

U.S. Workers Suffer Financial, Personal Health Concerns as Corporations Struggle

“THE REALITY IS THAT THE MAJORITY OF CONSUMERS ARE IN DEEP DENIAL ABOUT THE WAY A HEALTH CRISIS COULD AFFECT THEIR HOUSEHOLD.”

Over the past few years, America’s economic engine has been sputtering. Workers, the country’s intellectual capital, are worn down by several economic forces – a stagnant job market with flat or decreasing compensation levels combined with rising health care costs that are largely being shifted to consumers. And, most are not financially protected or prepared.

According to a groundbreaking study by Aflac, the country’s ongoing economic struggles have left a large segment of the U.S. workforce teetering on the brink of financial disaster. For many, an unexpected illness or accident will be devastating to their already fragile financial situations.

Companies whose own financial livelihoods depend on these workers must play stronger roles in helping workers close gaps in protection. After all, employer-employee relationships must be mutually beneficial. Organizations simply can’t continue to ask workers to sacrifice their own well being – in the form of decreased salaries, increased health care costs and higher productivity expectations – without doing their part to ease their workers’ financial anxiety.

CHART 1

U.S. WORKERS BEAR THE BRUNT OF THE WEAK ECONOMY

77% Of companies increased employees’ share of health care costs in 2010.

46% Of workers are coping with a financial crisis or trying to reduce debt.

66% Of companies cut workers’ pay and/or raises in 2010.

Companies Lean on Workers to Weather Financial Storms

Although analysts and economic experts are predicting a more sustainable economic recovery, it’s important to remember what workers have experienced over the past two years. The Aflac study’s findings illustrate the degree to which workers have borne the brunt of economic forces (see Chart 1).

While the economic landscape thus far in 2011 appears more promising, workers continue to

be on the receiving end of corporate struggles. Aflac’s study found that 31 percent of companies plan to increase employees’ share of health care premiums this year, 28 percent will increase copayments and 14 percent will introduce major medical plans with higher deductibles.

In the coming months, 24 percent of companies will eliminate raises, 34 percent will offer smaller raises than in the past, 21 percent will lay off staff and 20 percent will ask employees to take a pay cut or participate in furloughs.

A Financially Unhealthy Workforce

Not surprisingly, the top three issues for U.S. workers right now are concerns about wages keeping pace with inflation (65 percent), job security (62 percent) and increasing health care costs (45 percent). For more than one-third of workers (34 percent), having enough money to meet their current expenses is their biggest financial challenge, and another 28 percent say not earning enough money at their current job ranks as their biggest challenge.

Optimism and confidence are also hard to come by for American workers. Nearly three-quarters expect their households' financial condition to remain the same or get worse in the next six months. Only 49 percent of workers are somewhat confident about their financial future, and one-quarter are not at all confident.

Dangerous Denials

Considering the already fragile economic state of many U.S. workers, it's easy to understand why they don't even want to think about the possibility of further hardships. But the reality is that the majority of consumers are in deep denial about the way a health crisis could affect their household. This instinct to ignore the "what ifs" has left countless Americans one health crisis away from financial devastation.

For example, the Aflac study found that 13 percent of workers believe it is likely that they or a family member will experience a serious illness, such as cancer, in the future. In fact, the odds are much greater. The American Cancer Society¹ estimates that American men have slightly less than a one in two lifetime risk of developing cancer. For women, the risk is a little more than one in three.

Heart disease is the leading cause of death for both men and women in the United States, causing more than one in every four deaths annually, according to the Centers for Disease Control. Yet, the Aflac study found that nearly two in ten consumers think it is likely they or a family member will be diagnosed with a chronic illness such as heart disease.

Despite the fact that they've underestimated the odds of a serious or chronic illness, most workers — nearly 90 percent, in fact — say financial considerations would be the first thing on their minds if they or a family member became seriously ill. Many workers (40 percent) say they are most concerned with the coverage their insurance provides and 34 percent wonder how a serious illness would affect their ability to pay for monthly expenses.

Most Workers Woefully Unprepared to Financially Withstand Health Event

Alarming, more than half (51 percent) of workers say they are not prepared to pay out-of-pocket expenses not covered by major medical/health insurance related to an unexpected illness or accident. Another 31 percent say they have no confidence in their ability to cope with the financial impact of disability/injury, death or other unexpected events.

With limited funds to help pay for an unexpected illness (see Chart 2), most workers will be forced to turn to other measures and outlets to help cover the costs.

THE AFLAC STUDY FOUND: Employers Need to Rebalance the Employer-Employee Contract

Companies that have cut back on employer-paid health care costs, raises, bonuses and other benefits have image problems and will need to launch strategies to change employee perceptions. Nearly one quarter of the workforce disagrees that "my employer takes care of its employees." Furthermore, workers believe their company's top objective with respect to benefits is reducing health care costs.

Measures such as cost-shifting, pay freezes and furloughs are unavoidable for many organizations in a down economy. However, to maintain employee morale and loyalty, these actions should be accompanied by tools and support that help workers cope with resulting financial hardships. Without such support, employees' disengagement and anxiety may increase.

CHART 2

HOW WOULD YOU PAY FOR OUT-OF-POCKET EXPENSES ASSOCIATED WITH AN UNEXPECTED SERIOUS ILLNESS OR ACCIDENT?

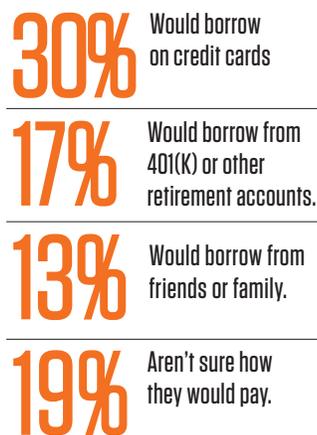
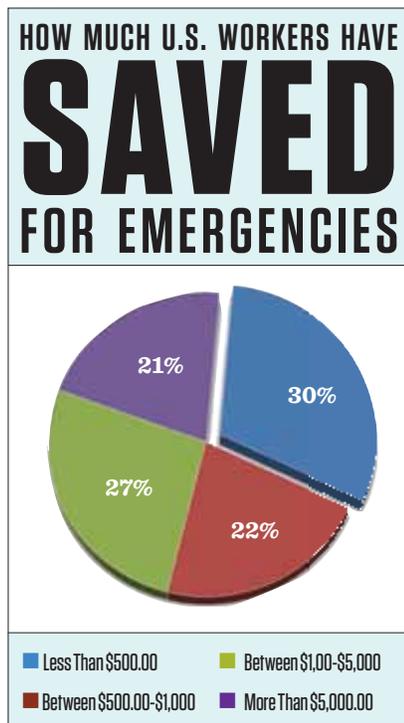


CHART 3



Arm Workers With Knowledge

Company leaders and HR decision-makers can help educate their employees about major medical insurance, including what costs it does and does not cover. Many workers incorrectly assume that major medical covers most, if not all, of workers' accident or illness expenses. Companies should provide employees with insight into the amount of out-of-pocket medical costs they'll face under their current plans.

Furthermore, employees need to understand that simply having a major medical plan does not protect them from the possibility of medical bankruptcy. According to the *American Journal of Medicine*, bankruptcies resulting from medical expenses increased by nearly 50 percent between 2001 and 2007. Many Americans who filed for bankruptcy were covered by health insurance, illustrating that in many cases, health insurance alone does not insulate a family from financial devastation.

Offer Options to Keep Workers Protected

Voluntary insurance policies, such as short- and long-term disability and critical illness, help individuals pay the bills that major medical doesn't pay. Often, they are offered to employees at no direct cost to their companies. These policies work to help close the gaps left by major health coverage — in essence, providing financial safety nets to help protect income and savings in the event of personal disaster.

Workers need these types of coverage to help safeguard against their rising share

of health care costs. And, because they can be offered at no direct cost to employers, providing workers with voluntary insurance options simply makes business sense.

Encourage Employees to Consider Health Insurance as Part of Their Financial Planning

Just as consumers should plan for retirement and the cost of their children's higher-education expenses, they must also plan for unexpected health events and the potential impact those events will have on their financial plans. Yet most employees view health insurance and financial planning as two separate considerations.

Today's employers, many of whom have cut benefits and compensation in tight economic times, have a responsibility to help their workers understand the value and importance of their health care benefits. This is especially true in the wake of health care reform, which has caused confusion among Americans of all income levels and in all industries.

Employers should also remember that when the economy rebounds — as history has proven it will — many employees will look to new employers for better benefits, compensation and career opportunities. Smart employers are preparing for the economic turnaround by identifying cost-effective ways to add to their benefits options, and to effectively communicate and market those options to their workers. By doing so, they'll be able to attract the best new talent; retain valued employees; and keep their workforces engaged, productive and on the job.

ABOUT THE AFLAC WORKFORCES REPORT

The Aflac WorkForces Report is an annual study analyzing the forces impacting the trends, attitudes, and use of employee benefits. Surveying both American workers and business decision-makers, the Aflac WorkForces Report reconciles the perceptions and realities of benefits in the workplace. The insights aim to help businesses make informed decisions about benefits to better protect employees and their bottom line. For more information, please visit www.AflacWorkForcesReport.com.

METHODOLOGY

The 2011 Aflac WorkForces Research was conducted by Harris Interactive on behalf of Aflac. The research contained two components of research among the US workforce — Employer research and Employee research. The Employer Survey was conducted online within the United States between August 17, 2010 and September 9, 2010 among 2,117 Benefits Decision Makers. Results were weighted to be representative of US companies with at least 3 employees based on company size (number of employees) and industry. No estimates of theoretical sampling error can be calculated; a full methodology is available. The Employee Survey was conducted online within the United States in two phases. The first phase was conducted between August 17, 2010 and September 1, 2010 among 3,035 employed adults aged 18 and older who are employed full or part time at a company with 3 or more employees and not retired. Results were weighted as needed for age, gender, education, race/ethnicity, region, household income and industry. The second phase was conducted between February 11-15, 2011 among 1,188 employed adults aged 18 and older who are employed FT/PT and not self-employed. Results were weighted as needed for age, gender, education, race/ethnicity, region, and household income. Propensity score weighting was also used to adjust for respondents' propensity to be online on both phases of this research. No estimates of theoretical sampling error can be calculated; a full methodology is available.