempt for the employee.

3 Determine your benefits technology.



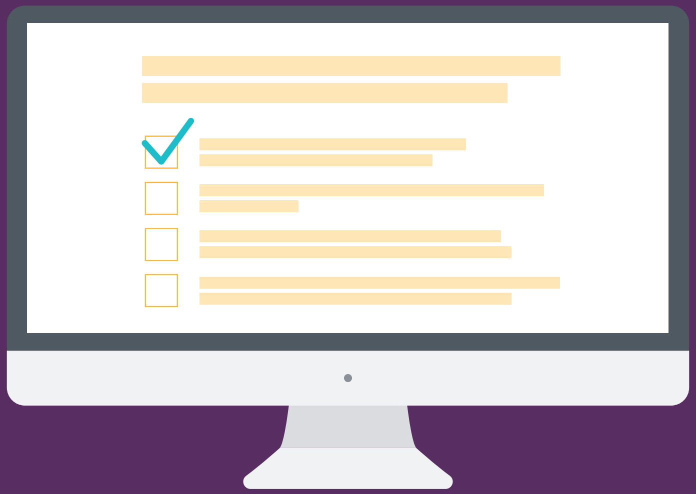
Administering benefits has long been a bastion of paper forms and spreadsheets. But employees today, particularly those at fast-growing companies, expect better, and there's technology available to deliver a truly modern experience.

Richard Shaffer of LifeHealthPRO suggests using an "existing technology platform so [employees] can make all benefit decisions in context."[22] Indeed, integrating benefits into your HR technology platform means a seamless experience for employers and employees alike. According to the *Healthcare Trends Institute,* 41% of benefits decision-makers plan to increase their technology spending in 2015.[23]

Full-service internal solutions for benefits administration take advantage of the same self-service advantages seen elsewhere in HR tech. You can guide employees through the selection process online, automatically enroll employees in plans via EDI feeds, and go 100% paperless. Furthermore, employees can login anytime to view or manage their benefits.

But great technology doesn't mean employees should be forced into making benefits decisions all by themselves. Benefits are complex, and employee engagement is more important than ever. Choose a benefits administration system that allows you to engage your employees and provide them with enough information to make confident decisions. For those who still have questions, your broker should be there to walk them through the process. After all, benefits get complicated and there's a lot to think about. It's one of the most important financial decisions most people make all year.

Great technology helps you streamline and modernize benefits enrollment. Also, keep expert brokers in your corner to help out those employees who need extra assistance. With great tech and great brokers together, you'll have a sound benefits implementation strategy.



4 Structure the enrollment period.

Once you’ve cemented your plans, there are three big decisions to make when it comes to enrollment structure: **timing, passive vs. active enrollment, and the waiting period.**

Timing

The vast majority of employers, according to a SHRM survey, provide an **open enrollment period** for medical benefits on an annual basis.[24] Largely, the period takes place shortly before the plan year begins and lasts up to four weeks. For example, SHRM explains that a plan beginning on January 1st may have an open enrollment period from November 15th through December 15th.

There are advantages to only making changes to employee insurance coverage once a year. For starters, it's easier and saves time. Benefits administration technology makes the process even easier for employees by having them log on and get the exact information they need. Again, employee engagement is key.

Passive vs. Active Enrollment

The dates of your open enrollment schedule feed directly into your next decision: Will employees be passively (i.e. automatically) enrolled in benefits, or will they need to actively renew?

Passive enrollment occurs when an employee makes no changes during the open enrollment period. His or her elections from the prior year automatically renew. This is common, and like self-administration technology, means less work on your end. However, it also means your employees may safely ignore the enrollment period and any new offerings you've made available. **According to "5 Employer Trends Driving Open Enrollment in 2015" by the *Healthcare Trends Institute*, 90% of employees keep the same benefits year over year.**[25]

Consider **active enrollment**, a mandated employee review of benefits offerings, for when you offer major plan changes or exciting new offerings.

Waiting Period

The **waiting period** is the time between an employee signing up for a benefit and the benefit kicking in. Waiting periods can vary among employers:

- For example, new group health plans under the Affordable Care Act may not exceed a 90-day waiting period before employees gain access to their benefits. In addition to the 90 days, you may also take a one-month orientation period, meaning some employees may wait up to 120 days before receiving any benefits.
- You may offer benefits to employees immediately upon hire.
- You may offer benefits on the first of the month after 30 or 60 days of employment.

Most companies in competitive industries don't institute a waiting period. However, if you experience high employee turnover during the first few months, the 90-day waiting period may be appropriate to avoid additional administrative costs. Look to competitors as well. If they offer shorter waiting periods to their new hires, it may be worth keeping pace with them.

5 Communicate with your employees. Then communicate with them again.

Channels

Communication is at the heart of employee engagement in your benefits program. It's never a bad idea to plan out exactly what you intend to explain to your workforce.

Most importantly, employees will need to know what benefits you are offering. Communicate all options to your employees clearly and effectively so they can easily make an educated decision about plans.

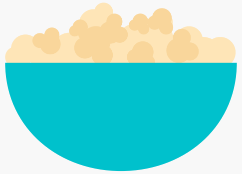
You can tell your employees about benefits options via:

- **An employer benefits website**
- **Slide deck presentations**
- **One-on-one meetings**
- **Mailings**
- **Group in-person meetings**

Channels

You will want to provide your employees with as many decision support tools and resources as possible. Once again, the key here is engagement and making sure employees understand and actively participate in the benefits decision-making process.

Here is where brokers are your best friends. Good brokers help employees understand their personal situation, determine which plan best suits their needs, and then make employees feel confident in their decision. Make sure your broker provides this level of service for your employees; it'll make your job that much easier.



And make it fun! Employees may not be looking forward to discussing benefits options. Lunch-and-learns and jazzy slide presentations may make all the difference when getting employees all the info they need.

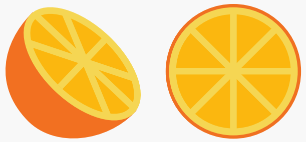
Logistics and Reminders

Don’t forget all of the logistical info employees need at their fingertips to have an easy enrollment experience. Include these in your initial presentations, potentially when you discuss your offerings:

- When the enrollment period opens and closes
- How enrollment is structured
- Where to enroll
- Where employees can find key information on plans
- Who to approach with questions (you, your broker, or your benefits expert)

Not only that, setup email reminders for key dates to be aware of, such as the day open enrollment begins, a reminder just prior to its closing, and the days new offerings are made available. Inform employees in initial presentations, and then send reminders as necessary.

Put a healthy spin on things!



Lastly, remember that benefits and payment plans can easily confuse employees. On top of that, health and insurance are both touchy subjects. They inspire uncomfortable “what ifs,” the kind that encourage employees to avoid benefits decisions altogether.

But benefits don’t have to be seen that way. Keep a positive spin on your benefits communication and even tie-in your wellness program into the initiatives. Encouraging health holistically at your company—from health insurance to gym memberships to free healthy lunches—makes for sound employees and sound minds. Engaging your employees in benefits and providing them with the proper programs and resources ultimately leads to a healthier, happier workforce.

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