THE GROWING NEED FOR VOLUNTARY INSURANCE IN THE GOVERNMENT SECTOR
This article is for informational purposes only and is not intended to be a solicitation.

Aflac herein means American Family Life Assurance Company of Columbus and American Family Life Assurance Company of New York.
OVERVIEW

Over the past few years, the government sector and its workforce have been shifting dramatically. Baby boomers are retiring in increasing numbers. Federal, state and local government human capital officers have become increasingly anxious about attracting and retaining millennial workers. The latest figures from the Bureau of Labor Statistics show millennials making up only 24.5 percent of government employees, compared to 33.7 percent in the private sector.¹

Benefits that resonate with employees can help employers recruit and retain talent and provide them with peace of mind to help them do their best work.

The Aflac WorkForces Report,² an annual study about benefits trends and attitudes, surveyed 137 business decision-makers in the government sector and 359 government employees around the country to learn about their attitudes toward workplace benefits and determine what is important to them. These insights can help the government sector develop offerings that attract, retain and satisfy its workforce.


² The 2017 Aflac WorkForces Report is the seventh annual study examining benefits trends and attitudes. The study’s surveys, conducted by Lightspeed GMI, captured responses from 1,800 benefits decision-makers and 5,000 employees across the United States in various industries. For more information, visit AflacWorkForcesReport.com.
THE BENEFITS LANDSCAPE

Benefits decision-makers most often name “increasing employee satisfaction” as the most important objective for their benefits programs. Employers admit it’s a challenge to offer robust benefits within budget. They struggle with finding time to dedicate to benefits selection and administration, including IRS reporting requirements for health care coverage. And a growing concern is their inability to effectively communicate benefits to the workforce.

“Educating employees about their benefits options with thorough communication is oftentimes as important as the plans themselves.”

— Aflac Senior Vice President and Chief HR Officer Matthew Owenby

As decision-makers look for ways to curb spending, many report they are implementing cost-shifting strategies, transferring some of the rising costs to employees. The Aflac WorkForces Report found that government sector employers surveyed in 2017 were using a number of different strategies.

GOVERNMENT SECTOR COST SHIFTING FOR 2017

While a number of factors may be at play, changes in 2016 were greater than those planned for 2017.

- Changed in 2016  - Planned for 2017

<table>
<thead>
<tr>
<th>Change</th>
<th>2016</th>
<th>2017</th>
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<tbody>
<tr>
<td>Increased employees’ copays</td>
<td>32%</td>
<td>27%</td>
</tr>
<tr>
<td>Increased employees’ share of premium</td>
<td>40%</td>
<td>37%</td>
</tr>
<tr>
<td>Implemented a high-deductible health plan (over $1,000)</td>
<td>26%</td>
<td>16%</td>
</tr>
<tr>
<td>Reduced the number of major medical/health plan options</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>Moved to a private exchange</td>
<td>14%</td>
<td>9%</td>
</tr>
<tr>
<td>Eliminated contributions for spouse/partner coverage</td>
<td>12%</td>
<td>9%</td>
</tr>
<tr>
<td>Made contributions to a health reimbursement account for employees</td>
<td>33%</td>
<td>22%</td>
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EMPLEYES ARE AT FINANCIAL RISK

Limiting benefits costs paid by the employer can provide relief to an organization’s budget but has ramifications for employees. According to recent research by the Pew Charitable Trusts, household spending in the United States has risen 25 percent or more in the past two decades. In fact, housing, food, transportation and health care costs consume a larger share of families’ budgets now than they did in 1996, while income has, for the most part, remained stagnant. This has left many Americans with less money to save, especially for medical emergencies.

Younger people are particularly at risk. They typically enter the labor market later and with much more student debt than preceding generations, and that affects a lot of their choices.

With higher deductibles, out-of-pocket expenses like copays little savings, and unchanged incomes, many people are finding themselves at greater financial risk than ever before. Today, personal financial risk must be part of the overall benefits conversation. Voluntary insurance provides one more way to help with the increased costs of health care and the financial risk of the unexpected in today’s market.

64% of government sector employees reported having less than $1,000 to pay out-of-pocket expenses associated with an unexpected illness or accident.

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BENEFITS OVERVIEW

53% of government sector employers offer a PPO major medical plan; 32% offer an HDHP.

32% of employers in the government sector offer voluntary insurance products to their employees.

80/20

Employers in the public sector most often say they offer a major medical plan with an actuarial value of 80/20 or above.

62% of employers that offer voluntary insurance in the public sector, say it is to satisfy employee need.

73% of government sector employers say rising health insurance costs are preventing their organization from increasing compensation.

29% of employers in the government sector name “increasing employee satisfaction” as the most important objective of their benefits program.
Millennials, or employees under the age of 35, have a passion for public service and would prefer to stay in government—as long as they have opportunities to develop their skills, careers and benefits, according to a Federal News Radio survey of more than 900 current and former federal employees and managers. For millennials who anticipate leaving the federal government, 45.6 percent plan to leave within one to three years. Few opportunities for promotion and changes to their pay, benefits and retirement were the most important factors that would contribute to their decision to leave government service.

**A robust benefits package is also critical to keeping employees happy and attracting millennial talent — especially important given the aging workforce that many employers face.**

Voluntary insurance strikes a balance between providing a variety of products that offer financial protection for the employee while delivering cost-saving benefits for the employer, since premiums are typically paid by employees. Voluntary benefits, which can be offered with no direct costs to the employer, are a key component of decreasing costs while increasing the perceived value of employee benefits.

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THE VALUE OF VOLUNTARY

According to the Aflac WorkForces Report, of the 359 government employees surveyed:

- **29%** are enrolled in voluntary insurance.
- **69%** say improving their benefits package would make them happier employees.
- **40%** agree that they regularly underestimate the total cost of an injury or illness, including medical, household and out-of-pocket costs.
- **30%** say that if their employer did not provide adequate health insurance coverage, they would purchase additional, affordable insurance products.
- **62%** say a benefits package offering is extremely or very important to their job satisfaction, and **52%** say it’s extremely or very important to their employer loyalty.
- **49%** are at least somewhat likely to accept a job with slightly lower pay but better benefits.
- **33%** say improving their benefits package is one thing their employer could do to keep them in their jobs.
- **16%** have left a job or turned down a job offer due to the benefits offered.

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ONLY 1 IN 5 EMPLOYEES UNDERSTAND THEIR BENEFITS WELL

Communicating with and educating employees about their benefits options can be as important as what is in the overall plans. Despite prioritizing benefits communication, the International Foundation of Employee Benefits Plans found only 19 percent of employers say their employees have a high level of understanding of their benefits.\(^5\)

Communication and education can help combat employee confusion about the coverage they have and the coverage they might need to more fully protect their health and finances. Providing easy-to-understand materials that answer employees’ questions goes a long way in helping them make good benefit decisions. For public sector clients juggling many duties, it is often difficult to provide succinct, straightforward benefits materials. And while it is tempting to simply pass on complex and lengthy documents, the risk is employees won’t read them or will be confused by them.

Providing clients with the option to outsource benefits education and communication can relieve the burden and ultimately result in more informed employees making better benefits choices.

With public sector organizations moving toward outsourcing more of their benefits communications, pairing with trusted partners can result in a range of specialized benefits communications – from free services with seasoned enrollment experts to one-on-one enrollment conditions. This can make understanding and building the right coverage for an entire workforce much easier.

After enrollment, public sector employers have to manage many administrative requirements. To help, there are companies that can provide a variety of services, including:

- **ENROLLMENT AND BENEFITS ADMINISTRATION TECHNOLOGY:** This service establishes, offers and maintains the benefits packages that an employer chooses to offer its employees through a technology solution. This minimizes the time and confusion employers face when dealing with the enrollment process and the continued administrative work to maintain benefits.

- **COBRA ADMINISTRATION:** In the event that an employee is eligible for COBRA benefits, having this service can relieve an employer of the complexities and potential liability associated with it. This administration takes care of initial notification letters to eligible employees and dependents, qualifying-event notifications, accepting and processing payments from qualified beneficiaries, and coordination with insurance.

\(^5\) The International Foundation of Employee Benefits Plans, Benefits Communication Survey Results, February 2016.
GROWING YOUR BUSINESS WITH AFLAC

Aflac can offer the right mix of options to control costs and navigate the consumer-driven healthcare movement. With a long history of rate stability and superior claims management, Aflac’s market-leading supplemental insurance products include:

» Accident, cancer, critical illness, hospital indemnity, life, short-term disability, dental and vision insurance plans.

» Expanded, full portfolio of group life and disability options.

» Pretax, HSA-compliant and guaranteed-issue plans.

» Value-added services that drive engagement, including up to $7500 in AD&D coverage for all employees, identity theft products, telemedicine and medical bill saver, health advocates and bill negotiation services.6

OUR TEAM AT YOUR SERVICE

When it comes to a strong, long-term partner committed to helping your business grow, Aflac is all in. Aflac offers:

» A dedicated account executive to assist you in all stages of the account’s lifecycle, immediately respond to questions, follow through on services and provide any necessary reports.

» An implementation and account management team to drive deliverables and meet timelines; communicate updates to strategy, communications, testing and enrollment; and to help with any billing or claims needs.

STRAIGHTFORWARD SOLUTIONS

What’s the most important reason employers choose to work with a specific broker or benefits consultant? A broker or benefits consultant with strong knowledge of employee benefits best practices stands out for employers in the private sector.

6 Aflac’s affiliation with the value-added service providers is limited only to a marketing alliance. Other than this marketing alliance, Aflac and the value-added service providers are not affiliated in any way. Aflac makes no representations or warranties regarding the value-added service providers, and is not responsible for any of the products or services provided by the value-added service providers. The value-added services may not be available in all states, and benefits may vary by state. Each value-added service provider offers its products and services subject to its own terms, limitations and exclusions. Services, terms and conditions are subject to change and may be withdrawn at any time.
With more than 60 years of market expertise, we understand the hurdles you face working in the public sector. Our simple, straightforward solutions are designed to make your job easier, complement your systems and processes, and ensure your clients’ needs are met.

**Billing and Administration Services**
- Integrated support model focused on flexibility, adaptability and ease of doing business
- Streamlined account implementation processes for all Aflac lines of business
- Individual- and summary-level billing options to meet your clients’ unique needs
- Claims processed and paid quickly to help provide financial support when employees need it most

**Enrollment Capabilities**
- Exchanges, enrollment platform and benefits administration options – proprietary or through integration connections
- Full-scale enrollment capabilities featuring Aflac Certified Benefits Counselors or plug and play with your current process
- One-on-one, group meeting, call center, self-enroll or combination enrollments
- First-year, new-hire and annual re-enrollments

**Employee Engagement**
- Custom communications and education capabilities
- Print, digital, videos, augmented reality and more
- Decision-support tools

**THE RIGHT PARTNER CAN MAKE ALL THE DIFFERENCE**

Choosing a strong benefits partner who can advise public sector clients and provide them with the creative solutions they need to control costs and keep employees happy makes for good business. Contracted producers with Aflac know they have a trusted partner in their corner, helping them grow their business and educate their clients and prospects on the value of supplemental insurance. Our services and technology are designed to help make your job easier—from simplified accounting and cloud-based enrollment platforms to updated communications at the ready.
The No.1 provider of voluntary insurance sales at the worksite in the United States.¹

Currently serves nearly 36,000 public sector clients.

Average public sector account tenure: 15.8 years.

With One Day Pay,SM Aflac processes and pays claims quickly.²

²One Day Pay SM available for most properly documented, individual claims submitted online through Aflac SmartClaim® by 3 PM ET. Aflac SmartClaim® is available on most Accident, Cancer, Hospital, Specified Health, and Intensive Care policies. Individual Company Statistic, 2017.