Health care reform is a reality for both businesses and brokers. As new regulations go into effect, there are many complex strategies to manage, meaning it’s time to help clients not only navigate the impending changes but also understand the important role voluntary benefits options can play in the new benefits landscape.

The Move to Consumer-Driven Health Care

To understand the full picture, it is important to know the biggest influence on benefits in the near future is not solely health care reform legislation. In spite of new regulations, health care costs continue to rise rapidly. Average health care costs for a typical family of four covered by a preferred provider organization (PPO) plan rose to $20,728 in 2012, an increase of $1,335 or 6.9 percent more than 2011, and an increase of $10,560 or 104 percent since 2003. Additionally, a recent report from PricewaterhouseCoopers predicts that health care costs will rise by 7.5 percent in 2013.

These increasing costs and the burden placed on employers means that health plans are quickly moving toward consumer-driven models, with more expenses and control shifted to individuals. This shift in workplace health benefits echoes what happened to retirement benefits in the 1980s and 1990s, when more employers began to move employee retirement contributions from pensions to 401(k) matches and employees started to take responsibility for investing their retirement funds.

Consumer Concerns

Since they will pay a greater portion of their own health care expenses, consumers have more responsibility to knowledgeably and carefully obtain insurance coverage and health care services. Therefore, workers must understand how best to manage their health care dollars and make smart benefits choices. Still, new research shows that many are not confident enough to make these decisions on their own.

Insights from the 2013 Aflac WorkForces Report reveal that more business leaders are embracing cost-friendly consumer-driven models, yet workers feel they may not be ready to take the reins. In fact, 72 percent of workers have not even heard of the phrase “consumer-driven health care.” Of those who have, 38 percent said they don’t understand it very well or at all. Additionally, the clear majority of workers (76 percent) said they are not very or not at all knowledgeable about federal and state health care exchanges.

Workers revealed that they are in fact looking to their employers to help bridge the information gap. According to Aflac’s study, 75 percent of today’s workers believe that their employer will educate them about changes to their health care coverage as a result of health care reform. Alarming, only 13 percent of companies named “educating employees about health care reform” an important issue for their organization. These findings show a disconnect between work force expectations and what employers are actually planning.
in order to prepare their work force for the road ahead.

Steep Costs of Health Care Confusion

Confusion surrounding health care is mounting and carries with it a heaping portion of risk, despite its seemingly inconsequential status. The potential for increased medical expenses due to lack of understanding or mismanagement is high. For example, according to the Aflac Open Enrollment Survey, only 30 percent of workers say that when selecting an insurance product they always have a full understanding of the deductible costs. Another 15 percent did not check that their coverage deductibles were correct or that their preferred medical professional was in their network.

Workers have little understanding of how the new legislation might impact their lives, and they have not prepared for such changes. According to the Aflac WorkForces Report, 62 percent of workers believe the medical costs they will be responsible for will increase, while only 23 percent are saving money for potential increases. And only 24 percent of workers completely agree or strongly agree that they will be financially prepared in the event of an unexpected emergency or serious illness.

So why should this matter to employers?

Employees’ financial difficulties translate to decreased job performance, absenteeism and dissatisfaction on the job. Nearly four out of 10 workers (37 percent) attribute decreased job performance, absenteeism, and low productivity. If done strategically, involving their benefits package to meet their needs.

Voluntary Benefits: More Relevant Than Ever

Along with rising health care costs, health care reform has caused many companies to brace for additional unforeseen increases in their expenses. To reduce the burden on corporate bottom lines, benefits decision-makers are often forced to pass larger portions of these increases on to their work force, as well as increase deductibles, copayments and out-of-pocket maximums. Unfortunately this can have adverse effects, mainly a work force unprepared for higher expenses and growing resentment toward the employer. In fact, 47 percent of workers said they would feel more negatively about their employer if an increasing portion of health insurance costs was shifted to them (Aflac WorkForces Report).

As employees gain flexibility over which plans they can purchase with their defined contribution budget and seek plans that help them cover costs that high deductible health plans don’t, there is significant opportunity for supplemental insurance products. Now is the time to remind human resources professionals and decision-makers that voluntary options soften the impact of inevitable cost shifting and rising out-of-pocket expenses on today’s work force. Additionally, supplemental insurance enables employers to offer a broader benefits package to employees without adding to their own existing benefits costs.

Voluntary products—ranging from dental, vision and disability plans, along with a lucrative commission generated by consumer-driven health care plans, can help bridge this gap by offering increased financial security and peace of mind for individuals and their families. The cash benefits these policies offer can help provide additional safety and stability when workers and their families are increasingly shouldering the costs of health care. Increased need for supplemental insurance generated by consumer-driven health plans, along with a lucrative commission structure, will ultimately mean more financial opportunities for those who sell these products.

Many workers say they desire voluntary insurance coverage. According to the Aflac WorkForces Report, 60 percent of employees say they would be at least somewhat likely to purchase voluntary insurance plans if their employer offered them.

The Bottom Line

Health care costs will continue to rise. The U.S. government predicts that household out-of-pocket health care expenses will reach an average of $3,301 per year by 2014, not to mention other costs related to taking time off work due to injury or illness. In addition, there will always be costs associated with health care that major medical insurance was never intended to cover. The changing health care landscape and rising costs create opportunity to help employers educate their employees about how health care plans work and provide them with the information they need to make smarter health care and benefits choices.

Supplemental benefits options can help bridge this gap by offering increased financial security and peace of mind for individuals and their families. The cash benefits these policies offer can help provide additional safety and stability when workers and their families are increasingly shouldering the costs of health care. Increased need for supplemental insurance generated by consumer-driven health plans, along with a lucrative commission structure, will ultimately mean more financial opportunities for those who sell these products.

Footnotes:

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