

HEALTH WEALTH CAREER

VOLUNTARY BENEFITS BECOME MAINSTREAM

A CRITICAL COMPONENT FOR
EMPLOYERS IN THE FIGHT FOR
TALENT AND ENGAGEMENT

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MAKE TOMORROW, TODAY

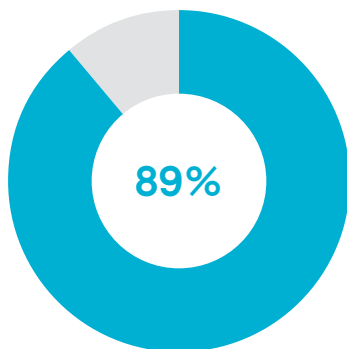


Not long ago, employees who wanted long-term care or other non-traditional benefits would have to search on their own and investigate the best options. Deals were hard to find. A few more fortunate employees worked for employers who at least would provide a third-party vendor that would try to “sell” additional benefits. Although presented alongside traditional benefits, these benefits were still external to a company’s traditional offerings and oversight.

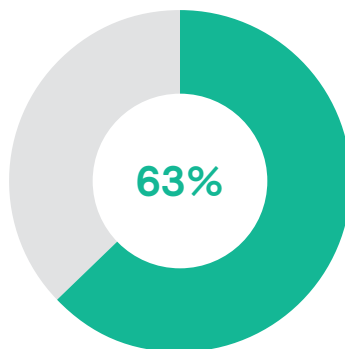
Voluntary benefits have come a long way. While larger companies jumped out front on offering voluntary benefits, more small and midsize companies have begun to offer access to a world of tremendous choice. Many are doing so because they feel it’s the right thing to do; many more are beginning to realize that they and their employees can actually save money; and still others are coming to terms with a new, undeniable reality – a comprehensive suite of benefits can help them attract and retain top talent.

Bullish on Benefits

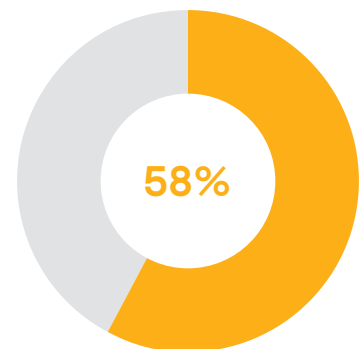
For employees, benefits are a critical part of the employment deal.



Getting health benefits through work is just as important as getting a salary.



Benefits are one of the reasons they work where they do.



Would like to reduce the value of some benefits they receive and increase the value of others (choice/flexible benefits).

Source: Mercer’s Inside Employees’ Minds survey, 2015.

All benefits, including a recent emergence of voluntary benefits, are becoming a major driver for employee engagement – including at small and midsize companies. Some organizations are beginning to offer voluntary benefits as an extension of their core offering, with the same enrollment, platform, and communications approaches. Plus, these new benefits offerings often help organizations save money, enhance compliance, and engage employees – all without some new, complex program.

Regulations and Compliance

Small and midsize firms have taken a disproportionate hit from the Affordable Care Act (ACA) and its complex and ever-changing regulations. Some of these firms are beginning to see this issue through a big-company lens and are investigating ways that voluntary benefits may actually lessen some burdens.

In response to increased rules and costs associated with the ACA, some employers have turned to voluntary benefits as a cost-sharing solution to help fill gaps in coverage and offset some of the medical cost exposure that has been

passed down to employees. Voluntary benefits provide many additional options, such as accident insurance, long-term care, dental, hospital indemnity plans, and other supplemental health products. Cost savings can come when employers seek discounts from carriers for bundled voluntary benefits with core medical; when employees are provided a set of group-discounted benefits, they can select to satisfy their own unique benefit needs; and through innovative strategies that address new regulations.

As the marketplace has evolved, Mercer has adapted strategies to meet employers' needs. One strategy allows employers to allocate designated funds for health savings accounts (which would have fallen under the excise tax) to post-tax voluntary benefits (which can fall outside excise tax jurisdiction). This allows the employer to mitigate excise tax risk while offering valuable accident and critical illness benefits to the employee.

Top Voluntary Benefits for Employers (Percentage of Employers)

50–499 employees

1. Disability 68%
2. Whole/universal life 62%
3. Accident 61%
4. Cancer/critical illness 49%
5. Hospital indemnity 36%

500–4,999 employees

1. Disability 61%
2. Accident 59%
3. Cancer/critical illness 45%
4. Whole/universal life 43%
5. Legal benefit 29%

Source: Mercer's 2015 National Survey of Employer-Sponsored Health Plans.

WHERE TO FIND COST SAVINGS

1. Bundling voluntary and core medical.
2. Providing benefits choice.
3. Finding potential savings hidden in new regulations.

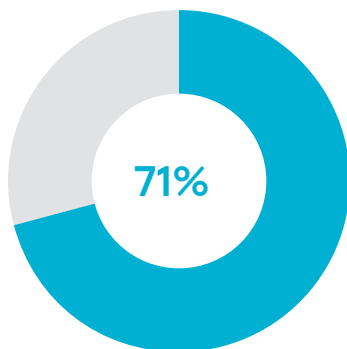
Engagement

We know that in addition to keeping costs down and improving employee wellness, voluntary benefits also help employers attract and retain talent. There is a close correlation between employee satisfaction with an employer and employee satisfaction with benefits.

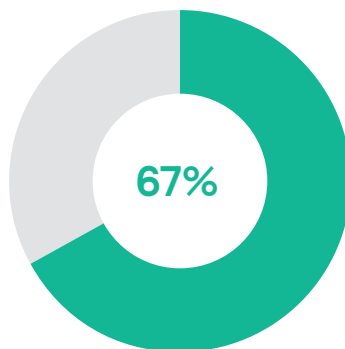
The ramifications for action and for a quality voluntary benefits program are tremendous: According to Mercer's 2015 Inside Employees' Minds survey, just 57% of employees are satisfied or very satisfied with their voluntary benefits; 43% said they were "neither" or "dissatisfied." At the same time, Mercer's study showed that health care benefits are the third-most important part of the employment "deal," with base salary as number one.

Most Important Objectives for Offering Voluntary Benefits

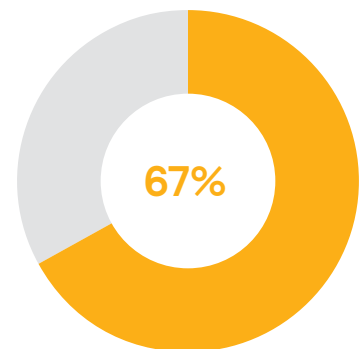
(Based on employers with 50–499 employees)



To offer additional benefits at no cost to the employer



To give employees the opportunity to fill gaps in employer-paid benefits



To accommodate employee requests

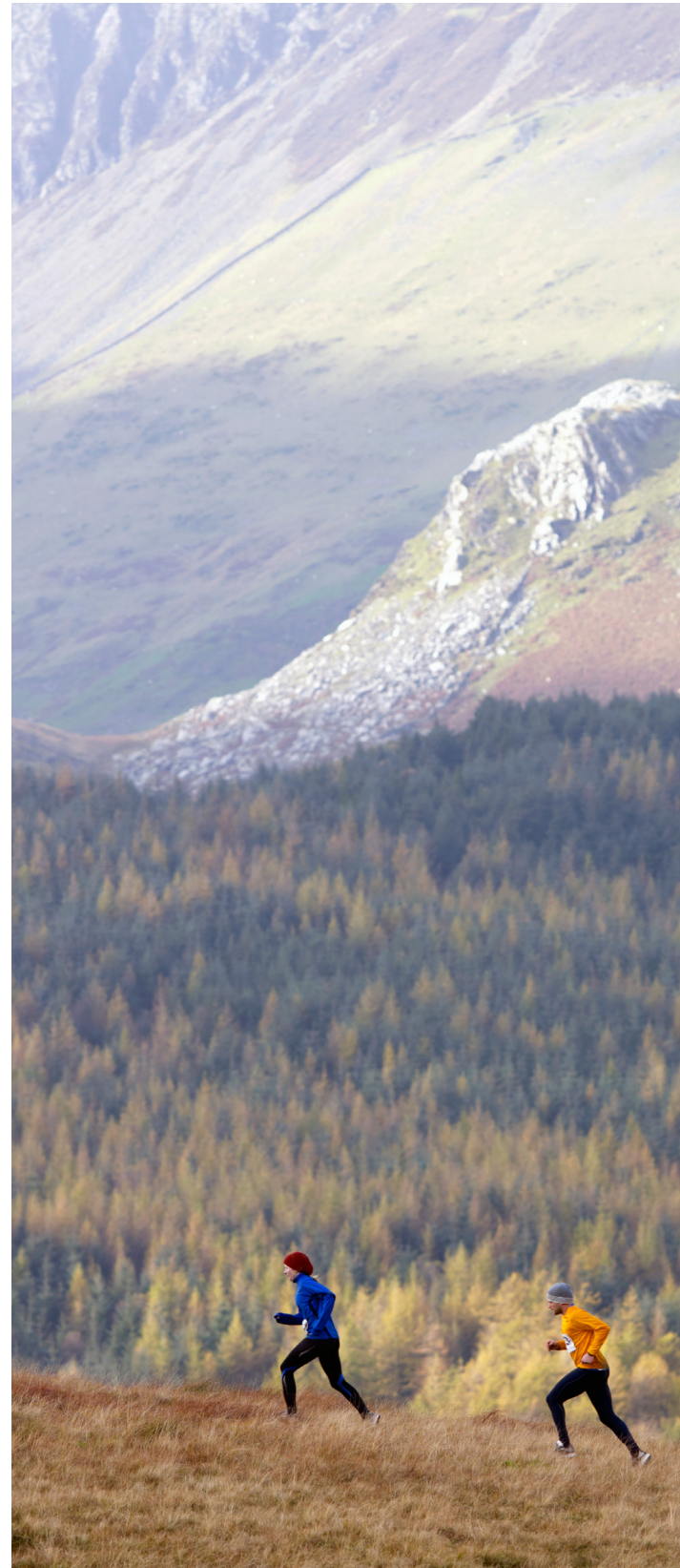
Source: Mercer's 2015 National Survey of Employer-Sponsored Health Plans.

Simplicity

Many small and midsize employers have been reluctant to join the voluntary benefits trend due to concerns about complexity. It is true that larger companies have a more formalized process, more resources, greater administrative support, and other potential advantages. However, firms of all sizes are beginning to turn to brokers and advisors (ideally, both in one place) to bundle these products, develop and implement a winning strategy, find cost savings through scale and carrier relationships, and make life easier for employers with small HR staffs.

VOLUNTARY BENEFITS IN ACTION

Recently, a midsize company was struggling to navigate the world of benefits with a limited internal staff. The company turned to an outside broker/advisor who investigated its unique situation and needs and bundled voluntary benefits with the same carrier that provided its stop-loss coverage, which offered substantial discounts. According to the company, the employees liked the greater selection of benefits that fit their unique lives and the company enjoyed cost savings, engaged employees, a no-obligation guarantee, and waived fees for advisor support.



Does Your Advisor Offer ...

- **Flexibility:** Proprietary systems? Multiple benefits administration platforms? Choice of many carriers?
- **No Unnecessary Fees:** No-cost needs/program analysis? Waived fees for advisor support?
- **Rigorous Analysis:** Looks at your company as a unique case or like all the others? In-depth investigation of employees' wants, needs, interests, and demographics?
- **Partnership:** Asks what works, what doesn't, what you like, and what keeps you up at night?

Your benefits advisor should make it easy to design and deliver a voluntary benefits program that aligns with your strategic health goals and empowers your employees, as well as facilitates communication about the benefits of the program. And this advisor should remain your trusted resource through any evolving challenges in the future.

Looking Forward

Voluntary benefits will continue to increase in popularity, especially with the focus on employee engagement, costs, and the help of new connection points with digital communication. Look for an increase in offerings, flexibility, bundling, combination products, and more. In fact, voluntary benefits are fast becoming part of the core medical conversation. Larger employers were first out of the gate to embrace voluntary benefits, but smaller firms are catching up and will gain even more momentum in the coming years. Those that do not will be left behind in the competitive fight for talent.

MORE INFORMATION

At Mercer, we look at voluntary benefits as a scalable solution of which organizations of any size can take advantage. We support upfront plan design, product brokerage, and carrier selection, and we help with implementation and ongoing administration, and more – all depending on each company's needs and comfort level. When researching outside advisors, companies should ask about their network reach, number of carriers and benefits administration platforms, customization, flexibility, and advising fees. Mercer has the experience, expertise, and tools to do this and to ensure that your best-laid plans succeed.

To learn more about our innovative, strategic approach to voluntary benefits contact your local Mercer representative today.

www.mercer.com

