Employee Benefits Report

EmployeeBenefits
progressive ingenuity. financial security.

www.memployeebenefits.com

Voluntary Benefits August 2022 Volume 20 • Number 8

Big Increases in Voluntary Benefits Participation

According to a survey by professional services efirm Aon, the number of employers offering voluntary benefits increased by 41 percent from 2021 to 2022.

The firm stated that the significant growth results from employers attempting to combat the Great Resignation and employees demanding access to more health insurance products due to the COVID-19 pandemic.

According to the survey, 16 percent more workers have become eligible for these perks from 2021 to 2022, while employee participation increased significantly in more than 50% of the ten most popular ben-

continued on next page

Portions of CAA Healthcare Price Transparency Requirements Already in Effect

The 2021 Consolidated Appropriations Act hintroduced new price transparency rules requiring employer-sponsored health plans to reveal price information to participants.

Initially set to go into effect the beginning of 2022, enforcement was delayed. However, some rules have gone into effect as of July 1st, while others will become mandatory at the beginning of 2023 and 2024, respectively.

Employer-sponsored health plans now must reveal all the medical costs being paid. Some of the information to be made available to participants and beneficiaries includes:

- **In-depth explanations of benefits, including good-faith estimates of how much participants can expect to pay out of pocket for scheduled in-network medi-**

continued on next page

efits. For example, employee participation in critical insurance programs rose from 16% in 2021 to 27% in 2022, while accident insurance participation went from 13% to 23%. Other voluntary benefits that saw increases include hospital indemnity insurance, (10% to 16%), permanent life insurance (10% to 15%), and student loan assistance (8% to 12%).

Aon spokesperson Danny McCauley explained how the increased utilization of voluntary benefits reflects the way the pandemic has made employees more aware of the risks of hospitalization and becoming critically ill.

How Well Do Employees Understand Voluntary Benefits?

Voluntary benefits are services or goods offered by an employer at a preferred rate and/or with little or no underwriting involved. For employees to participate, they must cover at least part of the cost. These benefits can range from various forms of health insurance and financial assistance to wellness and lifestyle services.

According to a consumer survey by Voya Financial, 70% of employees eligible for voluntary benefits stated that they would be more likely to work for a company offering these perks. However, when it came time to enroll, only 49% of benefit-eligible workers signed up for the plans provided by the companies they work for.

According to Rob Grubka with Voya Financial, the pandemic may have raised awareness of the importance of health and wellness, but there is still some confusion surrounding voluntary benefits. He explained that it can take time for workers to understand these benefits or even get the help required to sign up for programs they've never participated in.

The survey found that lack of awareness is the most prevalent among millennials. For example, of the 78% of employed millennials who stated they were more likely to work for a company offering voluntary benefits, only 49% signed up for any of these programs. According to Grubka, the most likely reason for the lack of participation is that millennials don't have the time or inclination to learn about these benefits because they are focused on building families and advancing their careers.

According to Voya, 31% of benefit-eligible employees stated that they didn't completely understand the benefits they chose during the open enrollment period. Rising inflation is also a factor, considering that 74% of Americans stated that the value of their earnings has declined.

Andrew Frend of Voya Health Solutions stated that American employees are looking for ways to get the most for their money. As a result, they seek help from the people they trust, namely their employers. A previous survey showed that 73% of benefit-eligible employees want help understanding how to better manage their future retirement, emergency savings, and healthcare expenses. Frend believes this is an excellent opportunity for employers to support their workers in improving their health and financial well-being.

What Employees Want Versus What Employers Think They Want

According to a survey by Buck, a benefits consulting and services company, employees and employers have different perceptions regarding the voluntary benefits offered. For example, employers are four times more likely than employees to believe their companies have significantly improved how committed they are to ensuring the well-being of their workers.

In almost all categories, employers have a disproportionately positive view of the finan-

cal services. This data is to be provided upon request.

- **An Online price comparison tool so beneficiaries can compare cost-sharing amounts from various providers for 500 goods and services starting at the beginning of 2023 and for all items and services starting in 2024. Upon request, individuals can receive this information on paper.**
- **Data pertinent to plan pricing. This must be displayed on a website accessible to the public, and include in-network rates, allowable costs outside of the network, and the cost of prescription drugs based on the plan's formulary.**

In addition, detailed information on medication costs resulting from claims must be reported to federal regulatory authorities.

According to the Employee Retirement Income Security Act, employers that sponsor group health plans are ultimately responsible for ensuring their providers comply with the rules. This makes it incumbent on companies to ensure their vendors are up to speed and follow these new regulations.

Some experts advise employers to amend their service agreements to clearly affirm that insurers or third-party administrators are taking every action necessary to align with the new regulations.

continued on next page

cial and social well-being of their employees as compared to the employees themselves. Employers view employee social and financial well-being as 23 percent better than do employees. They also view employee physical and mental well-being 17 percent and 14 percent better than do employees.

While many companies claim to prioritize benefits focused on mental health issues, 21% of employees stated that they'd experienced a decline in mental health over the previous year, and only 28% felt that the mental health provided by their employers were helpful.

Despite this disconnect between employees and employers, the survey found that employers are trying to provide and deliver better voluntary benefits. Firms are also improving how they communicate the advantages of these perks. As a result, 42% are focused on providing personalized communications and 37% plan to provide year-round communications. Compared to 2021, in 2022 2 ½ times more employers plan to take advantage of well-being benefits and providers to develop a budget and platform for wider communications.

It may be true in general that employers have shifted their focus from physical well-being to offering a more holistic approach to their benefits programs. However, these perception gaps may continue to pose challenges. To maximize the advantages of providing voluntary benefits, employers should focus on understanding the wants and needs of their workforce and develop programs that address them.

DOL Issues Mental Health Parity Act Enforcement Warning

In 2021, Congress passed the Consolidated Appropriations Act to put teeth into the eMental Health Parity and Addiction Equity Act (MHPAEA) of 2008.

As a result, employers sponsoring physical and mental health coverage must ensure the coverage limits are equal for medical/surgical benefits and mental health/substance use disorder benefits.

The Department of Labor has warned that employers who aren't in compliance are subject to enforcement actions and can face potential lawsuits from employees. Jay Kirschbaum, World Insurance Associates' Benefits Compliance Director and Senior Vice President, explains that providing equal coverage is problematic for insurers because mental health issues, such as ADHD, are more complicated to diagnose than physical ailments. Regarding physical ailments, telehealth providers allow approximately 30 minutes for the diagnosis and prescription of medication, which is insufficient for mental health issues.

continued on next page

Who Is Responsible for Ensuring Parity?

While the mental health parity rules target insurers and employer-sponsored group health plans, the latter often rely on the insurance companies to properly follow the rules. According to the Employee Retirement Income Security Act (ERISA), though, employers play the role of fiduciaries for both health and welfare benefits and retirement plans.

Employers are responsible for ensuring that their providers follow the rules. The MHPAEA does not make it obligatory for employers to offer mental health coverage, but if they do, coverage must be on par with medical and surgical benefits.

Mental health treatment, for example, cannot have separate or higher deductions for both co-pays and out-of-pocket expenses if the same doesn't apply to medical benefits. Nonquantitative treatment limitations (NQTL) make achieving parity more challenging. NQTLs refer to any factors that limit the scope or duration of the provided benefits or services and can include, but are not limited to, formulary design for prescription drugs, step therapy protocols, and restrictions based on geographic location.

According to Kirschbaum, while coverage can differ, plans must provide valid reasons for the differences. For example, treatment for substance use disorder requires a more extended stay in a rehab center than postsurgical recovery.

Comparative Analysis Reports Required

Group health plans providing medical/surgical benefits and mental health/substance use disorder benefits are obligated to conduct comparative analyses of NQTLs to ensure parity. These analyses must be made available to anyone signed up for the plan, the DOL, the Department of Health and Human Services (HHS), or any other applicable authority upon request. Employers have 45 days to submit a copy of the analysis.

According to the DOL, plans and insurance companies are not as compliant as they should be. When requests were submitted for data, none of the targeted plans and issuers sent sufficient information, whereupon a third of them were immediately flagged for not being compliant. As a result, the DOL has implemented various changes to help with enforcement, including assembling a dedicated task force.

The increased attention to enforcement means employers must keep an eye on the ball and ensure the comparative analysis reports are being done. It's also advisable to document all related activities because employers are liable for compliance and passing the blame onto the insurer will not work.

Some experts feel that it would be beneficial for employers to establish health and welfare benefits committees to prove they are doing their due diligence. Although it is not mandatory, it demonstrates the seriousness with which the employer is taking its fiduciary role. ■

How to Use Benefits to Improve Talent Acquisition and Retention

With over 4 million more job openings than employees to fill them, the task of talentiacquisition and retention has become a significant challenge for many companies.

However, according to financial advisor Jeanne J. Sutton, employers should explore ways to get creative with the standard benefits they provide.

Changing the Status Quo

It's a given that employees usually want more benefits than what's offered with standard health insurance and retirement solutions. This means companies that provide the extras employees are looking for will win the competition for talent, explained Sutton at the SHRM Talent Conference & Expo 2022.

Understanding what employees and potential employees want and thinking outside the box makes sense since the goal is to entice people to return to work. The unemployment rate only covers people looking for jobs, meaning that there is a large pool of untapped talent that companies could potentially leverage, such as retirees and people who decided to stay at home in a caretaker role.

What Can Companies Offer?

Sutton explains that employers have few options to spice up the benefits they offer without

continued on next page

going over their budgets, from allowing flexible work schedules and assisting with student debt to instituting four-day workweeks and offering immediate access to earned pay.

Flexible Work Schedules

After working remotely for two years, many employees don't want to return to strict schedules and onsite work. Instead, they want a more flexible approach and the option to work remotely at least part of the time.

Earned Pay Access

As inflation makes life more challenging, an increasing number of hourly employees want to be paid every workday. Many large corporations are now paying their workers at the end of their shift. Employers who hope to compete for this talent pool should consider taking a similar approach.

Retirement

Employers can also allow new employees to contribute to a 401(k) immediately and automatically enroll them in a plan, even if a year of employment is required before matching contributions begin. Many companies have also increased their matching contributions from 50% to 100%. Sutton also suggests rewarding tenure with bonus contributions and even setting up emergency savings accounts that can be funded from payroll deductions.

Paid Time Off

Employers might also consider allowing employees to carry over unused paid time off from one year to the next or convert it into cash. Another option would be to funnel that cash straight into a 401(k) contribution or towards student debt.

Transitional Retirement

One way to keep older employees on board and attract retirees is to allow a reduced schedule. Older employees could transition to a 30-hour workweek, for example, instead of completely retiring. Many would be willing to take a pay cut in conjunction with a reduced work week as long as they continue to have access to health insurance.

Childcare

Employers could encourage employees with young children to return to work to return to work by providing additional financial support. Some examples include partial or complete coverage of childcare for when the parent is away from home, subsidies for summer camps, paying for travel companions so employees traveling on business can take their children with them, and even complimentary shipping of breast milk.

Student Debt

Sutton also cited assistance with student debt as an effective way to attract and retain talent, especially if employers make matching contributions, which are not taxable up to $5,250 per year. Another option is for employers to funnel the matching contributions into an employee's 401(k) or an employer-sponsored 529 plan, which would allow employees to cover the cost of their spouse's student loans.

Four-Day Workweeks

Sutton is supportive of four-day workweeks as studies show that productivity does not decline when implemented effectively. According to one survey, one-third of the participating employees considered a four-day workweek an important benefit.

When redesigning benefits packages, Sutton advises employers to focus on benefits people are already using. If adding new benefits, employers should consider focusing on those that employee-focused surveys cite as high value. Ideally, employees would be able to point out the benefits they find most valuable.

more on next page

Zillennials Challenge Traditional Workplace Conventions

MhetLife's 20th Annual Employee Benefit hTrends Study shows job satisfaction has tumbled to a two-decade low. Zillennials – who represent the generation born between 1993 and 1998 – exhibit the lowest level of satisfaction.

Over five million Zillennials have entered the workplace over the past five years and are challenging traditional workplace conventions as their values and priorities change. Approximately 53% of Zillennials stated they are stressed due to having an unfulfilling job, and 27% said they would leave their current employer for better benefits.

Employers who want to compete in the talent acquisition and retention race might want to make sure their benefit package aligns with what Zillennials want.

Offer Traditional and New Benefits

According to the study, Zillennials still consider traditional benefits to be important, such as legal plans, hospital indemnity insurance, and life insurance. In terms of the top benefits that would improve their well-being, 74% stated unpaid leave benefits, 67% cited work-life management programs, and 55% said financial-support programs. Including new benefits along with traditional ones will significantly affect how employees perceive the level of care and support provided by their employers.

Provide More Flexibility

Zillennials want to work for companies that care about their social well-being, which can mean providing a flexible work environment. A decade ago, young employees' loyalty was driven more by benefits, company culture, and advancement opportunities than work-life balance. Now, however, employees first cite salary and second flexibility as key drivers of their loyalty, with 60% of Zillennials stating that a flexible work environment was essential when deciding whether to accept a job or continue their existing role.

Offering Mental Health Support

According to the MetLife report, 85% of employers believe their workers have good mental health. Conversely, only 68% of employees state that they feel mentally healthy. In 2021, over 50% of Zillennials required help with their mental health. As 62% of Zillennials consider mental health benefits important, employers should consider providing support such as access to employee assistance programs and coverage for therapy sessions.

By understanding and adapting to what Zillennials need and want, companies can increase job satisfaction for all generations of employees, thereby improving talent acquisition and retention.