



## Value Based Employee Benefits

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Employers don't have to provide employee benefits at all. If you ask five employers why they do, you are likely to get five different answers. Some do it out of a sense of paternalism; they care. Others do it to be competitive; no more and no less. Still others claim the sense of security benefits instill increases productivity.

Whatever the reasons, all employers seek employee appreciation for their benefits because at the end of the day there is little or no return on a benefits investment that is not appreciated (See [Employee Benefits as an Investment](#)). Benefits value goes up when benefits are appreciated; but at what cost? It is the benefits professional's challenge to drive benefit value by enhancing appreciation while reducing cost. Think of value as an equation with appreciation as the numerator and cost the denominator.

$$\text{Value} = \frac{\text{Appreciation}}{\text{Cost}}$$

### The Denominator - Cost Reduction

Most benefits professionals concentrate the vast majority of their effort on the denominator; cost. Any list of prevalent benefits strategies includes cost shifting, consumerism, wellness, disease management, and patient advocacy (See [Patient Advocacy as an Employee Benefit](#)).

### Cost Shifting

Cost shifting is the number one strategy to contain cost. Most employers shift cost every year to employees through plan design and payroll deductions. Many employers shift much of the administration of the plans to employees as well in the form of self service web sites and IVR telephone service. Cost shifting delivers savings immediately but increasingly detracts from appreciation. (See [Strategic Benefits Planning](#))

### Consumerism

The goal of consumer driven health plans is to give employees financial incentives in the form of high deductibles and coinsurance to participate as consumers spending healthcare dollars as if they were their own. They should also include decision support tools to reveal the actual cost and quality of services in an effort to help the individual make more informed decisions when using healthcare services. The plans usually include one of a number of reimbursement accounts that leverage tax savings and enhance budgeting. There is no question, however, that consumerism is a huge educational and administrative challenge. Some studies indicate that consumerism is actually reducing the rate of increase of healthcare costs but nothing suggests that it enhances employee appreciation. It probably reduces it, at least in the short run.



## Wellness

We all agree that a healthy workforce will have lower healthcare costs. It is also arguable that, to the extent that wellness campaigns show employer compassion, they may enhance appreciation. However, it is difficult to show a positive return on a wellness investment, especially in the short run. It is hard to change ingrained behavior. A recent Great West employee survey indicated it would take \$100 per month to entice a smoker into a cessation class and \$10 per month just to complete a health risk assessment. Wellness produces limited cost savings short term but has potential to enhance employee appreciation.

## Disease Management

Simply put - disease management, when done right, works. Disease management and its cousin case management concentrate resources on the 15% of the population that drives 80% of healthcare costs. It's about making sure those with chronic illnesses are doing their part to keep their condition under control. Learn about your plan's disease management program, embrace it, and promote it. Redefine disease management as a compassionate service to help patients save money and reduce suffering, not a heartless managed care holdover. Disease management clearly reduces cost and, if promoted properly to the targeted populations, can actually enhance appreciation.

## Patient Advocacy

Patient advocacy may be the best benefits value enhancer in twenty years. A 2004 Rand study indicated that up to half of healthcare is inappropriate or unnecessary. That's a lot of rework, a lot of unneeded suffering, and money wasted. Patient advocacy through web sites, call centers, or personal health coaches helps patients navigate what is considered by most to be a confusing and scary healthcare system. It helps patients understand their condition and choose the most appropriate providers and treatments. Just as important, it can help individuals better communicate with their doctors and comply with their treatment regimens. The goal is to get the right care, from the right provider, the first time, every time, so everyone wins. The message is that the employer is providing tools to help the employee take better care of himself to reduce cost and suffering. Leading-edge patient advocacy services combine health coaching, employee assistance programs (EAP), wellness, and even disease management coordination in an integrated environment that can transcend carrier turnover. It also provides support for claims issues saving the employer valuable time for more proactive activities. Patient advocacy is perhaps the first ever cost containment strategy in which the patient, the provider and the employer all win. If promoted properly, patient advocacy programs can mitigate cost as well as enhance employee appreciation (See [Patient Advocacy as an Employee Benefit](#)).



## The Numerator - Appreciation Enhancement

Enough on the cost side; what is happening on the appreciation side? Most would say not enough. The enemy of appreciation of benefits is ignorance. What can be done?

### Education

When benefits aren't understood, they can be miss-used; think of an out of network reimbursement for radiology charges at a network hospital. Miss-used benefits cause frustration and resentment, killers of appreciation, which can spread throughout the workplace. Take the time to educate employees and their families on how to use their benefits. Don't just communicate during annual enrollment; they won't get it. Build a communication plan; calendar it out. Find out where employees need help and how they want to hear from you. Keep and distribute a list of frequently asked questions, post them on your intranet; don't let the same mistake happen twice. Give employees a look at the big picture; why healthcare costs increase and what the organization is doing about it. Explain that we're all in this together. Attack the sources of frustration and resentment to give appreciation a chance (See [Communicate on Healthcare for a Competitive Advantage](#)).

### Exposure

A recent MetLife survey indicated 50% of employees spend less than 30 minutes annually making employee benefit elections. Most benefits professionals sense that benefits communications are directed at employees and rarely get home to dependents. Accordingly, many benefits users don't even know what they have or how to use their benefits appropriately. When benefits aren't known, they can't be appreciated; think under utilized employee assistance programs (EAP), Flexible Spending Accounts (FSA), and 401K plans. All need to be promoted and not just to employees; target the home as well. Why not go further? Match FSA contributions or "seed" them for a year by contributing to all employee accounts. Enrollment will spike, lowering FICA contributions for the employer. Employees will read the FSA communications, perhaps for the first time, if only to get access to the seed money. Consider automatic enrollment in both the 401K and voluntary disability plans. Enrollment and, just as important, exposure to these essential plans will spike. Appreciation may even set in.

### Financial Skills

Studies indicate that half of Americans are financially stressed. Consumer credit is out of control, our savings rate is negative, and bankruptcies are skyrocketing. Americans simply are not getting basic financial training, many are unable to manage a checking account and live paycheck to paycheck. It is intuitive that to the financially stressed no deductible, co-payment, or payroll deduction is low enough. No voluntary benefit, like FSA, 401K, or voluntary disability, is affordable, so it can not be appreciated. Americans need basic financial skills. Consequently, employers seeking to enhance or maintain benefit value will



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provide it. Financial education and planning are available at little or no cost from banks, consumer credit counseling agencies, EAPs, and 401K providers. Change the emphasis from investment advice (where to invest) to financial advice (think: live within your means, reduce debt, use your 401K, protect your income). Minimal financial skills are critical to benefits appreciation and ultimately benefit value (See [Financial Planning as an Employee Benefit](#)).

## The Message

The growing economy and retiring baby boomers will make attraction and retention of productive employees increasingly difficult. Balance your effort between cost reduction and appreciation enhancement. Beware of cost saving strategies with diminishing returns that take big bites out of appreciation.

Long ago, I recommended a strategy to reduce a health plan's cost fully by ten percent. The wise CFO explained that he was paying \$1,000,000 for a plan the employees valued and that if he took my advice, he'd spend \$900,000 for one they wouldn't. He said that rather than save him \$100,000, it would cost him \$900,000. Think about it.