Voluntary Benefits and the Affordable Care Act

Presented by: Stephen Ivey
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Today’s Speaker

Stephen Ivey
Director, Voluntary Benefits at Crawford Advisors, LLC

Since 1994, Steve’s been in the voluntary benefits industry and advocates a professional, consultative approach that encourages suitability over carrier-specificity. Steve is revered as a voluntary benefits expert among his peers and has been awarded as such. Steve stays involved with the insurance and financial community through his National Association of Insurance and Financial Advisors membership and currently serves on the Greater Chesapeake Charitable Foundation Board.
Agenda

- Excepted benefits
- Medical plan changes and limitations under ACA
- New perception of voluntary benefits under ACA
- New potential out-of-pocket employee risks
- Types of supplemental health voluntary plans
- Best practices implementation ideas and strategies
- Communication and technology
Excepted benefits are not governed by PPACA.

- **Accident and Disability insurance** because they are not considered health coverage.

- **Long Term Care** because it is offered separately from a medical plan and not considered an integral part of the health plan.

- **Critical Illness, Cancer and Hospital Indemnity** are offered separately and have no coordination of benefits with the medical plans.

- **Fixed Indemnity** must be so benefit paid is based on fixed-period payment like per diem and not based on a percentage of treatment costs incurred or service provided.
Question #1

Which voluntary benefits are considered excepted benefits?

a. Accident

b. Critical Illness

c. MEC Plans
Medical Plan Impacts

- ACA related plans will still be bound by necessary loss ratios and, as a result, will not be able to provide coverage that precludes additional voluntary GAP fillers.

- HDHP trend seems unlikely to change anytime soon. 54% of employers agree that controlling costs for company-provided health care benefits is one of their top priorities, and their number-one priority relating to employee benefits (MetLife study).

- As a result, 49% now say they are extremely or very likely to make an HDHP their only medical insurance options (MetLife study).

- Voluntary products can support rate stabilization while helping to provide employees with resources to defray these out-of-pocket costs.
Increased Group Health Premiums

- Policyholders are already seeing additional ACA related premium increases, in addition to trend and experience claims related increases.
- A recent survey by Buck Consultants showed over 30% of all employers surveyed (between 50-1000 employees) were considering offering new voluntary benefits to replace existing employer paid and contributory benefits. This would potentially affect between 19 million and 45 million employees over the next two years.
- This means HDHP plan options are on the increase.
- For smaller groups, those that choose to send employees to the public exchanges will find themselves offering voluntary benefits as a form of fringe benefits at no cost to the enterprise.
Question #2

According to a MetLife study, what percentage of employers are likely or extremely likely to have HDHPs as their only medical plan offer within the next 3 years?

a. 75%
b. 66%
c. Just under 50%
Various studies out in the market by MetLife, Aflac, Transamerica, Unum, Colonial, Aetna, Guardian, Hartford, Mutual of Omaha, and more.

The benefits discussion is no longer focused on why or if you should offer voluntary benefits, it is now about how.

Voluntary benefits have now become part of the core of a competitive benefits package.

Need + Features + Price Perception = Voluntary Value
Employer Risks/Concerns with High Deductible Options

- HSA or HRA decrease in contribution?
- Deductible increase or offer metal level to contain premium?
HDHP - Employee Risks

- $2,000 / $4,000 deductible with $4,000 / $8,000 maximum out-of-pocket
- No HSA or HRA employer contributions
- Premiums are $650 per month
- Major hospital event – financial liability is...

\[ \text{$7,800 (premium) - Family} \]
\[ \text{$8,000 (medical costs)} \]
\[ \text{$15,800 (sub-total)} \]

Non-medical expenses
State of the Voluntary Benefit Market

Employer Perspective

- 45% of employers view voluntary benefits as an essential part of an integrated health benefits package, rather than just an add-on.
- 58% of employers believe voluntary benefit improve employee morale and satisfaction.
- 60% of employers use voluntary benefits to replace employer paid benefits and reduce costs.
Employer Perspective

- 46% of employees say they are not prepared to pay out-of-pocket expenses not covered by major medical insurance
- 51% of employees say they have less than $1,000 available
- 62% of all personal bankruptcies filed in the United States are caused by medical problems
- 78% of all personal bankruptcies filed due to medical problems, those filers had medical insurance at the start of their illness/injury
Question #3

As employees are being tasked more and more with additional out-of-pocket expenses as it relates to their medical plans, what percentage today still say they have less than $1,000 available for medical expenses?

- a. 65%
- b. 51%
- c. 38%
# Primary vs. Supplemental

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78% of employers view voluntary benefits as being extremely or very effective in supporting employee financial well-being.

55% of companies are working or planning on implementing financial well-being strategies in the next 3 years.

**Xerox HR 2016 Survey**

- Improved Performance: 81%
- Improved Engagement: 80%
- Reduced Insurance Cost: 78%
- 76%, 78%, 80%, 82%
Employee Financial Well-Being

- Most popular voluntary benefits as part of the strategy include accident, critical illness and hospital indemnity
- Help reduce absences
- Help increase productivity and reduce workers’ compensation claims
- Attracting and retaining talent
- Providing awareness and education about the need for financial protection
- Other benefits include student loan benefits, financial education tools, retirement planning calculators, workshops, etc.
Gap/Hospital Indemnity

- Plans are limited in scope of benefits with an underlying HSA medical plan
- Cannot cover all of the out-of-pocket expenses, but an acceptable amount
- Guarantee issue, Pre-Existing Limitations
- Annual Open enrollment
- Customized to fit underneath core medical plan or plans
Gap/Hospital Indemnity

- Inpatient benefits typically from $1,000 to $5,000
- Additional surgical and diagnostic benefits can be available with benefits ranging typically up to $1,000
- Additional accident and critical illness benefits can be available
Accident Plans

- Helps smooth the transition to high deductible health plans
- Helps to pay out of pocket medical expenses from deductibles and coinsurance
- Also pays for non-medical related expenses due to accidental injury, such as loss of income due to assisting the injured, transportation, care givers, home modifications and other disruptions due to an accidental injury
- Plans can be 24 hour coverage plans and more recently, off the job only plans
**Accident Plans**

**Benefits Typically Include:**

- Hospital & Surgical Benefits
- Dislocation & Fractures Benefit
- Emergency Room
- Diagnostic Exams
- Physician Visits and P.T.
- Sickness
- Hospitalization Rider

- **Premiums should be $4 to $5 per week**
- **Average accident costs $4,000 out-of-pocket**
Question #4

For a supplemental hospital indemnity plan, what is the range for inpatient benefits?

a. $1,000 to $5,000
b. $500 to $2,000
c. $250 to $5,000
Critical Illness Plans

- Benefits paid directly to the employee
- Typically include lump sum amounts for heart attack, stroke, cancer, and others
- Average critical illness can cost upward of $14,000

Policy Variances:

- Guaranteed Issue
- Pre-Existing Conditions
- Participation Requirements
- Recurrent Benefits
- Age Reduction
Communication & Enrollment Strategies

- **Enrollment Methods:**
  - Face-to-face, call center, online
  - Combination

- **Messaging:**
  - Customized – before, during and after open enrollment
  - Clear
  - Communicated during enrollment

- **Mandatory participation and acknowledgment**
- Use the VB enrollment process to accomplish these goals!
Benefit Administration System

- Voluntary benefits should be integrated into the current platform
- Group based voluntary plans are easier to integrate than individual
- Underwriting offers from the carrier are key for simplicity
- Supplemental health plans and self-administration billing options
In today’s large group voluntary benefits market, are VB carriers primarily designing plans and administration to fit into other benefit platforms or primarily marketing their own proprietary systems?

- Fit into any system
- Proprietary systems separate from medical plans
The Crawford
Voluntary Benefits Advantage

Account Management - dedicated voluntary AM
Needs based consultative discovery, plan objectives
Current plans, prior experiences
Plan pricing, participation requirements and underwriting
Enrollment Goals and Strategy
Integrated Administration - enrollment and billing
If you have any further questions about the information discussed in this webinar please feel free to contact us at:

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