

CONNECTING VOLUNTARY BENEFITS TO YOUR TOTAL BENEFITS STRATEGY

By Peter R. McClung

Voluntary benefits offered through a plan sponsor are traditionally an extension of your existing benefits offerings, such as buy-up options of life and disability coverage. Today's voluntary marketplace offers programs that can extend your benefit platform into new areas or help you achieve increased movement towards your existing consumer-based plan strategy. From hospital indemnity plans supporting the consumerism plan movement to pet insurance, today's voluntary programs offer more selection and options to create a benefits marketplace through your existing employee program.

Hospital Indemnity Plans

A strategy to offer a Consumer Directed Health Plan (CDHP) can be complex. When offered along with other plans, employee concerns about high deductibles can limit the adoption rate of the new plan in the early years. Even when the financial modeling tools you provide to employees give them the clear choice to elect a CDHP, many decline because they fear "what could happen" in the deductible period. How would they come up with the cash? At the end of open enrollment, you may find that your consumer directed health plan didn't achieve the enrollment you had hoped for. Offering a Hospital Indemnity Plan can mitigate the perceived risk, giving your employees a bridge to elect the consumer directed option.

A hospital indemnity plan typically has two components: a cash lump sum payment for an overnight hospital stay ranging from \$1,000 to \$2,000 and a secondary per-day payment (e.g. \$100) for each day in the hospital. For employees whose FSA reimbursements along with a Health Reimbursement Account (HRA) are not as beneficial due to their lower tax rates, the cash provided by a hospital indemnity plan allays the fear of paying the deductible in an emergency. For employees in a Health Savings Account (HSA), the cash payment can ease the employee into the selection by providing a means to mitigate the program's risk.

Would the Hospital Indemnity Plan mitigate the "consumerism" effect of the plan in total? Studies released by the large insurers have shown that employees enrolled in CDHP plans do change their behavior. The Hospital Indemnity Plan does provide a level of comfort for those that fear the potential of a hospitalization, but many of the "consumerism" effects of enrollment in a CDHP are not affected, such as savings on non-essential physician visits, prescription drug utilization, and outpatient procedures, since the Hospital Indemnity Plan is focused purely on overnight hospital stays.

The Hospital Indemnity plan can also assist with a full population transition to CDHP by providing a benefit for those who are expecting a baby or have already scheduled overnight hospital stays. The real benefit is in providing a plan that helps individuals target their fear of what could potentially happen in a CDHP plan by mitigating a portion of their perceived risk. One plan sponsor recently increased their CDHP adoption by 24% after offering a Hospital Indemnity Plan, and has continued to grow the plan each year so that it could become a sole offering.

Pet Insurance

60% of employee households have pets, and veterinary expenses are rising twice as fast as consumer spending. As you work on your wellness strategy, including

encouraging employees to exercise and walk more, pets are an integral part of many employees' wellness and exercise plans.

Employees are interested in products that provide financial protection and peace of mind if a pet requires expensive veterinary care. Many carriers will bill employees directly, thereby lowering the hassle factor for you as the plan sponsor. Providing pet insurance is a way to extend your wellness strategy and provide a benefit that employees appreciate and value.

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