

Benefits Insights

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Voluntary Benefits

As health care costs continue to rise, so has the demand for voluntary benefits. Since many employers find it increasingly difficult to provide employees with a complete benefit package, voluntary benefits have become an ideal solution. Voluntary benefits allow employers to offer benefits that are attractive to employees without added cost to the company. Employees benefit because they have a variety of insurance options available conveniently in one place, and often with lower premiums than individual policies they would have bought themselves.

What are voluntary benefits?

Voluntary benefits are coverages and products made available to employees for elective purchase. These programs have four key characteristics:

- 100% employee-paid
- Offered through an employer
- Solicited and enrolled through a carrier or enrollment firm
- Paid through automatic payroll deductions

Because of their cost efficiency and portability, as well as their contribution to an employee's work-life balance, voluntary benefits are becoming a central component of many companies' overall benefits strategies.

What are some common voluntary benefits?

- Permanent life insurance
- Disability income insurance
- Accidental death and dismemberment (AD&D)
- Supplemental health insurance
- Long-term care insurance

- Retiree medical insurance
- Dental/vision insurance
- Auto/homeowners' insurance
- Prepaid legal services
- Pet health insurance
- Identity theft insurance
- Computer purchase programs
- Adoption assistance

Why should employers consider expanding their benefit offerings to include voluntary benefits?

- Trends show employees have strong emotional appeal towards these benefits and have come to expect them
- Usually there are no fees or costs for employers
- They complement the goals of most corporate work/life programs
- They offer easy implementation (most do not have legal and regulatory issues associated with insurance benefits)
- They require little post-implementation administration or support



What are some specific advantages to offering voluntary benefits?

Voluntary benefits appeal to both employer and employee needs.

Employers:

- Increased expense control in the face of rising benefit costs
- Cost-effective way to supplement benefit cuts or reductions
- Important tools for attracting and retaining valued employees
- Differentiate themselves from competitors (both in offerings and image)

Employees:

- Opportunity to access a broader array of benefits
- Freedom to choose benefits that best suit their needs
- Affordable premiums (often deducted on a pretax basis)
- Portable coverage
- Easy enrollment process
- More convenient and time-saving than buying on their own
- Convenience of payroll deduction
- No medical exams
- More lenient underwriting requirements

What process should employers follow when expanding their non-traditional voluntary benefit packages?

Employers wishing to roll out new voluntary benefits must show their support for these products in order for them to take off with employees. Showing support motivates workers to take notice and see the value for themselves and their families.

- Examine your current benefits package to determine which benefits are popular or not.

- Talk to employees to determine what voluntary benefits they would prefer.
- Determine which benefits are offered by your competitors, as current and prospective employees may use this information as a benchmark for evaluating your company.
- Determine the source(s) of benefits that offer the most value for the lowest cost (this is very important to ensure success of a voluntary program because of employees' perceived value).
- Determine enrollment logistics, including methods of enrollment. One-on-one enrollment is the most effective means of communication and provides personalized attention.
- Determine service logistics, including support, new employees, terminated employees and re-enrollments.
- Initiate an employee communications campaign to educate employees on what voluntary plans are offered and the benefits of electing them.
- Consider offering benefits multiple times per year, not just during open enrollment. This allows employees to focus on one or two voluntary packages versus being overwhelmed with many packages all at once.
- Follow up to ensure employees are satisfied and that there are no issues with any of your voluntary benefits.

Are there any fiduciary responsibilities associated with offering voluntary benefits?

Although most employers do not contribute to the cost of this coverage, they still have a fiduciary responsibility under ERISA to police such plans if they engage in the promotion or distribution of benefits information related to these programs or allow payroll-deducted payment on a pretax basis through a Section 125 cafeteria-style plan.

How are voluntary benefits administered?

As the number of available voluntary benefits increases, proportionally more time and resources are required to communicate, administer and manage such programs. Even

turn-key products, such as discounts, can be administratively challenging when there are numerous benefits.

To ease this burden, employers can outsource their voluntary benefit and/or discount programs to third party administrators, automated platforms or service providers. These service providers typically charge a per-employee fee for managing the corporate discount program(s).

Consultants have extensive training in all areas of voluntary benefits and offer valuable resources. They can assist employers in negotiating more favorable benefit and cost terms with insurance carriers and enrollment firms, along with supporting the program once it is in place.

Most employers try to avoid paying third party management charges, but these fees may be more affordable than the cost of internally managing the program, and they often yield a more robust program in terms of access, product variety and control.

How are voluntary benefit outcomes measured?

To ensure that voluntary benefits programs are as competitive and effective as possible, employers should measure the success of the programs every 12 to 24 months. Employers can conduct surveys to test employee awareness of, understanding of and satisfaction with the voluntary benefits programs. Companies can also benchmark their portfolios of voluntary benefits against those offered by industry peers. Finally, employers can examine participation rates among employees to determine if they are at, above or below industry norms with regard to re-enrollment and persistency.

Voluntary Benefits may not be the right solution for all employers or individuals. Please contact your STR Benefits Consulting representative for assistance in determining if and what type of voluntary benefit plan designs are right for you.