Health Care Reform Presents New Challenges and Opportunities for Brokers. As the health care industry continues to undergo significant changes, producers are spending considerable time helping clients address new realities and shape more holistic benefits approaches. Comprehensive changes from the Patient Protection and Affordable Care Act (PPACA, also referred to as the ACA) mean clients are looking for smart, affordable solutions.

Many clients may be tempted to lower overhead costs by eliminating or reducing employees’ benefits coverage. However, shrewd producers can encourage clients to consider a full range of creative benefit solutions including voluntary insurance offerings. By doing so, this demonstrates value to clients by recommending flexible coverage alternatives their employees want and need without adding costs to clients’ operating budgets.

While health care costs are rising for employers, quality benefit packages are more in demand than ever for employees. Which means clients must understand how a robust benefits package is essential to employee satisfaction.

In fact, the 2012 Aflac WorkForces Report revealed that workers who are extremely or very satisfied with their benefits program are six times more likely to stay with their employer than those workers who are dissatisfied with their benefits program. Additionally, 61 percent of employees believe they would be at least somewhat likely to accept a job with a more robust benefits package but lower compensation.

Here are four key challenges that will have an impact in today’s changing health care landscape.

Rising Health Care Costs. Rising health care costs are affecting health benefits in two ways:

Employers are already moving from the traditional defined-benefit approach, which provides a specific package of health benefits to employees, to a newer, defined-contribution model, which provides a specific dollar amount for employees to use toward the purchase of health benefits. This shift will accelerate along with increased demand for high-deductible health plans that carry lower premiums and higher annual deductibles and out-of-pocket maximums. It could be a win-win for both employers and employees. Employers can limit their spending on benefits, and employees could increase their control over benefit choices with more customized packages that better meet their needs.

Brokers, too, can gain by assisting clients to rethink their benefit offerings as well as providing support and tools to educate their clients’ employees, empowering them to make smart health care choices. This new environment also creates opportunities for supplemental insurance sales as employees gain flexibility and seek added protection to help pay for costs not covered by high-deductible health plans.

Growing Consumerism. Increasing health care costs also mean that health plans are rapidly becoming consumer driven, with more expenses shifting to consumers. This change in workplace health benefits echoes what happened to retirement benefits in the 1980s and 1990s with more employers moving from pensions to 401(k) matches and employees taking responsibility for investing their retirement funds.

In fact, more than half of the 82 corporations surveyed by the National Business Group on Health reported that they are increasing the premium percentage paid by employees in 2013, with one in five employers offering only high-deductible plans, up from just seven percent in 2009.¹

The foundation of health care consumerism rests on transforming an employer’s health benefits plan by putting purchasing power into the hands of participants. It’s essential for employees to be educated about benefit options and have the tools to help them become smart buyers, with financial incentives and rewards to encourage an active and healthy lifestyle. For instance, more than six in ten consumers (61 percent) are only sometimes or not at all aware of changes to their policies each year. Providing keen insight that turns passive benefits users into savvy purchasers will strengthen relationships with clients.

Communication is Critical. Another challenge for employers—and an opportunity for producers—is ensuring that employees fully understand and take advantage of all available benefits. For example, only 30 percent of U.S. workers said they fully understand their insurance options, according to Aflac’s study. Further, more than half of U.S. workers estimated they waste up to $750 a year because of mistakes made during open enrollment.²

Beginning well in advance of open enrollment, encourage employers to start communicating about available offerings, total compensation, employee assistance programs and wellness incentives by using multiple communication channels and materials that are easily understood by all employees.

By clearly communicating year-round the full scope and value of benefit offerings—including voluntary insurance as critical components of a comprehensive benefits package—clients will have a greater understanding and utilization of these options. Ultimately, it will help to contain rising medical costs, empower employees on how to financially protect themselves and improve employee loyalty in the process. For instance, Aflac’s study shows that employers will realize benefits through higher job satisfaction among employees who choose to enroll in voluntary benefits, as well as higher overall employee productivity.

Producers who take a holistic approach with cost-effective solutions and have keen insight of the changing market due to PPACA will not only serve as a trusted “go-to” advisor to employers but also help contribute to vital business growth.

Preparing for the Unexpected. Supplemental health plans can be an important element of a benefits program that includes a health savings account (HSA), high-deductible health plan and greater out-of-pocket costs. In this economy, employees want to avoid any potential income loss and are turning to employers for extra benefits...
coverage and weighing products they may not have considered before.

For instance, someone who is diagnosed with coronary heart disease can expect to pay about $75,000 per year, according to one Milliman Research Report. While an employee’s major medical insurance may cover treatment costs, the patient is still responsible for out-of-pocket costs such as child care, groceries or travel expenses to and from doctors’ appointments—expenses major medical insurance does not—and was never intended to—cover. If an employee is unable to work because of an illness, family finances could take a big hit.

In fact, only eight percent of U.S. workers strongly agree their family would be financially prepared in the event of an unexpected emergency, according to Aflac’s study. More than half (57 percent) of workers said they would have to tap into savings to pay for out-of-pocket expenses due to an unexpected illness—30 percent would use a credit card and nearly one out of five people (19 percent) would have to withdraw funds from their 401(k) plan to cover the costs.

Help clients avoid these situations by suggesting voluntary insurance products such as accident, critical illness, hospital indemnity and short term disability, all of which pay cash benefits to be used any way the policyholder chooses. For example, these benefits can be used to help pay for daily living expenses including mortgage, rent or car note payments, and utilities such as the light or gas bill, and other necessities—resulting in greater financial security and higher employee morale.

Aflac’s study found that 79 percent of employees said the availability of voluntary insurance has an impact on their job satisfaction, 72 percent said it affected their decision to leave a job, and 65 percent said it affected their overall productivity. In addition, employees who are enrolled in voluntary insurance plans are more likely to say they are satisfied with their benefits package and that it meets their family’s needs.

Ensuring Everyone Benefits. By guiding clients through the complexity of health care reform, challenges can turn into opportunities. Assessing an employer’s benefit cost containment measures, program design and coverage gaps and recommending products to fill those gaps will help meet everyone’s needs in today’s reform-driven environment. Designing comprehensive benefits packages that include both core and voluntary insurance products will not only meet employers’ and employees’ needs, but also positively impact revenue growth. [PSA]

Footnotes:
5. Ibid.