

Answers to tough benefits-enrollment questions

Employees face many decisions during open enrollment. Some are familiar, but many are new. For example, should they choose employer benefits or go to a state exchange for medical coverage? Is a high-deductible health plan better than a higher premium with a lower deductible? Matthew Owenby, Aflac's vice president of Human Resources helps small-business leaders tackle top benefits-enrollment challenges to better equip employees to make decisions for the year ahead.



1. What should employers focus on during open enrollment this year?

In a word: education. Employees have more options than ever before, and so, more than ever, they need to understand how to compare and purchase health insurance plans – especially with new options available through state and federal marketplaces. All benefits plans are now required to include a summary of benefits coverage that helps employees with comparison shopping. Employers should also consider offering their employees easy-to-understand definitions of health-coverage terms, the actuarial value of their plans and other clearly communicated resources that show the total cost of a plan and the out-of-pocket costs of illness or injury. Small companies may find it challenging to take on the responsibility of educating employees, but there are plenty of resources to help ease the burden. They should rely on their brokers or benefits advisers, and take advantage of free resources. For example, Aflac offers two tools that clearly help communicate these concepts: [The Real Cost Calculator](#)¹ and [Out-of-Pocket Costs 101](#).²

2. What are the most common mistakes employees make during open enrollment?

Employees usually make two basic mistakes. First, they spend little or no time choosing their benefits: 77 percent spend 60 minutes or less preparing for and selecting benefits, and nearly half (46 percent) spend 30 minutes or less.³ This leads to their second mistake: The majority (90 percent) simply keep the same benefits year-after-year, despite the fact that most (71 percent) only sometimes, rarely or never understand changes to their policies each year.⁴

Health plans can vary significantly each year, especially with the implementation of health care reform. Employees may need to adjust their coverage or add products to make sure they're financially protected. Benefits mistakes can be costly, with 54 percent of employees estimating they waste up to \$750 a year because of errors they make with their insurance benefits.⁴ That's a significant portion of a family's budget that could go toward groceries, gas, rent or a mortgage. It points to the overwhelming need for easy-to-understand benefits information that can help employees understand the financial effect their benefits choices have on their families' budgets.

3. What advice do you have for employers seeking to do a better job with benefits communication on a budget?

The most successful benefits programs are accompanied by communications plan before, during and after open-enrollment season. But for small companies, time and money can be big obstacles to comprehensive communication plans. Some may be tempted to use technology to overcome these obstacles, but employees at small companies say they prefer to receive benefits communication directly from the HR or benefits professional.³ Partnering with a trusted benefits adviser can help employers solve benefits-communication challenges, without adding to their time or budgets. Many insurance companies, brokers and agents have access to resources to help deliver communications to employees throughout the year, and for some it comes as part of doing business with their organizations. You can also take advantage of free resources, such as [Aflac's Employee Communication Toolkit](#)⁵ or [business.usa.gov](#).



4. How will the rising costs of health care affect benefits enrollment?



Unfortunately, costs are on the rise and many employers are taking cost-cutting measures just so they can continue offering employee benefits. This ultimately means that employees pay more out of pocket for their health care coverage. The government has set limits on out-of-pocket costs; however, the limits are still quite high (\$6,450 for self-only coverage or \$12,900 for family coverage) and don't include any limits or exclusions that aren't covered by a particular plan.⁶ The most disconcerting news is that employees indicate they aren't prepared to take on additional costs. The 2014 Aflac WorkForces Report found that nearly half (49 percent) have \$1,000 or less to pay unexpected out-of-pocket medical expenses, and 27 percent have less than \$500 on hand. Employees at small companies are even more likely to fall into these categories (59 percent and 34 percent respectively).³

Given these realities, it's not surprising that voluntary insurance benefits are increasingly more important to employees. The same Aflac study found that 63 percent see a growing need for voluntary insurance benefits today compared to previous years because of rising medical costs, higher costs for medical coverage, increasing deductibles and copays, changes due to health care reform and their employers' reduction of benefits. Nearly 9-in-10 (88 percent) employees

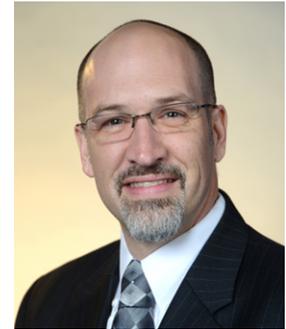
see voluntary benefits as part of a comprehensive benefits program.³ Employers can offer these policies at little to no cost to their bottom lines, so they're an invaluable addition to any employee benefits program.

5. What should employers focus on when it comes to health care reform compliance?

Employers should begin keeping detailed records of the health benefits they provide, which employees they're offered to, and whether the benefits meet government requirements. If a company's program is fully insured, much of this information can be provided by their insurers. Additionally, all employers, regardless of size, should provide employees with communication about the government exchanges and whether their companies offer benefits. The communication was originally required for all employees by Oct. 1, 2013, and it continues to be required for all new employees upon hire. Other requirements vary by company size. Aflac's [Health Care Reform Benefits Decision Tool](#)⁷ can help employers determine which requirements apply to their businesses.

About Matthew Owenby

Matthew Owenby has 15 years of experience in the financial services/HR industry and is Aflac's vice president of Human Resources. He is responsible for the strategy and implementation of all human resources related services to Aflac's most valuable resource, its employees. Prior to Aflac he held critical HR roles at Bank of America and General Electric.



Sources

¹ Aflac's real cost calculator: aflac.com/realcost.

² Out of pocket costs 101: http://www.aflac.com/healthcare_reform/articles/out_of_pocket_costs_101.aspx.

³ 2014 Aflac WorkForces Report, conducted by Research Now on behalf of Aflac, January 7, 2014 to January 27, 2014. The full methodology can be found at workforces.aflac.com/about-the-study.php.

⁴ 2013 Open Enrollment Survey, conducted by Research Now on behalf of Aflac, August 2013. The full methodology can be found at <http://www.aflac.com/us/en/docs/insights/2013openenrollmentsurveypart2template.pdf>.

⁵ Employee communications toolkit: http://www.aflac.com/business/employee_toolkit/.

⁶ Internal Revenue Service (2014). RP 14-30. Accessed June 17, 2014, from <http://www.irs.gov/pub/irs-drop/rp-14-30.pdf>.

⁷ Health care reform benefits decision tool: aflac.com/hcrtool.

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