

Why Voluntary Benefits Matter for Businesses

Help Meet Practical Business Needs in a New Health Care Era

Voluntary benefits, also known as supplemental insurance, have long served as a way to protect workers when they are sick or injured – independently of major medical coverage. As health care costs continue to rise and workers take more control of their benefits decisions, voluntary insurance plans are even more relevant as key pieces of a company’s overall benefits strategy.



A Safety Net to Help Workers Shoulder the Benefits Burden

Though the rising cost of health care is not new, companies are facing difficult decisions about how to contain health care expenses. Many are shifting costs to their workforces in the form of fewer options and higher premiums, deductibles, and copayments. Even for employees covered by a comprehensive major medical plan, out-of-pocket costs – both medical and non-medical – can be substantial.

With market reform, employees face more decisions about their benefits options. Any way you look at it, employees are shouldering both additional health care costs and decision-making responsibility, and they need a strong safety net to protect their wellbeing and financial assets. Responses from over 5,200 workers across the U.S. reveal:¹

- » **58 percent** *don't have financial plans* in place to handle the unexpected.
- » **66 percent** *would be unable to adjust to the large financial costs* associated with a serious injury or illness.
- » **Only 10 percent** *understand extremely well the total costs* associated with an injury or illness when considering medical, household and out-of-pocket costs.
- » **40 percent** *would need to borrow* from friends, family members or their 401(k)s to pay unexpected costs in the event of an immediate unexpected serious illness or accident.
- » **30 percent** *have less than \$500 saved* for an emergency.
- » **53 percent** think that with more control over their health care, they *may not adequately manage their health insurance coverage*, leaving their family less protected than they currently are.

Voluntary Benefits Help Employers Meet Business Objectives

A 2013 study by Towers Watson predicts that the percentage of employers that expect voluntary benefits to be very important to their total rewards strategies will more than double over the next five years. Survey participants indicated the primary reasons are the ability to personalize benefits to meet employees' needs and lifestyles, and to show how voluntary benefits enrich the company's total rewards packages.² Headed into the post-health-reform era, voluntary benefits options continue to demonstrate value and grow in popularity with employers of all sizes by:

Figure 1

Employers that expect voluntary benefits to be very important to their total rewards strategies



- » **Maximizing the overall benefits strategy:** Most voluntary benefits policies can be offered, sold or provided with or without corresponding major medical plans, and research shows that offering these benefits help round out an overall benefits package. For example, workers with voluntary benefits options are more likely to be extremely or very satisfied with their benefits options than workers who do not have voluntary benefits (69% compared to 48%).¹ These policies have long been a solution for employers who want to create customized benefits packages because they offer workers a variety of coverage levels and types to meet individual life stages.
- » **Offering options with little-to-no cost to the bottom line:** As a business leader, you know benefits are linked to overall worker satisfaction and loyalty. Research also shows that workers with voluntary benefits are more likely to believe their companies are known as great places to work and have reputations for taking care of employees.¹ Still, if your company is like most, controlling health care costs is a top concern. You might be surprised to learn that many voluntary policies are offered at no direct cost to the policyholder's employer. You can choose to contribute a portion of the premium or simply make the products available for your workforce to purchase. Carriers such as Aflac offer payroll deduction without any added direct cost to your business.
- » **Supporting healthier and better-protected workers:** It is not surprising that as employers are embracing voluntary insurance benefits, 1-in-4 companies (25 percent) say they have experienced lower worker compensation claims since they began offering such products.¹ Employees who are offered and enrolled in voluntary benefits options are significantly more likely to say they have peace of mind (52 percent compared to 42 percent) and financial plans (49 percent compared to 39 percent).¹
- » **Helping workers build smarter benefits profiles:** While no one can anticipate the unexpected, more than 38.9 million injuries requiring medical consultation occur in a year.³ Voluntary policies provide cash benefits for expenses not covered by major medical insurance. Having voluntary coverage in place can save accident victims from out-of-pocket costs and unexpected debt and may even prevent bankruptcy, helping them focus on getting better and getting back to work.

Businesses Gain More by Offering Workers Voluntary Benefits

Many businesses make voluntary benefits available to their workforces, and the number is increasing as companies seek solutions to growing health care costs. HR professionals and decision-makers are finding that voluntary plans help soften the impact of inevitable cost-shifting and rising out-of-pocket costs on workers. These plans can be added to companies' benefits portfolios with no direct effect on their bottom lines, and they give workers the opportunity to enroll in the options that best suit their needs and incomes.

Want to Know More About Voluntary Insurance?

Consider asking your benefits adviser about these popular policies:

- » [Accident Insurance](#)
- » [Cancer Insurance](#)
- » [Hospital Confinement Indemnity Insurance](#)
- » [Short-term Disability Insurance](#)

For a more in-depth look at voluntary benefits, check out [Voluntary 101 for Businesses](#) and [Why Supplemental Insurance Matters](#).

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Sources:

¹ 2013 Aflac WorkForces Report, a study conducted by Research Now on behalf of Aflac, January 7 - January 24, 2013.

² Towers Watson (2013). Importance of Employer-Sponsored Voluntary Benefits and Services Expected to Surge, Towers Watson Survey Finds. Accessed on August 28, 2013, from <http://www.towerswatson.com/en/Press/2013/08/Importance-of-Employer-Sponsored-Voluntary-Benefits-and-Services-Expected-to-Surge>.

³ Injury Facts, 2011 edition, National Safety Council.