Why voluntary insurance matters for businesses

Health care reform and increasing health care costs continue to drive demand for voluntary benefits options – and for good reason.

Voluntary (also known as supplemental) insurance has long served as a way to help protect employees when they’re sick or injured – regardless of their major medical insurance coverage. But now, more than ever, these benefits help provide employees with a financial safety net for unexpected medical expenses. Employees enrolled in voluntary insurance are also more satisfied in their jobs and more secure in their financial well-being. As health care costs continue to rise, these plans play an important role in an employer’s comprehensive benefits package and strategy to attract and retain employees.

Employees gain responsibility but face risks.

The “consumerization” of health care is the process of turning patients into consumers. From the patient experience to advertising for prescription drugs, health care is increasingly involving the consumer in more of their health care decisions. Employers are also choosing consumer-driven benefits options, such as High Deductible Health Plans (HDHPs) tied to a health savings and/or a reimbursement account (HSA or HRA). In many instances, employees are making more of their health care choices – including how much they spend on health care coverage and what type of coverage they have.

Research from the 2015 Aflac WorkForces Report finds many employees may not be prepared to handle the numerous and complex details of managing their health care as they should. Many aren’t knowledgeable about consumer-driven health care options, and many don’t feel they’re ready to take on more control of their health care. In fact, nearly half of employees (47 percent) at least somewhat agree they may not adequately manage their health insurance coverage, leaving their family less protected than they currently are. Similarly, 46 percent at least somewhat agree they don’t want to be more in control over their health insurance expenses and options because they won’t have the time or knowledge to effectively manage them.¹
HALF OF WORKERS THINK THEY MAY NOT ADEQUATELY MANAGE THEIR HEALTH INSURANCE COVERAGE, LEAVING THEIR FAMILY LESS PROTECTED THAN THEY CURRENTLY ARE.

Even with a comprehensive major medical plan, the out-of-pocket costs (both medical and nonmedical related) can be substantial. In fact, 20 percent of American adults are struggling to pay their medical bills, and 3 in 5 bankruptcies are due to medical bills. And despite having year-round insurance coverage, 10 million insured Americans ages 19-64 will face bills they’re unable to pay.²

How out-of-pocket costs work.

Out-of-pocket medical costs are a reality – regardless of changes related to health care reform – and can add up quickly. Some can be very much unexpected, so it’s important to consider where they arise for our workforce:

- **Deductible:** The amount owed for covered health care services before your health insurance or plan begins to pay. For example, if a plan deductible is $1,000, the plan won’t pay anything until you pay $1,000 toward covered health care services subject to the deductible. The deductible may not apply to all services.³

- **Coinsurance:** The percentage you pay toward each covered health care service. The coinsurance is paid on top of any deductible. For example, let’s say your company offers an 80/20 health insurance plan and the allowed amount for an office visit is $100. Once an employee meets their deductible, their coinsurance payment of 20 percent would be $20. The health insurance or plan pays the rest of the allowed amount.³

- **Copay:** A fixed amount – for example, $15 – that the policyholder pays for a covered health care service, usually when they receive the service. The amount may vary by the type of covered health care service.³

- **Nonmedical costs:** When faced with a serious accident or illness, there are various nonmedical costs associated with a hospital stay or recovery time, including child care, transportation and reduced take-home pay due to missing work. These expenses can add up quickly, contributing to the overall out-of-pocket cost of being sick or injured.

- **Limits or exclusions:** Due to health care reform, plans will no longer have lifetime or annual limits on essential health benefits, but there may be limits related to other items, such as the number of refills for certain drugs, the number of visits to certain specialists or the number of days covered for certain benefits. These limits or exclusions could mean unexpected out-of-pocket costs.

- **Out-of-pocket limit:** Out-of-pocket costs are different than out-of-pocket limits. Out-of-pocket limits are established by the IRS, and for 2016 they are $6,850 for individual coverage and $13,700 for family coverage. This means a policyholder will pay coinsurance – in a variety of ways as determined by their health plan – up to your out-of-pocket limit. These limits apply only to covered expenses, so if they or a family member incur noncovered expenses, those will not count toward their out-of-pocket limit. This adds to potential unexpected costs.

Voluntary benefits help employers meet business objectives.

Headed into the post-health-reform era, voluntary benefits options continue to demonstrate value and grow in popularity with employers of all sizes by:

- **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 helps round out an overall benefits package. For example, employees enrolled in voluntary benefits options are more likely to be extremely or very satisfied with their benefits options than those who don’t have the options available at work (75 percent compared to 46 percent).⁴
• **Supporting healthier and better-protected workers**: Many employers who offer voluntary insurance policies experience lower workers’ compensation claims.⁵ Additionally, employees who are offered and enrolled in voluntary benefits options are more likely to completely or strongly agree they’re taking full advantage of their employee benefits (55 percent compared to 39 percent of employees not offered voluntary benefits by their employers) and to have a financial plan in place (64 percent compared to 51 percent).¹

• **Boosting employee satisfaction and loyalty**: Employees who have access to and are enrolled in voluntary insurance products are also more likely to be extremely or very satisfied with their jobs (78 percent compared to 57 percent)⁴ and have more positive perceptions of their employers, such as completely or strongly agreeing their company takes care of its employees (54 percent compared to 45 percent).¹

• **Offering options with little to no cost to the bottom line**: Voluntary policies can be 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.

**Businesses gain more by making voluntary insurance available.**

Many businesses make voluntary benefits available to their workforces, and the number is increasing as companies seek solutions to growing health care costs. A 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 as well as to show how voluntary benefits enrich the company’s total rewards packages.⁶

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

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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 their budgets.

**Want to know more about voluntary insurance?**

Consider asking your benefits adviser about these popular policies:

- Accident Insurance⁷
- Cancer Insurance⁸
- Hospital Confinement Indemnity Insurance⁹
- Short-Term Disability Insurance¹⁰

For a more in-depth look at voluntary benefits, check out **Voluntary 101 for Businesses.**
FOOTNOTES


3 Definitions and examples were adapted from healthcare.gov/glossary.


5 Aflac’s Impact of Voluntary Accident Insurance and Voluntary Disability Insurance on Workers’ Compensation Claims and Worker Absenteeism Study is based on a nationwide survey conducted in July 2014 by Research Now and Aflac. Survey participants included a representative sample of 945 employers at small, medium and large U.S. companies. Small employers were defined as those with three-99 employees. Medium employers were defined as those with 100-499 employees. Large employers were defined as those with 500 or more employees. Accessed on Jan. 16, 2016, from https://www.aflac.com/brokers/resources/articles/sales-opportunities-for-brokers-potential-savings-for-employers.aspx.


7 In Idaho, Policies A35100ID, A35200ID, A35300ID, A35400ID, A35B24ID, A35BOFID, and A36100ID; in Oklahoma, Policies A35100OK, A35200OK, A35300OK, A35400OK, A35B24OK, A35BOFOK, and A36100OK.

8 In Idaho, Policies A76100ID, A761ESID, A78100ID, A78200ID, A78300ID, and A78400ID; in Oklahoma, Policies A76100OK, A761ESOK, A78100OK, A78200OK, A78300OK, and A78400OK.

9 In Idaho, Policies A49100ID, A49200ID, A49300ID, A49400ID, and A4910HID; in Oklahoma, Policies A49100OK, A49200OK, A49300OK, A49400OK, A4910HOK, B40100OK and B4010HOK.

10 In Idaho, Policy A57600IDR; in Oklahoma, Policies A57600OK and A57600LBOK.

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