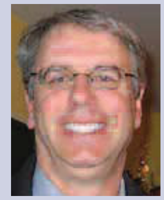
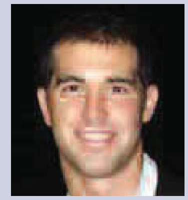
Healthcare Costs Too High?

Voluntary Benefits Can Help

By Jim Mooradian and Bryan Lambert

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Even though providing your employees with healthcare coverage grows more expensive every year, you may still not be providing full and adequate coverage. If one of your employees loses several weeks of work due to accident or illness, would all medical and household costs be covered, as well as interruptions in income? At most firms, the answer would be "no." To fill these gaps, many companies are turning to Voluntary Benefits (VB) programs, which have the added benefit of containing employer costs, since employees pay the premiums.

Before we explore how these VB programs work and how to set them up, let's understand why such programs are necessary. Even with quality medical coverage in place, most American employees will face a devastating financial burden if they or their loved ones get sick or hurt and cannot work. Medical expenses are just the tip of the iceberg; lurking below the surface is a vast array of uncovered expenses like lost wages, child care and transportation. The statistics are sobering:

·Two-thirds of American families live from paycheck to paycheck.
(Parade Magazine, Is the American Dream Still Possible,04/23/2006)

· Over 70% of working Americans do not have enough savings to meet short-term emergencies.
(National Watch Survey, A.G. Edwards Inc. 2004)

· Disability causes nearly 50% of all mortgage foreclosures; only 2% are caused by death.
(Health Affairs, The Policy Journal of the Health Sphere, 02/02/2005)

The answer: voluntary benefits

To cover what their medical benefits do not, many firms are turning to supplemental or voluntary benefits that include life, accident, critical illness and short-term disability insurance. When a covered event, usually an accident or a debilitating illness, triggers a claim, the policy pays a predetermined lump sum that can be used to cover expenses at the policyholder's discretion.

Many employees lack the time, knowledge or means to explore voluntary benefits options on their own. Employers can often negotiate better terms with carriers, like lower premiums and simplified underwriting. While group coverage does exist, most workplace VBs are still written as individual contracts between employee and carrier, hence the term "voluntary." The majority of VB policies are paid through post-tax payroll deductions, and the coverage is portable.

VBs offer supplemental coverage

Beyond the cost of medical care, one of the biggest issues for families during a health crisis is the loss of cash flow that results from being out of work, coupled with uncovered aftercare and treatment expenses. Unlike core health and disability benefits, the money from a VB policy can be used to pay anything from uncovered medical to household expenses.

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For example, for $3.50 a week, an employee could purchase a $10,000 critical illness policy that pays upon diagnosis. If an employee suffers a critical illness like a heart attack; he can use the $10,000 check to pay out-of-pocket medical expenses, or cover mortgage and car payments while he's out of work. Note that the critical illness benefit doesn't replace comprehensive health care, but supplements it.

Choose a VB partner that delivers

Setting up a successful Voluntary Benefits offering is all about communication. The message—and how it's conveyed to employees—is the key. If you don't hear words like "empathy" and "education" when talking to brokers or carriers, keep looking!

There are three ways to bring VBs to your employees: go directly to a carrier, leverage your existing broker, or use a specialist firm. Each channel offers something different; however, given the level of education and communication a VB program requires, a specialized VB broker often makes sense.

Go direct: The plus is the perceived "comfort factor" of working directly with the carrier, but you probably won't see significant cost-savings for non-group, employee-paid VB plans. Reps have an interest in promoting their company's features and down-playing what they don't offer—not a problem if you have plain-vanilla needs.

Leverage your existing broker: The benefit is that you already have a relationship with your independent broker. But your broker may be a retirement and/or health expert with limited working knowledge of VBs and thus more likely to contract with a carrier directly or a VB specialist to handle employee communications and enrollment.

Use a Voluntary Benefits broker: Many employers are unaware that some brokers specialize in VBs, but specialists really know the VB business, the carriers, the products, the message, and the process.

The bottom line: Offering voluntary benefits makes good sense. VBs are a low-cost way to have a big impact on the lives, finances and well-being of your employees if they get sick or hurt. Properly communicated, and with minimal set-up and ongoing claims administration, a voluntary benefit program can be a win-win for your employees and your company.