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Bare Bones

Voluntary benefits allow employers to strip down core offerings to trim costs

By Kathleen Koster

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This article is the second in a three-part Open Enrollment Boot Camp series that offers benefits professionals tools and tips to prepare for this year's open enrollment season. The first article, "Getting to your fighting weight," which addressed communicating benefit changes or reductions, appeared in the May EBN and is available at BenefitNews.com.

This year, employers are taking a closer look at benefits when deciding where to cut fat from the company budget.

For many who do not wish to limit employee coverage, this means a renewed consideration of voluntary benefits.

"Employer groups will continue to try to find a way to offer these benefits to their employees while trying to balance their own internal budget.

"I think that the demand for voluntary programs will continue to rise," says Terri Wilson, the vice president of strategic accounts at California-based VSP.

Employers have made the switch because of the steep rise in health care costs and to attract and retain employees, reports MetLife's 7th Annual Study of Employee Benefits.

In 2008, 40% of employers were highly interested in a wider gamut of voluntary benefits, but only 17% of employers have included expansion of voluntary benefits among their top strategies for 2009.

Stripped down

The beauty of voluntary benefits is not only that the cost lies with the employee, but also that employers may offer a benefit one year and rescind it the next without real detriment to their core offerings, permitting employers more flexibility.

This flexibility allows employers to focus on finding the best product with the lowest price, which means that many products and packages will be stripped down to the bare necessities, says Erich Sternberg, the president of Starmount Life Insurance Company and AlwaysCare Benefits, Inc.

Martin Traynor, the vice president of voluntary benefits at Mutual of Omaha Insurance Company, concurs.

"This year we will see a return to the basics," he says, "with a heightened interest in life insurance and income protection insurance both of which have traditionally been the cornerstones of the insurance market.

"What we've been seeing for the last three or four years is employers getting more interested in voluntary benefits, because the economy continues to drive employers to pay for a core of benefits that revolve around medical plans, retirement plans and maybe some basic life insurance," says Traynor.

"The trend has been accelerated by the pressures of the economy in the last six months or so as more employers are tightening their belts."

In this economy, we will see an increase in ancillary offerings such as vision and dental, predicts Wilson.

VSP provides vision products, always a staple in the voluntary universe, to employers; over 50% of VSP members are enrolled on a voluntary basis.

Putting a little meat on the bones

Even though Traynor believes a return to basics is imminent, he also sees voluntary offerings being extended beyond core options to fit the needs of different demographic groups, such as ID theft offerings, survivor benefits and employee assistance programs with financial, grief or legal counselors.

"I do think you'll see a continued diversity of the products that are offered in the voluntary market, driven partly by the fact that you have so many diverse groups of employees these days," he says.

It's unknown whether more "shiny" voluntary offerings, like allowing employees to purchase computers, electronics and household appliances online through an employer-sponsored payroll deduction program, also will increase.

Although in September 2008, Purchasing Power — a provider of voluntary employee purchase programs located in Atlanta — saw a 133% increase in the number of products ordered through their benefit program over last year's back-to-school season, it's not clear how the economy will affect employee uptake of such programs this year.

Other less common offerings that may gain popularity include hospital indemnity, cancer protection, AD&D, 529 college savings, tuition reimbursement, home and auto insurance, planning for dependents or children with special needs, travel assistance plans and pet insurance.

None of these offerings are particularly new, including the lesser-known offerings, they are merely more accessible, explains Sternberg.

Making products accessible to workers and enlightening them of the programs available is key to ensuring that they understand the worth of what their employer provides.

Increasing education

Nine out of 10 employers think it's important for business that employees understand and appreciate their benefits, yet most do not, reported 650 HR managers and benefits administrators at last fall's Colonial Life & Accident Insurance's National conference.

Of those surveyed, 21% think their employees have a good understanding of their benefits, whereas almost 5% think their employees know nothing at all.

"Employees who have been properly educated about their benefits tend to stay on the job longer than those who don't understand their benefits," asserts Tom Gilligan, senior vice president for Colonial Life in Columbia, S.C.

According to a Watson Wyatt Worldwide study, employees gave higher marks to employers who provided fewer benefits but explained them well, rather than those who had an extensive array of offerings that workers didn't understand.

To increase employees' knowledge, Traynor recommends face-to-face meetings as the most effective mode of communication.

In fact, according to Colonial Life, 90% of employees want one-on-one education, yet only 58% of employers offer this service.

Eighty percent have group meetings, 44% use the Internet, and 40% require employees to self-enroll.

Traynor suggests combining personal connection with the Web and call-in centers to provide optimum coverage.

Dana Burnette, the director of benefits communication and education for Colonial Life, uses e-mail, video and group meetings that are specific to employees' life stages and their particular needs to educate Colonial Life's staff.

"No longer does handing out a packet and saying, 'Go sign up' work; it doesn't aid in helping employees understand their benefits and how to make good decisions.

"Having a benefit counselor ask the right questions to figure out what needs are specific [to the employee] is critically important," affirms Burnette.

Additionally, employers may send home printed materials detailing offerings to educate spouses as well or steer employees to a Web portal or benefit fairs.

Burnette sends out letters endorsed by the CEO that relate benefits information directly to employees.

She recommends beginning the employee educational campaign three weeks to a month before enrollment to ensure employees have sufficient time to review the information and discuss their options with their spouse and/or other dependents.

Similarly, fellow benefits director, Peggy Dunsten, director of benefits at Woodmen of the World, sends employees an annual statement of benefits.

"The sole purpose of the statement of benefits is to let [the employee] see a snapshot of what we offer in regards to their compensation, their pension plan and their core benefits," explains Dunsten.

"When they can see a statement of what we're providing them, they're grateful" in light of the economy and the continued upswing of unemployment.

The benefits statement also details how much the employer pays for FICA, other taxes and vacation days. Taken together, such information can be a powerful tool to communicating benefits value to employees.

Furthermore, benefit managers aren't alone when it comes to running an effective communication campaign.

They can access specially tailored program plans provided by their benefits carrier, such as VSP, to help them implement the program in their workplace.

Voluntary wellness

Employers also may want to consider voluntary wellness programs to lower health care costs. One such program is VSP's GetFIT program, which so far has been used by 1,009 of its 2,400 employees, who together have lost over 8,900 pounds and logged more than 6 million minutes of exercise.

Furthermore, the company has seen dramatic reductions in costs in their various programs, most impressively with 94% of their savings based on their proprietary Eye Health Management Program, which enables them to share information with a third party medical information vendor, allowing patients with signs of diabetes and other disease to get into programs or routines to manage those diseases.

In *EBN's* June 15 issue, our Open Enrollment Boot Camp series concludes with a look at smoking cessation programs.

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