

Reduce your Costs and Expand Your Employee Benefit Program through Voluntary Benefits

With rising health care costs, employers are having a very difficult time meeting the individual needs of their employees. From 1999 to 2017, the cost of family medical coverage increased by 224%, while employee contributions increased by 270%¹. At the same time, workers' earnings only increased by 64%², while overall inflation increased by 47%³. To make matters worse, there has been a 250% increase in the average member deductible over the past 10 years⁴. Nationwide, 51% of all covered workers have a deductible of at least \$1,000⁵. This figure is very close to the 53.8% figure shown in the NJ Bankers Employee Benefit Survey of 2017. The bottom line is that employees are now paying more money out of their pocket (through payroll deductions and plan deductibles) for less coverage.

What can employers do? Maybe they need to recognize the fact that we live in a time when the average workforce is much more diverse than it was 10 years ago. The family structure of the workforce has changed dramatically with more single women, same sex marriages and people marrying later in life. A Millennial wants different things from a benefits program than a married Boomer or a Gen Xer. A possible solution is to put the "insurance" back into an employer's medical plan. Since no cost preventive care is a federally mandated benefit, employees should be protecting themselves from medical catastrophes. A strategy for employees may be to purchase the highest deductible plan possible and supplement this coverage with various employee pay-all voluntary coverages such as:

- Critical Illness
- Cancer
- Hospital Indemnity

The above coverages are true insurance indemnity plans. They simply "indemnify" the policyholder for certain medical events, regardless of the provider or the network used. A combination of a high deductible plan sponsored by the employer and voluntary health plans paid for by the employee may result in lower cost for both the employer and employee as well as a medical plan which will protect the employee from financial ruin.

¹ Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2017

² Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey

³ Bureau of Labor Statistics, Consumer Price Index, 1999-2017;

⁴ Agency for Healthcare Research and Quality, July 2016

⁵ Kaiser Family Foundation: 2016 Employer Health Benefits Survey, September 2016

In a study by Met Life, 58% of respondents wanted a customized benefits option⁶. Because of the different needs of Millennials, Gen Xers and Boomers, the voluntary program can easily be extended to non-medical insurance plans such as:

- Life
- Disability
- Accident
- Legal
- Dental
- Pet
- Vision
- Auto
- Homeowners
- Identity Theft

The advantages of offering these programs are:

- **Competitive Costs**-Employers would give their employees the opportunity to purchase these benefits through group purchasing power. As a result, employees would obtain these benefits at a lower cost than they could buy them as an individual.
- **Broader Benefits Offering**- Without spending corporate funds, employers would be able to offer a much broader benefit package to its employees. The ability to offer broader benefits have been shown to increase employee productivity and loyalty, while helping to attract new employees.
- **Flexibility**- While life or disability insurance may be more important to one employee than say Pet insurance, an employer should want to meet as many as employee needs as possible.
- **Pre-tax Deductions**- Certain health related coverages can be paid for on a pre-tax basis, thus reducing the employee's cost further when compared to an individual product. Because of an IRS Chief Counsel Memorandum released early last year, some of the pre-tax advantages for certain types of plans may be eliminated.
- **Convenience**- The employee can easily enroll in these plans online and pay for the coverage through payroll deduction. Quite often the enrollment process includes one-on-one in person or telephonic consultations with a benefits expert. If an employee leaves their employer, the coverage is portable and can be billed directly. The MetLife Study indicated that 62% of respondents were interested in portable benefits.
- **Little Internal Administration**- Third Party Administrators (TPAs) and insurance companies do the majority of the work related to the enrollment, billing and eligibility maintenance of these plans.

⁶ MetLife, 15th Annual U.S. Employee Benefits Trends Study, 2017

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