Voluntary benefits: How they help employers win in the long run

Chris Wilson

In the theater, when everyone stands up at the same time, no one sees any better. In business, when everyone throws the same solutions at the same old problem, you get the full theater effect.

Think of employers as they struggle to find skilled, qualified employees to fill vacancies. While unemployment has reached record lows, fewer people are actively job-hunting. Tried and true solutions of raising wages and hiring bonuses reach their limit as turnover remains at stubbornly high levels.

As benefits brokers, you can present an alternative solution that will save companies money in the long run: move the needle on a retention strategy. And voluntary benefits is an essential part of that overall approach.

What's the financial impact of losing an employee? It depends on your industry and the length of time, but it can range from one-fifth up to 1.5 or even 2 times their salary. When you tally up those lost employee expenses, it starts adding up:

- Off-boarding the former employee (back PTO pay) and onboarding new.
- Lost productivity, during the employee gap as well as the training period.
- Training and recruitment costs.

And don't underestimate the impact of high turnover on employee culture. A high exit rate makes employees question whether they, too, are better off elsewhere, and that can lead to lower engagement and less productivity.

The limits of traditional medical coverage

Optional benefits are an essential part of any comprehensive employee retention program. More than ever, basic coverage from health insurance doesn't offer enough pocketbook protection against the costs of medical care.

The following shows the dizzying rise in medical costs. Here's a year-over-year comparison of out-of-pocket costs provided by TransUnion Healthcare:

- 14% increase for inpatient services (from $4,086 to $4,659)
- 12% for outpatient care ($990 vs ($1,109)
- 7% for emergency room care ($577 vs $617)

Factor in the surprise out-of-network medical bills that frequently make headlines with some truly heart-stopping tales, and it's easy to see why just about anyone would want to avoid a visit to the doctor. One in four American adults admits to skipping medical care in 2018 because they couldn't afford it.

What do these rising health care costs mean to the employer?

Health insurance has lost its luster. Not long ago, health insurance held the promise of protection against financial calamity when an employee or their family member got sick. Today, it's becoming common for Americans to go into debt even when they have medical insurance. As a selling point in a benefits package, employees know they're getting something that's important. But they're growing more aware of their financial exposure.

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Medical debt causes stress; stress shows up at work. Getting sick or being injured is already disruptive. When employees also face a hefty medical bill, worries over keeping up with payments while staying on top of child care, mortgage and car payments can keep them up at night. Nearly four in 10 employees cite money as their primary source of stress. Money demands create more pressure on workers than the job itself! These stressed-out employees say their money woes affect their productivity (22%) and it leads to missed workdays (12%).

Voluntary benefits as a cost containment solution for employees and businesses

The challenges to our health system are many, and a fix-all solution is unlikely. Until then, workplaces can offer employees better value through voluntary benefits:

- **Bridge the gap:** With voluntary supplemental health coverage comes peace of mind because employees know it will help them pay for out-of-pocket costs, from deductibles to surprise out-of-network bills.
- **Non-medical expenses:** Voluntary benefits provide additional coverage that the traditional medical policy does not. Housing costs, utility bills, travel expenses are just some examples. Without a doubt, these benefits can pack some powerful protection that comes in handy during a crisis.
- **Traditional:** Employers can offer voluntary coverage at no additional operational cost; employees pay the premiums. However, the upside is this gives employees the power to choose the benefits that best meet their needs, whether it's short- and long-term disability, critical illness or accident insurance, but at less cost than purchasing them on the market as individuals.
- **Auto-enrollment:** When employers pay some or all disability and/or supplemental health coverages, it strengthens the culture overall and adds to any employee retention program.

When employees know their needs will be covered, even in a crisis, they're more likely to stay, offsetting any incremental expense through lower turnover and higher productivity.

Consider the effects on productivity, stress and absenteeism when employees are less likely to incur debt after a medical crisis, and it's clear how voluntary benefits can offer cost containment for any business.

About the author

Chris Wilson, Regional Practice Leader, Voluntary Markets, has 22 years of sales and sales management success — as well as product and process expertise — in the Voluntary/Worksite benefits marketplace. Prior to joining Reliance Standard in 2017, he was a Regional Manager for AIG Group Benefits, where he spent 18 years in escalating sales and sales management roles.

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