

ViewPoint

The Hidden Rewards of Voluntary Benefits

The 2013 Aflac WorkForces Report finds voluntary insurance offerings linked to overall workforce satisfaction and financial preparedness.

Voluntary insurance policies, such as critical illness, short-term disability, accident, life insurance and many more, help complement major medical policies. Whether an employee has major medical insurance from an employer, through an exchange or as dependent coverage – voluntary benefits pay the policyholder directly, unless otherwise assigned, for unexpected costs associated with serious illness, injury or loss that are not covered by major medical insurance.

Many businesses increasingly offer voluntary benefits to meet workforce needs, and as a solution to growing health care costs. Insights from the 2013 Aflac WorkForces Report reveal the hidden rewards for businesses offering voluntary benefits, and even greater advantages for workers who are enrolled. Businesses can leverage these insights to improve their ability to attract and retain workers – gaining bottom line advantages, while workers are better able to protect themselves in the event of injury or illness.

Voluntary Benefits Help Workers Build a Safety Net

Surprises and unexpected challenges are a fact of life – but uncertain insurance protection for your workforce should not be. Voluntary insurance policies help provide peace of mind to your business by helping your workers build a safety net to protect their finances. Voluntary policies:

- » Can be offered at little or no cost to the employer.
- » Pay cash benefits, so workers can cover unexpected costs associated with illness or injury that are not covered by major medical insurance.
- » Pay regardless of any other insurance policies, including policies that will be in place through state health care exchanges.
- » Provide an option that can help workers to protect their finances.

More businesses are offering voluntary insurance benefits

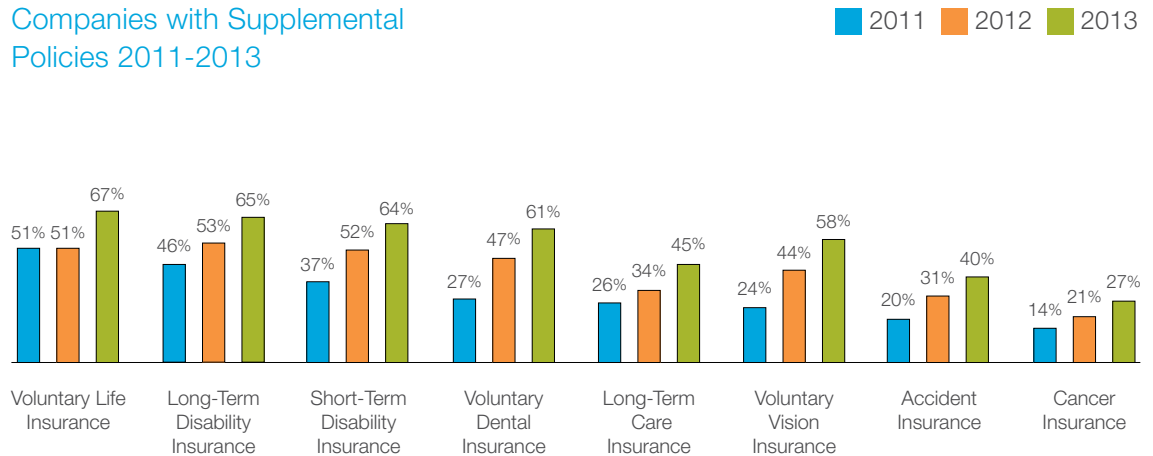
The 3rd Annual Aflac WorkForces Report provides an in-depth look into benefits and workforce trends affecting businesses across the U.S. This year's findings show a significant three-year growth trend with employers offering voluntary insurance products to their workforce (figure 1). In fact, several of these voluntary products have doubled in popularity from 2011 to 2013, specifically: voluntary dental insurance, long-term care insurance, voluntary vision insurance, accident insurance and cancer insurance. It is not surprising that employers are embracing these insurance benefits, since 1-in-4 companies (25 percent) say they have experienced lower worker compensation claims since they began offering voluntary products.



The rise in popularity of voluntary benefits is accompanied by another important benefits trend – employers are working hard to control the cost of the health care benefits they offer. The study found that controlling costs related to health care is the top HR objective in 2013. Additionally, more than half (53 percent) of companies have implemented a high deductible health plan (HDHP) over the past three years. Since voluntary policies can be offered at little or no cost to the business, these policies can help employers to continue to provide important benefits options, while also making changes to control their overall contribution to employee health care.

Figure 1

Companies with Supplemental Policies 2011-2013



Employees reveal a pressing need for voluntary insurance

As the health care landscape evolves, voluntary benefits are especially critical for workers. Not only do employees share an interest in the products (60 percent say they would be interested in purchasing voluntary benefits if they were offered by their employer), but for the past three years, the study consistently found that many workers do not have substantial savings or a financial plan. Specifically, 46 percent of workers reveal they have less than \$1,000 in savings to pay for an unexpected health event, and more than half (57 percent) say they do not have a financial plan. Still, more than ever, these workers are facing increasing medical costs due to changes to the health care system and increasing trends toward consumer-driven health care models. Often, having these voluntary policies can help workers to build a safety net that protects them from out-of-pocket costs, unexpected debt and may even prevent bankruptcy—helping them to focus on getting better and getting back to work.

Employees enrolled in voluntary benefits are empowered and confident

Responses from 5,299 employees across the U.S. reveal a growing population of workers that are empowered and confident when it comes to job satisfaction and financial preparedness. Specifically, the results reveal workers who are offered and enrolled in voluntary benefits are remarkably more likely to be:

1. Knowledgeable, engaged and satisfied with their benefits
2. Confident in their employer's benefits communication

3. Satisfied with their job
4. Financially prepared for an accident, illness or unplanned health event

As businesses continue to manage the costs of doing business against a changing health care landscape, these results reveal hidden rewards to both companies and their employees that choose to include voluntary insurance as part of their overall benefits strategy.

1. Knowledgeable, engaged and satisfied with their benefits

A significant evolution for employees as a result of health care reform is how much control they will have over their health care choices than before. Whether they have employer-provided coverage or they purchase insurance through an exchange, employees will be responsible for making their own health care choices and allocating how they spend their health care dollars. Unfortunately, many workers still are not prepared to completely handle their health care benefits, and many do not feel confident in their ability to make health care decisions. The Aflac study revealed several key advantages for workers who are offered and enrolled in voluntary benefits, compared to those who are not, including:

Knowledgeable about benefits

- » Employees who are offered and enrolled in voluntary benefits were almost two times more likely to say they feel extremely or very knowledgeable about their benefits package, compared to those who are not offered voluntary benefits at all (63 percent vs. 35 percent).
- » Given a list of benefits products, employees who were offered voluntary benefits (even if not enrolled) had a significantly better understanding of benefits offerings, compared to employees not offered voluntary benefits offerings (figure 2).

Engaged with benefits

- » More than half (57 percent) of employees enrolled in voluntary benefits say they are taking full advantage of their employee benefits; whereas just 38 percent of workers not offered voluntary benefits say the same.
- » Workers enrolled in voluntary benefits are significantly more likely to say they would be interested in non-insurance benefits such as wellness programs (figure 3).

Satisfied with benefits

- » Workers with voluntary benefits are more likely to be extremely or very satisfied with their benefits than workers who do not have voluntary benefits (69 percent compared to 48 percent).
- » Workers with voluntary benefits are significantly more likely to view their overall benefits package as more competitive than their peers and to say their benefits meet their families' needs (figure 4).

Figure 2

Very or Extremely Knowledgeable About Benefits by Type

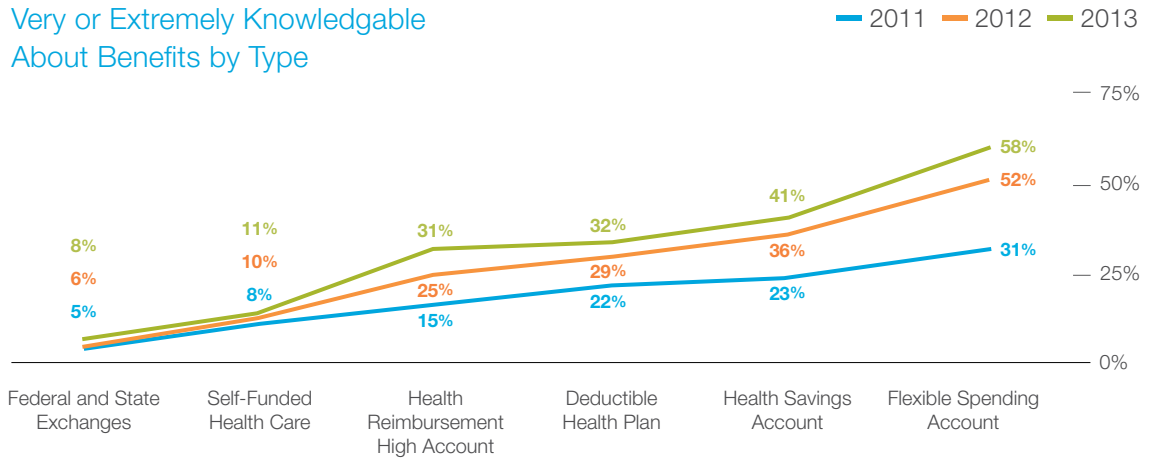


Figure 3

Likelihood to Participate in Wellness Programs

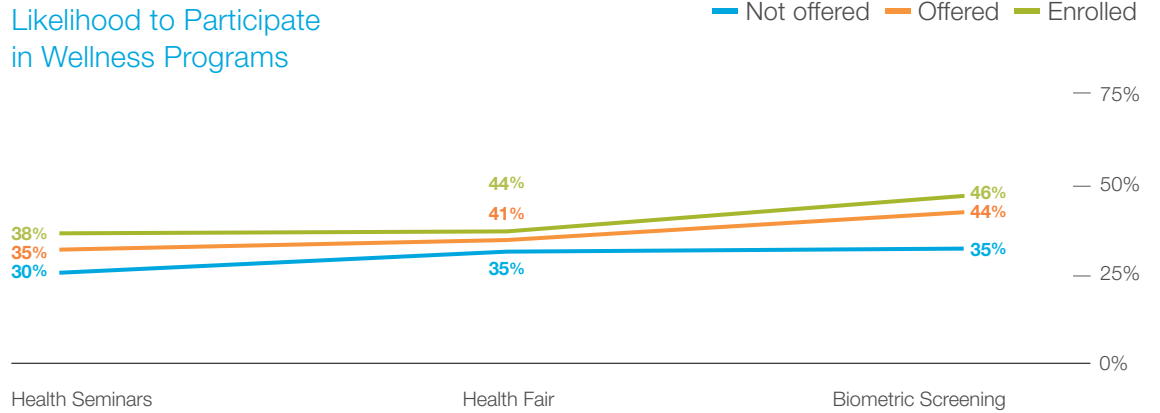
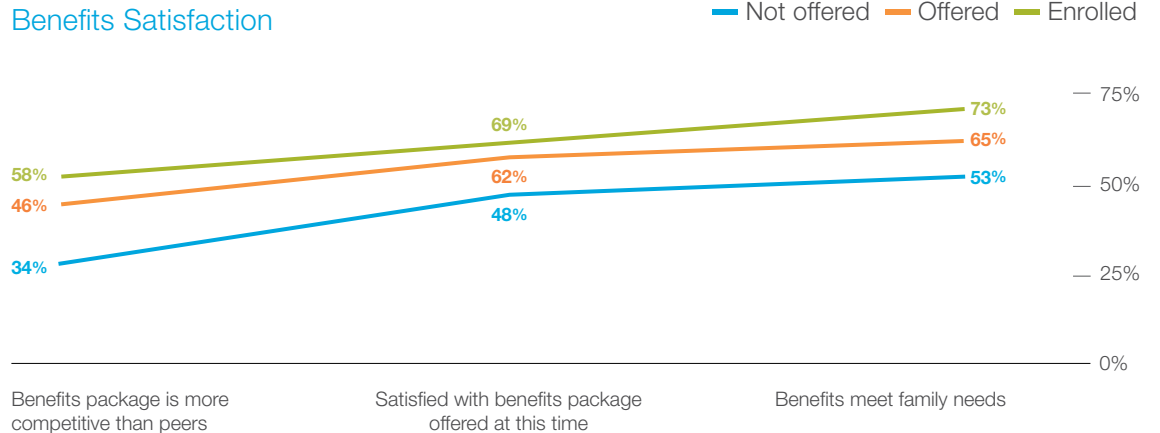


Figure 4

Benefits Satisfaction

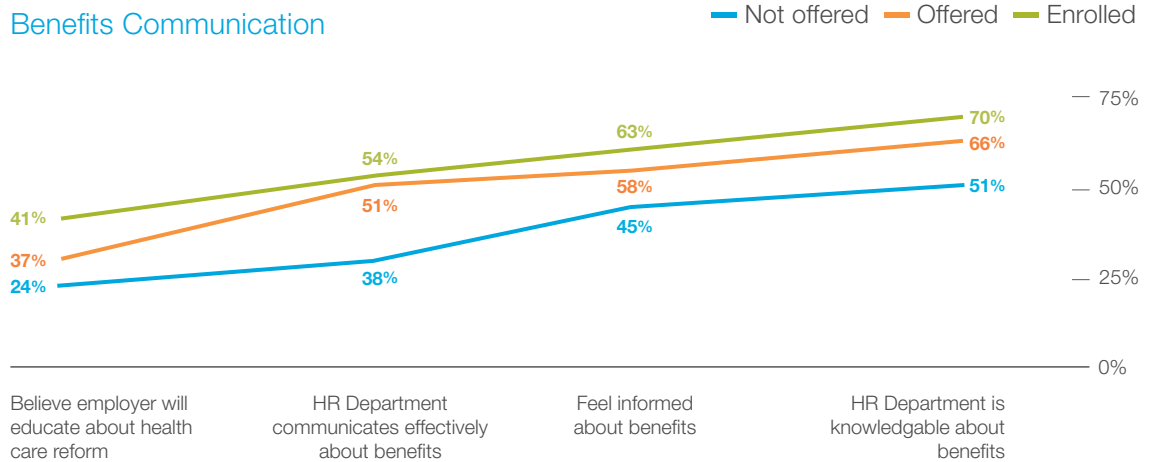


2. Confident in their employer's benefits communication

Effective and frequent benefits communication is an important and trusted HR best practice that builds employee confidence in their benefit decisions, knowledge and overall understanding of their benefits options. A well-communicated benefits program can even help boost retention. In fact, about 4-in-5 (79 percent) employees say a well-communicated benefits program would make them less likely to leave their job. Another important finding from the 2013 study was increased employee confidence in their employer's benefits communication when offered and enrolled in voluntary benefits. Other findings include:

- » Employees with voluntary benefits are more likely to say their HR departments are knowledgeable and communicate effectively about benefits.
- » Workers who are offered and enrolled in voluntary benefits are also more likely to feel more confident in their own knowledge about benefits and to believe their employer will educate them about health care reform (figure 5).

Figure 5



3. Satisfied with their job

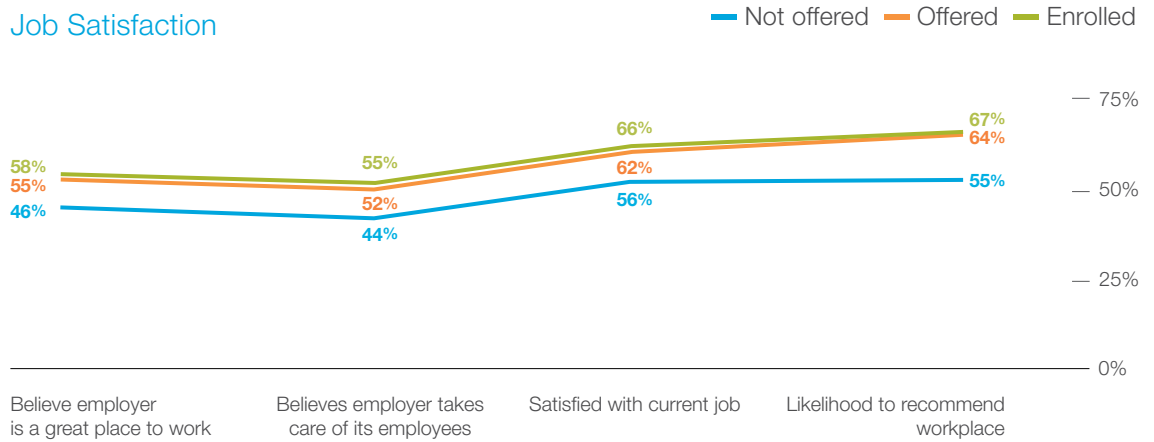
The Center for American Progress predicts turnover costs, including the costs associated with recruiting, training and lost work while the position is vacant is estimated to account for 20 percent of a person's annual salary¹ – a significant cost to an employer's budget. The 2013 Aflac report found employees with voluntary insurance were not only happier with their benefits offerings and the communication of their benefits options, but they were also more likely to be happier in their current job, and less likely to leave in the next 12 months – making it less likely their employer would need to spend valuable resources recruiting and training a replacement. Key results include:

Employees with voluntary insurance are happier with their benefits offerings and are happier in their current job; less likely to leave in the next 12 months.

- » 60 percent of employees with voluntary benefits are 1.2 times more likely to say they are not likely to look for a job in the next year, compared to 49 percent of those who are not offered voluntary benefits.
- » Employees with voluntary benefits are also more likely to score higher on multiple job satisfaction indicators, including the belief their employer is known as a great place to work, that their employer takes care of its employees, and the likelihood they will recommend their workplace to friends (figure 6).

Figure 6

Job Satisfaction



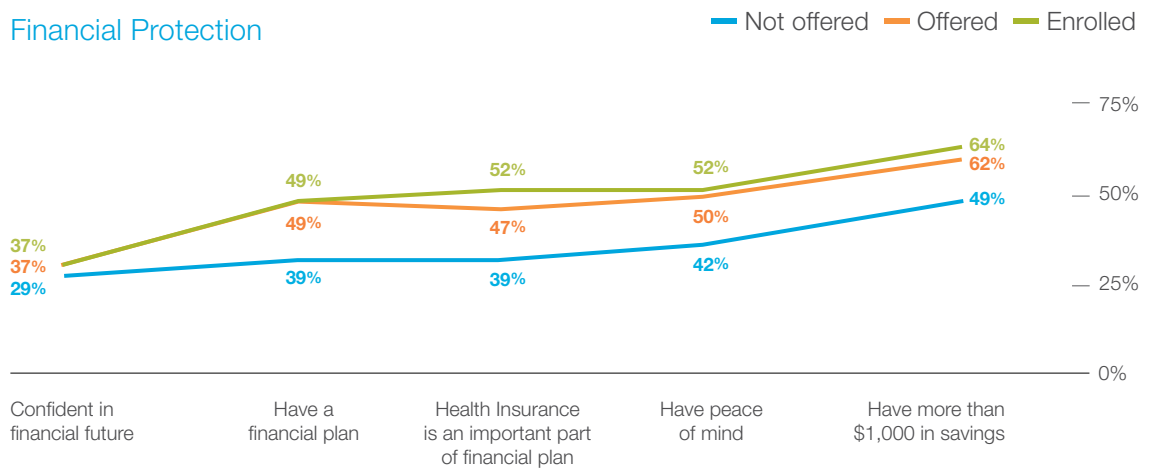
4. Financially prepared for injury or illness

The changing health care landscape may offer workers greater access to health care services and major medical health insurance coverage, still many are not aware how costly an illness or injury can be – even if they are covered by major medical insurance. In the midst of rising costs and significant changes to our health care system, benefits coverage and proper financial preparation are becoming increasingly important to workers. The Aflac report found employees who are offered and enrolled in voluntary benefits are more likely to score higher on several financial protection metrics – indicating they are more financially prepared than workers who are not offered voluntary benefits. For instance,

- » 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 have a financial plan (49 percent compared to 39 percent).
- » Workers that are offered and enrolled in voluntary are 1.3 times more likely to have more than \$1,000 in savings to pay for an unexpected illness or injury (figure 7).

Figure 7

Financial Protection



Navigating a changing landscape

As the remaining regulations related to health care reform go into effect, and workers have more health care choices than ever before – it is clear businesses are navigating a changing landscape of workforce attraction, retention and satisfaction. While it seems like just yesterday when employee benefits were simple, now businesses of any size have a fairly comprehensive set of options in terms of the employee benefits package they can use to attract, recruit and retain workers. The 2013 Aflac WorkForces Report is a valuable resource to help businesses develop their employee benefits strategy. The study results showcase the rewards available to employers and employees exploring voluntary benefits, and encouraging them to enroll. Workers at companies that offer voluntary benefits are more likely to be knowledgeable, engaged and satisfied with benefits, confident in benefits communication, satisfied with their job, and financially prepared for an accident or illness; making voluntary policies an essential strategy to drive key business results.

About the study

The 2013 Aflac WorkForces Report is the 3rd annual Aflac employee benefits study examining benefit trends and attitudes. The study, conducted by Research Now, captures responses from 1,884 benefits decision-makers and 5,299 employees across the U.S. The Hidden Rewards of Voluntary Benefits is one of four key themes discovered in the 2013 study. To learn more about the Aflac WorkForces Report, visit AflacWorkForcesReport.com.

This material is intended to provide general information about an evolving topic and does not constitute legal, tax or accounting advice regarding any specific situation. Aflac cannot anticipate all the facts that a particular employer or individual will have to consider in their benefits decision-making process. We strongly encourage readers to discuss their HCR situations with their advisors to determine the actions they need to take or to visit healthcare.gov (which may also be contacted at 1-800-318-2596) for additional information.

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¹ Center for American Progress (2012). There are significant business costs to replacing employees, accessed on March 6, 2013, from americanprogress.org/issues/labor/report/2012/11/16/44464/there-are-significant-business-costs-to-replacing-employees/.

