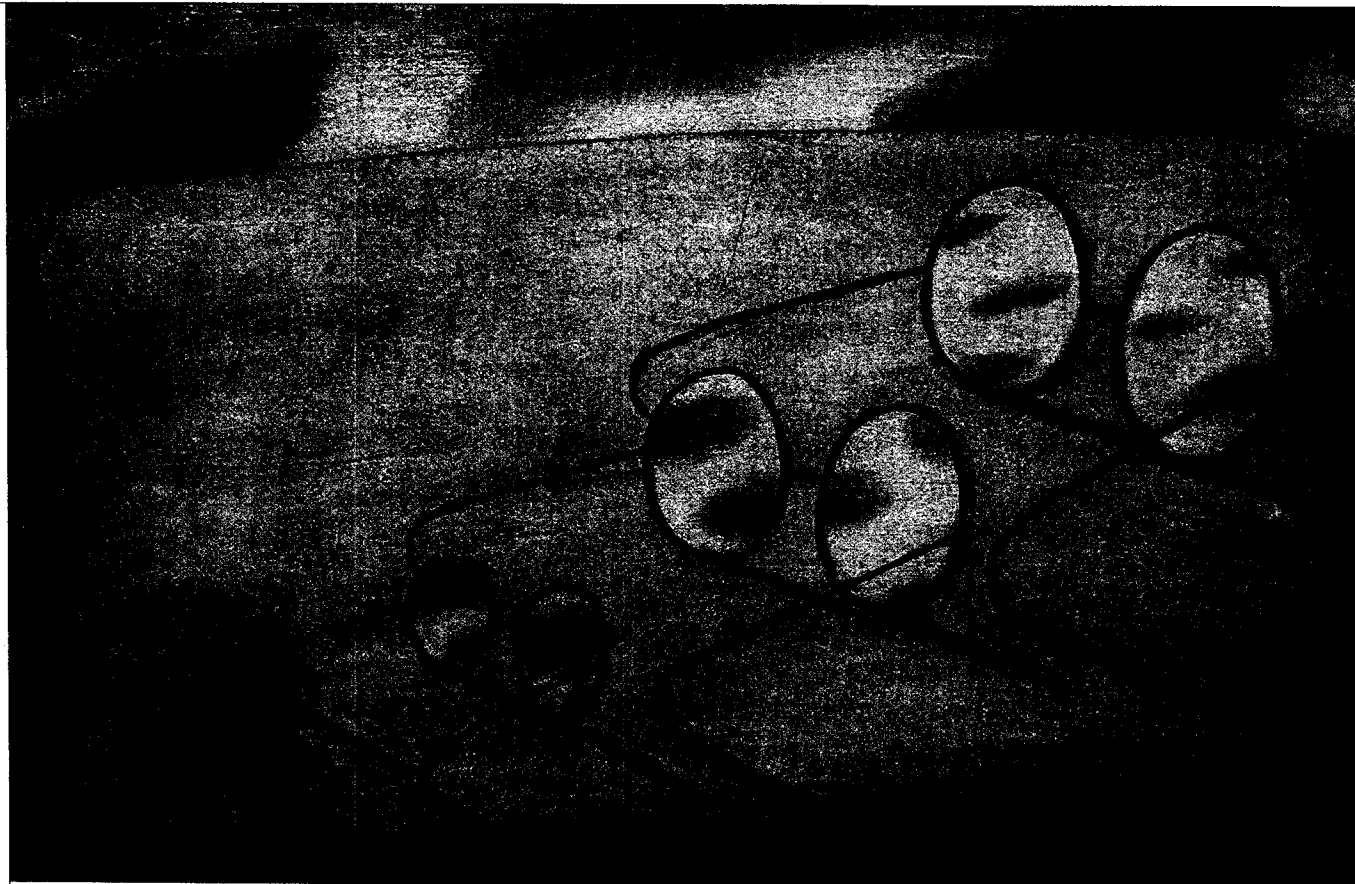


Looking at Perks

Employees are buying their own benefits.



DAVID LESH ILLUSTRATOR

by Kathy McKimmie

We used to think of perks as something extra from an employer, perquisite of your position. But increasingly, employees are buying their own perks—called voluntary benefits—and using the ease of payroll deduction to do it.

The shift to voluntary benefits over the last decade lies squarely on the back of health-care increases. As employers continue to pour their limited benefit dollars into health

care—essential in attracting and retaining employees—the cupboard is often bare for other desired benefits.

Voluntary life insurance.

According to the 2005 MetLife Study of Employee Benefit Trends, one-third of employees want their employers to offer more voluntary benefits. Younger workers with children are clamoring the most for a broader menu of voluntary benefits, 44

percent, while only 27 percent of singles want more choices. One obvious reason is life insurance needs. Life insurance to supplement the minimal amount usually provided by the employer can be purchased cheaply and easily with a deduction from a paycheck to protect a new family.

Voluntary life insurance through the employer is also a good deal for older workers, says Mike Share, benefits producer with

Got a vision plan?

Voluntary employee benefits include life insurance and coverage for dental care, disability, legal services, home, auto, even pets.

Tobias Insurance Group, Indianapolis. “The No. 1 voluntary benefit is voluntary life insurance as you get older. If you are able to lock in a guaranteed issue life

EMPLOYEE BENEFITS

insurance product you don't have to worry about evidence of insurability."

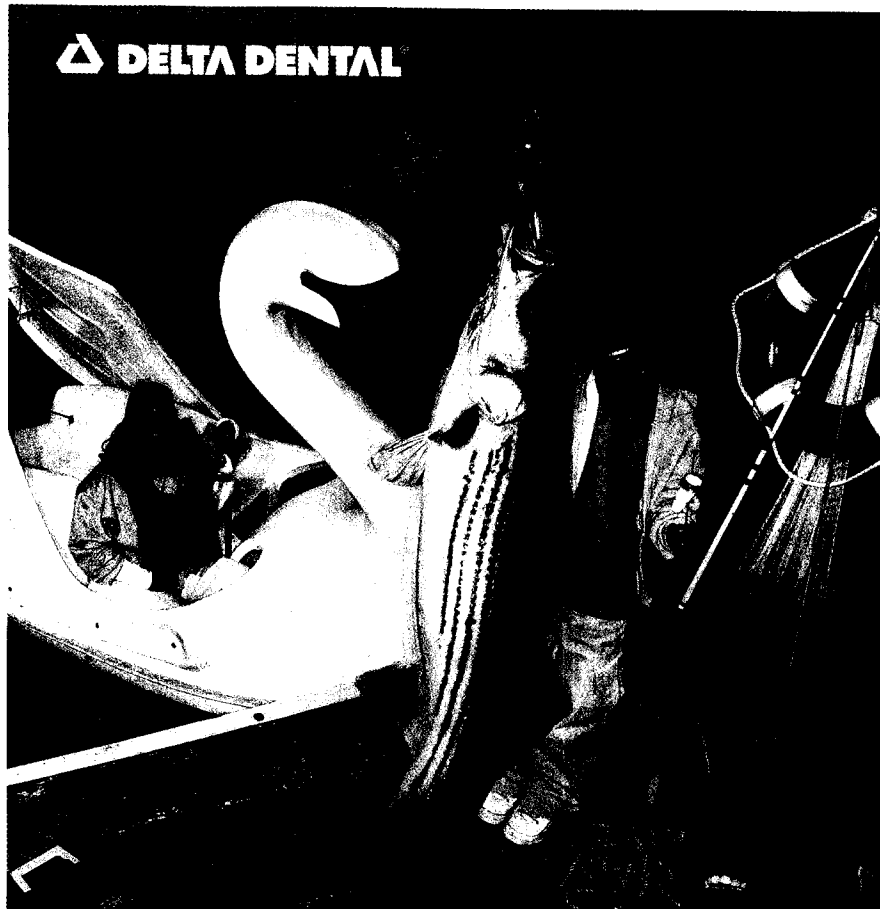
Employees can generally get one, two, three times salary with no medical questions up to \$100,000, he says. You can't get a deal like that on your own, plus it's less expensive in a group. "It's very very inexpensive and it gives employee good will toward the employer.

Most people don't have life insurance except through their company benefit."

Dental plans. After life insurance, dental usually weighs in next in importance. Many employers used to cover the cost of employee dental coverage, says Jim Stanbrough, manager of sales, Delta Dental, Indianapolis.

Now, of those that provide it about 20 percent pay all of the cost. Others with employer-sponsored plans are paying for only part, like payment for the employee's single coverage, and the employee will pick up the cost of any family coverage. "It's been going that direction for maybe 10 years now. We started seeing the employee pay all in the early to mid-'90s." Subtle changes followed, he says, like less coverage for the more expensive procedures and an annual cap, like \$1,000 per person per year.

Employers considering shifting from an employer-provided to voluntary benefit dental plan should be aware of the



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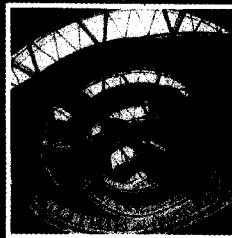
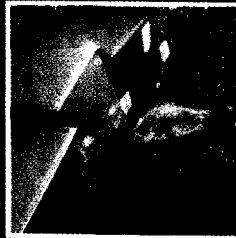
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>> GOT A SMILE ON YOUR MIND?

“Employers considering shifting from an employer-provided to voluntary benefit dental plan should be aware of the key differences in design between the two.”

key differences in design between the two, he says. To control adverse selection—the highest-cost people tapping into the benefit in bigger numbers—voluntary plans have instituted waiting periods from 6 to 24 months, with the most common being 12 months. The plans also “downshift” benefits he says, reimbursing only 50 percent of services that might be reimbursed at 80 percent under an employer plan.

“Carriers basically want it to be a long-term success,” says Stanbrough of dental plans. If there's high coverage right away, people will use it and drop out. “There needs to be enough coverage to get high participation, but not too expensive to prevent people with decent oral health to keep from joining. You need a good risk pool.” To Delta,



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that's about 35 percent participation in a company.

Advantage Health Solutions, Indianapolis, entered the Indiana health-care market in 2000, created by four founding Catholic health-care systems, and provides managed-care services through its HMO and HMO with point-of-service health plans. It has continued to add other options including voluntary benefits, says Vicki F. Perry, president and CEO. "We have about 20 percent of our members covered under optional vision and dental. With vision it's typically a discount with chains. With

“ of the new ones is long-term-care insurance for employees in their 50s primarily, for themselves, their parents or their grandparents. **”**

dental it's a percentage up to a cap; for example, 80 percent of preventive dental, 50 percent of orthodontia, up to \$2,000."

Last year, Advantage began offering life insurance as a voluntary benefit and "believe it or not" says Perry, it is considering offering pet insurance. "We have a number of directors who are interested in offering a pet insurance rider. We have not made a final decision." The policies, she says, are based on the age and the breed of the dog. "Obviously a new puppy would be relatively cheap." Coverage could run \$10 to \$35 a month.

"You have to determine what are the drivers for employee retention," says Perry. Then structure your benefits around them.

Group life is by far the highest-volume voluntary benefit for Unified Group Services' clients, says Dave Scott, vice president sales and consulting,



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Anderson, followed by dental. Short-term and long-term disability plans are next, then legal services. "We've got such a litigious society today," he says. "Very often, people in the middle- to lower-income ranks don't have access to an attorney." Legal services gives them easy access to an 800 number consultation and a discounted face-to-face rate.

Long-term-care insurance. "One of the new ones is long-term-care insurance for employees in their 50s primarily, for themselves, their parents or their grandparents," says Scott. A 25- or 30-year-old may even want to assist a grandparent by buying a long-term-care policy through payroll deduction. Premiums depend on age, but he gives an example of a 50-year-old buying a policy for herself costing \$1,000 to \$2,000 a year.

Long-term care is a benefit that doesn't qualify as pre-tax under federal law, says Share, so "it's low on the totem pole" with his clients. Congress has debated the issue for a few years, but hasn't moved. "There would be a lot more opportunity to sell it on a pre-tax basis."

There's an *employer perk* hidden among most employee-paid voluntary benefits, says Share. If the benefit qualifies as pre-tax, it means the employer's FICA costs are also reduced. "There's an actual financial benefit to employers when they offer voluntary benefits that are pre-tax. A lot of employers probably don't realize that." Nevertheless, the biggest benefit is employee good will, he adds. "Voluntary benefits are always a win-win."

Tim Leman, director of the employee-benefits division of Gibson Insurance, South Bend, says a whole new business has sprung up around high-deductible health plans, HSAs and HRAs. An employee might have a \$2,000 deductible before reaching coverage, he says, and sickness and accident policies are being sold to employees to close the "gap." It's not for preventive services, but if someone is hospitalized, it could come in handy. "It's catching on," he says. The gap policies are generally traditional accident and sickness policies

that have been "re-labeled, remarketed, tweaked."

Group auto and homeowner policies.

Another growing voluntary benefit area with Gibson is group auto and homeowner policies. "In the last five years these have become more popular," says Leman. It's not necessarily a cheaper route for the employee to go, but payroll deduction makes it painless and you know the premium will get paid.

He recommends that employers considering voluntary benefits stick to just two to begin with—four or five is just too confusing for employees. Within a year or two introduce another. "We like to keep what employees are buying at one to two hours of pay a week."

More than half of employers offer voluntary benefits, says Matthew Arnold, principal, Mercer Health & Benefits, Indianapolis, because they consider them a

and home insurance, disability, legal, vision, dental, and voluntary RX.

Pet insurance? Pet insurance is a growing area, as is

for reduced costs and no interest directly with a computer company, such as Dell.

"Long-term care usually follows the 40/40 rule," says Arnold. "Once a worker turns 40 they are able to see what their elderly parent is going through and gain interest in long-term care as a benefit for themselves. This also applies to one's income as the are more likely to gain interest in voluntary benefits such as long-term care when their annual salary reaches \$40,000."

With health-care cost-shifting to employees continuing, offering voluntary benefits can be a good employee-relations tool, says Arnold. "It's another way to give back to the employees when you feel like you're always taking away." ■

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value-added benefit for employees. Its surveys show the most popular and growing voluntary benefits are long-term care, life insurance, critical illness insurance, auto

insurance for identity theft. Some employers also allow employees to buy computers through the company using payroll deduction, he says. The employer can make a deal

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