



WHAT ARE YOUR BENEFITS ACTUALLY COSTING YOU?

Namely  HR for Humans

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INTRODUCTION

Employees today expect more from their employers than ever before. When a candidate considers accepting a job offer, a lot of variables come into play: salary, health insurance, 401k matching, vacation time, and other company perks.

As the race to recruit top talent becomes more competitive, it's critical to offer your employees a competitive benefit selection. But, choosing which benefits to offer your employees is a huge responsibility, especially since you need to evaluate the costs associated with each. So how can you provide them with the top-notch benefits they demand while saving money in the end?

To help you be as cost-efficient as possible when crafting your company's benefits package, we've created this guide to help you determine What Your Benefits are Actually Costing You.

Inside you'll find:

- An overview of the types of benefits you can offer your employees
- How the costs of benefits will continue trending upward in 2020
- How technology can help you create a competitive benefits package and improve the way you handle enrollment

Ready? Let's get started.

TYPES OF BENEFITS

What kind of coverage can employees expect from your organization? It's not an easy question to answer.

Different employees have different priorities when it comes to benefits—medical, dental, life insurance, worker's compensation, disability insurance, you name it.

To help you make sense of all the possible offerings, we've gone through and outlined health benefits, ancillary plans, and other competitive perks.

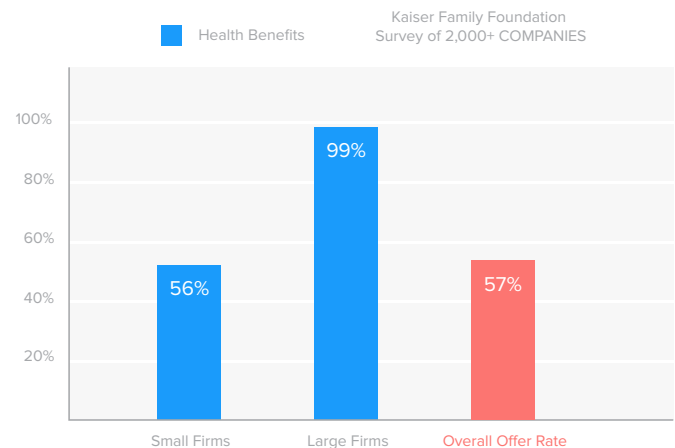
TYPES OF BENEFITS

Medical, Dental, and Vision

Through the Affordable Care Act, employers with over **50 employees** are required to provide their employees with affordable health care options. In 2019, about **153 million** Americans relied on employer-sponsored health coverage.

After recently surveying 2,000+ companies, the Kaiser Family Foundation determined that 56% percent of small firms and 99% of large firms offer health benefits to at least some of their workers, for an overall offer **rate of 57%**. At the most basic level, typical health coverage includes:

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



Of the companies surveyed by KFF, **60%** (including 92% of large firms) offer separate dental insurance, while **46%** (including 83% of large firms) also offer separate vision insurance. As for voluntary supplemental health benefits, they may include accident, critical illness, and hospital indemnity plans. These plans help employees manage unexpected health care costs that medical plans might not cover.

TYPES OF BENEFITS

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 priorities, and before vision and voluntary benefits. Here are some important ancillary benefits to put on your radar:

Life Insurance

Life insurance provides your loved ones with money in the event of your death so that they are taken care of financially. This benefit can cover monthly bills, pay off debt, and even fund your children's education.

Disability Insurance

In case you miss months or years of work due to an injury or illness, disability insurance pays some of your income. There are two types of disability insurance: short-term and long-term. The circumstances of your disability influence which kind of insurance you can access. However, both disability types pay a portion of your monthly base salary.

Retirement

The term "401K" has become synonymous with retirement itself, and for good reason; according to research conducted by the U.S. Census Bureau, nearly **80 percent** of Americans work for a company that offers a 401(k). Depending on the company's size and industry, 401K plans may vary.

According to a recent SHRM study

93% Companies offer traditional 401K plans

74% Employers match employee 401K contributions at some level

TYPES OF BENEFITS

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. Although ancillary benefits typically aren't offered by small businesses, all employers should be aware of them. When you do offer them, they can boost your benefit program's competitive edge and help you increase employee retention.

Competitive Benefits

When it comes to recruiting and retaining your employees, offering competitive benefits can make all of the difference. In some cases, candidates may accept a job with a lower salary over one with a higher salary because of the other perks that the company offers. From PTO to remote work opportunities, here are some competitive benefits you can offer to attract top talent and retain it:

PTO

A [study conducted by TSheets](#) found that 87% of US employees believe employers should provide Paid Time Off. PTO can include sick leave, vacation days, and personal days. Recently, more and more companies have been offering their employees unlimited PTO. Employees under an unlimited PTO policy are permitted to take as much time off as they need under the expectation that their work gets done in a timely manner.

87%
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TYPES OF BENEFITS

Voluntary Benefits

Voluntary benefits can also help strengthen your offerings without breaking the bank. Though offered through your company, these benefits are paid for primarily by employees through a payroll deduction. These plans can take many forms, including but not limited to legal insurance, pet insurance, and even financial wellness programs. Commuter benefits were once also considered a voluntary offering, but a number of jurisdictions (including New York City) have since made it a requirement of most employers.

Parental Leave

The past two years have seen an influx in [historic paid leave legislation](#). This wave of state and federal reform has left many hopeful that the U.S. may finally be on its way to achieving [equal pay](#). Parental leave plays a huge part in this, and [The Family and Medical Leave Act](#) now mandates that U.S. employers must provide new moms and dads up to 12 weeks off from work within the child's first year.

Remote Work

Studies show that over [3.9 million employees work from home](#) at least two days a week. Whether employees are full-time remote workers or just work from home a few times a week, companies offer a variety of different telecommuting plans.

A study conducted by the Society for Human Resources Management:



by 2020, nearly

50% of the workforce
will be telecommuting



WHAT'S THE COST?

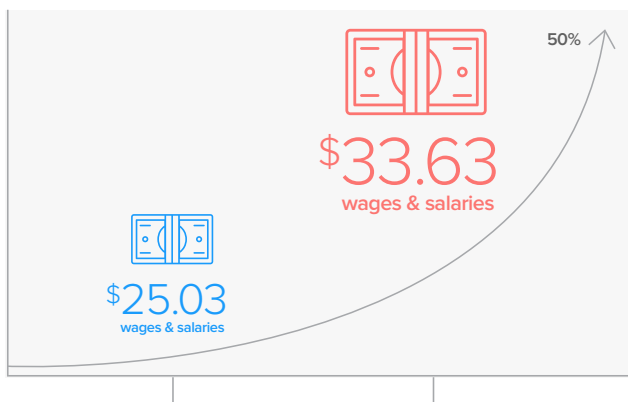
Unfortunately for employers,
benefits get more expensive every year.

WHAT'S THE COST?

Benefits get more expensive every year.

According to a survey by the Bureau of Labor Statistics, the average cost of employee benefits for all employers in 2019 is \$11.60 per hour.

The survey also determined that the average total hourly cost of employment is **\$33.63**—only **\$25.03** of which is made up of wages and salaries. Therefore, the average cost of benefits for employers increases their payroll expense by almost 50%.



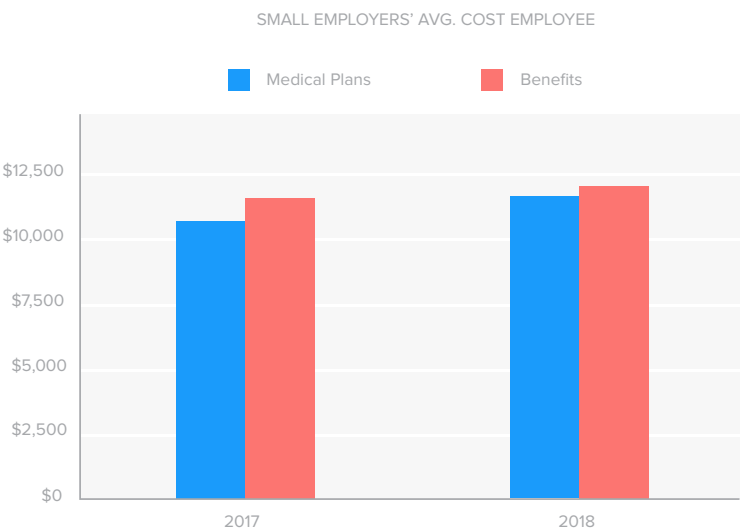
Although these are the average costs from 2019, employers spend different amounts on benefits depending on their company size.

Since smaller companies are riskier and bring in less revenue, their benefits tend to be more costly, especially health insurance.

According to the New York-based Commonwealth Fund, smaller businesses spent about 18 percent more on health insurance than larger companies in 2019. Diving even further, the National Conference of State concluded that **smaller businesses pay about 8 percent to 18 percent more than larger companies for the same exact health insurance plans.**

WHAT'S THE COST?

According to Mercer Data, **small employers**, which the study considers to be companies that have between 10 and 499 employees, spent an average of \$12,148 per employee on health benefits in 2018—a 5.4% increase since 2017. As for the average medical plan cost per active employee, small employers spent \$11,658 per employee—a 10.6% increase since 2017.



KFF's recent survey determined that the average annual premium for family coverage for covered workers in smaller companies was \$20,236, which has increased by 28% since 2014. A recent eHealth survey discovered that 8 in 10 small businesses worry about affording health coverage in the future because of these continuously increasing benefits costs.



Looking into 2020, it's projected that employer-sponsored health care benefits will rise to \$15,000 per employee. After adding these hefty costs to the expense of ancillary plans and other competitive perks, your benefits packages can break the bank.

WHAT'S THE COST?

What's the hidden cost?

Although offering benefits is expensive, not offering them to your employees can be even more costly. Failing to offer benefits not only hinders your competitive advantage during the recruiting process, but also increases employee turnover.

Whether it's interviewing, conducting background checks, or onboarding, welcoming a new hire costs employers both time and money. According to a 2017 SHRM Report, the average cost-per-hire for smaller businesses was \$4,425.

After new hires onboard, training begins and the costs continue to pile up. The average cost of training a new hire is \$4000 and takes 24 days, while training for white collar businesses usually costs more if they require specialized training. In addition to losing these investments when employees leave your company, replacing them costs as much as 33% of their annual salaries.

And none of those costs even take into consideration the fines and penalties related to non-compliance with laws like the Affordable Care Act (ACA). Non-compliance to the ACA could cost your company between \$2,000 and \$3,000 per employee per year, not including legal fees.

Since a lot of resources are invested into your new hires from day one, you need to make sure that you retain them throughout the entire employee lifecycle. Offering benefits to your employees may be expensive, but they're crucial to employee retention and failing to do so could even cost more in the end.

WHAT'S THE COST?

Are you offering the right benefits?

At the end of the day, just offering benefits isn't enough—it's all about offering the right benefits. But with so many benefits and carriers to choose from, how do you know which benefits are the right ones to offer your employees?

By surveying your employees to see what their priorities are, you can strategically choose which benefits to offer them. Other than health insurance, what ancillary plans and competitive benefits do your employees value?

If a good portion of your employees are parents, then parental perks like childcare or family leave may be a crucial benefit to offer. Or maybe your employees value 401K matching more than unlimited PTO.

Based on these results, you can invest in benefits packages that your employees actually need—and want. Not only is investing in benefits that your employees aren't using a waste of your budget, but it also increases turnover if your employees feel that you aren't considering their feedback.

So with the costs of benefits at an all time high, how can you offer your employees top-notch packages within your budget?

Enter benefits technology.

BENEFITS TECHNOLOGY

Like the rest of your HR practices, adopting modern technology can help you create a competitive benefits package. Using a benefits administration solution makes it easy for HR professionals to roll out benefits selections and for employees to enroll in and update their benefits.

BENEFITS TECHNOLOGY

Namely's Benefits Administration solution takes the complexity out of managing benefits for both you and your employees. Designed with your administrators in mind, our solution enables HR professionals to easily configure benefits plans, manage open enrollment and life event changes, file ACA reports, and sync data with carriers and payroll automatically.

As for your employees, open enrollment has never been easier. Our intuitive enrollment wizard and guided support ensure that your employees select the best benefits plan for their individual needs. Namely's Benefits Administration solution is user-friendly and empowers individuals to view or change benefits on their own, freeing up your HR team's time to focus on strategic tasks that affect your culture and bottom line.

Need a little more help with your benefits? Namely offers an in-house, expert brokerage team who can help develop benefits plans to fit your company's needs and budget. Our tech-savvy benefits consultants have years of industry experience and deep knowledge of compliance, ensuring that each client will receive the guidance they need to navigate through benefits administration and supporting technologies. Namely's brokerage clients can access benchmarking insights, avoid all carrier feeds, and easily upgrade benefits plans. Whether you are looking to keep or enhance your current plans, our dedicated brokers can guide you in choosing top benefits for the best price.



CONCLUSION

Ready? Set. Go!

CONCLUSION

Creating a benefits plan is no small task. From researching plans and calculating costs to answering employee questions and running open enrollment, there is always something to do. Before you start the process again this year, here are two final tips to consider:

1. Survey your employees to see what matters most to them. This way you can get a pulse on what they find the most valuable—and see how they feel about any benefits you currently offer. Based on these results, you can offer certain competitive benefits that will help you hire and retain your employees.
2. Invest in technology that makes your life easier. With benefits technology, you can offer your employees the benefits they deserve within your budget. Adopting a solution like Namely can revamp the way your company handles benefits and save you in the long run.



ABOUT NAMELY

Namely is the #1 HR Software company that empowers midsize businesses to build better workplaces. Its cloud-based software brings HCM, benefits, insights, payroll, and time into a single-view platform to help modern HR teams make data-driven decisions about their people and understand what's really going on in their workforce.

The Namely ecosystem includes powerful integrations with market-leading applicant tracking, identity management, ERP, compliance, E-Verify solutions, and more. Serving more than 1,400 clients with 280,000 employees globally, the company is backed by leading investors, including Altimeter Capital, GGV Capital, Matrix Partners, Scale Venture Partners, Sequoia Capital, Tenaya Capital, and True Ventures. For more information, visit www.Namely.com.

Visit www.Namely.com or request a demo to see how Namely's HR software can help your organization.