



GAME CHANGER

How Voluntary Benefits Give You the Advantage
in Today's Health Care Reform World

The Benefits of Choice Series

A Transamerica Employee Benefits White Paper
April 2014

Not long ago, an employee benefit package might have included one or two voluntary products. In recent years, these products have become more prevalent and employees selected from a variety of insurance products to suit their financial protection needs. Today, the impact of health care reform allows voluntary products to change the employee benefits game. By offering customized product designs and packaged solutions, employers can help their employees reduce the out-of-pocket exposure to increasing deductibles in major medical plans.

Voluntary products are gaining momentum because employees want them. Employers can strengthen benefit packages by adding them at no cost; and they are a strategic fit due to increasing employee out-of-pocket expenses from high deductible health plans.

Studies have repeatedly tied worker productivity, loyalty and happiness to their benefit programs. Employees favor companies that offer voluntary products. Working Americans expect employers to help them simplify their lives by offering these products as part of an overall benefits program.¹

With tight budgets and further health care reform legislation looming, employers face significant pressure to control costs while delivering a benefits package that is competitive and aligned with employee needs. **To manage this balancing act, employers are reviewing their financial commitment to traditional group employee benefits and applying some of these resources to voluntary products.** Nearly half of employers expect voluntary products to become more important over the next five years.²

By refreshing their benefits program with voluntary products, employers are also providing much-needed options for employees—as well as impacting other strategic objectives, including improving productivity and attracting and retaining top talent, either offered on an employee-pay-all or with a level of employer contribution.³

This white paper, the first in *The Benefits of Choice Series*, explores the role of voluntary benefits in the context of health care reform and examines how voluntary products help employers meet Human Resource objectives while providing more choices for employees. It also discusses what employees are currently saying about voluntary products.

Voluntary Benefits In A Reform Era

Health care reform and the evolving federally mandated changes that continue to come with it are adjusting the benefits model as we know it.

Both employers and employees face higher costs because of benefit upgrades required by the Affordable Care Act (ACA). According to the National Business Group on Health, employees understand that they will bear part of the added costs of medical plan improvements mandated by the health care reform law in the form of higher premiums.⁴

At the heart of the reform is the creation of public and private health care exchanges. For the benefits industry—and the voluntary market in particular—the question is not whether change will occur, but how, and in what ways voluntary products will evolve into this new landscape.⁵

Due to rising premiums on major medical plans, employers' benefit dollars are finite, as are available strategies to deal with further increases in costs. **Employers that choose to send employees to public exchanges will find they need to offer voluntary products as a form of fringe benefits at no cost to the organization.** Employers that continue to offer compliant group health insurance will begin to shift the cost of employer-paid benefits to employees in the form of voluntary benefits.⁶

Private exchanges will have positive impacts for employers and employees seeking voluntary products. One immediate effect will be the increased knowledge and awareness

of voluntary benefits by employers and even more so by employees as they become the primary decision-maker in the private exchange market.

In a recent Eastbridge Consulting survey of insurance carriers, voluntary life, critical illness, accident and short-term disability were the most frequently mentioned planned offerings for the private exchanges.⁷

Regardless of the exchanges, employers and employees face conflicting interests regarding health insurance coverage. Employers prioritize lower cost over higher quality, while employees prefer higher quality over lower cost. According to a **Transamerica Center for Health Studies** survey, 62 percent of workers prefer to pay more for a higher quality health coverage option, compared to only 38 percent who would prefer to reduce insurance costs even if it means lower quality. In contrast, 57 percent of employers prefer to reduce coverage costs, even if it means a lower quality option. Only 43 percent of employers prefer to pay more for a higher quality option.⁸

A recent survey by Buck Consultants showed almost one-third of all employers with 50 to 1,000 employees considered offering new voluntary products to replace existing employer paid and contributory benefits—potentially affecting between 19 million and 45 million employees over the next two years. Half of large employers with 1,000 or more employees showed interest in transitioning their existing benefits to voluntary.⁹



Achieve Human Resource Objectives

With the diverse needs of today's workforce, robust employee benefits are a factor in recruiting and retaining good employees. Employers consistently look to add value to their benefit offerings, and to provide a sense of financial protection for their employees, who are increasingly responsible for a larger share of health care costs.

For most companies, though, paying for and maintaining a comprehensive package is tough, particularly after the onset of health care reform. Controlling costs is the top benefits issue for employers today, with more than 80 percent of organizations ranking it among their top three challenges, followed by handling the implications of health care reform and keeping employees healthy.¹⁰

Employers look for solutions to drive down utilization, reduce physician office visits, and protect employee out-of-pocket exposure from increased co-payments, co-insurance amounts and deductibles. Even under health care reform, high deductibles and rising premiums will continue. With the right strategy, voluntary products can support rate stabilization while helping to provide employees with resources to defray these out-of-pocket costs.


According to a recent WellPoint survey, nine in ten Americans believe employers who offer a full range of benefits help them simplify and secure their lives. Employees responding to the survey report they are more productive at work and think more of their company if it offers a range of benefits, including voluntary products. **Further, survey results indicate 90 percent of Americans agreed that voluntary benefits are a good tool to help companies balance the needs of their employees while dealing with tightening budgets.**¹¹


More employers are expected to turn their attention to voluntary benefits over the next five years, according to the Towers Watson 2013 Voluntary Benefits Survey. **Roughly 21 percent of employers view these products as important for 2013, but their enthusiasm more than doubles, to 48 percent for 2018. Eighty-three percent of employers plan to take advantage of these offerings to enrich existing core benefit plans.**¹²


Companies that have a comprehensive voluntary benefits offering are protecting their business by safeguarding their employees' financial wellness, resulting in a more loyal and productive workforce.

Employees Talk Voluntary Benefits

In 2010 many employers offered voluntary benefits in response to health care reform. In 2013 we asked full-time employees what they knew about voluntary benefits.

 47% have not been offered additional voluntary benefits in the past three years.

 Even though 65% say voluntary benefits are very or somewhat important to them.

 And 62% are likely to purchase voluntary benefit if faced with less comprehensive benefits due to health care reform.

A nationwide survey of 2,028 U.S. adults employed full-time by companies who provide employee benefits was conducted online October 7-9, 2013 by Harris Interactive® on behalf of Transamerica Employee Benefits. The purpose of the survey was to gain a greater understanding of knowledge of and likelihood to purchase voluntary benefits by those who are employed full-time and whose employers provide employee benefits such as health insurance and life insurance.

A shoemaker created the first helmet for Admiral Joseph Mason Reeves, who had been advised he would be risking death if he took another kick to the head.



1900s
SOFT LEATHER



In the 1930s hard leather was used. The first plastic helmet was patented in 1939. By 1943, the NFL required all players to wear helmets.

In 1955 the single face bar was added. In 1956 the radio helmet appeared, introduced by the Cleveland Browns.



1960s
SINGLE BAR, PLASTIC



1973 brings the first air cushioned helmet and the first professionally tested youth helmet.

Polycarbonate helmets with a face mask grill are designed with the intent of reducing concussion risk.



Today's in-helmet system monitors the number and severity of impacts received, and can help identify injury.

2010s
FULL FACE MASK, INTERNAL PADDING,
and IMPACT INDICATORS

The Benefits of Choice

The voluntary products becoming increasingly more important due to health care reform include critical illness, accident, supplemental medical expense, hospital indemnity along with cancer, dental and vision policies.

Critical illness insurance provides a lump sum payment to help pay for expenses, including deductibles, co-pays, child care, credit card bills and travel for medical treatment. An accident insurance policy helps employees who are faced with medical bills and other out-of-pocket expenses that can arise after an unexpected injury. Many employees mistakenly ignore short-term disability, assuming their savings will cover the short-term costs until their long-term disability and/or long-term care insurance kicks in.

Two additional products gaining momentum are supplemental medical expense and hospital indemnity insurance.

Supplemental medical expense plans pay a benefit for deductibles, co-insurance and copayments for expenses associated with the employer's basic, major medical or comprehensive medical plan. Hospital indemnity insurance pays a specified amount each day an employee is confined to the hospital, and through a series of optional riders, can provide indemnity benefits for a range of other medical situations. Employers can customize plans to include hospitalization benefits only, or one that also provides benefits for diagnostic procedures, outpatient surgery, intensive care and other benefits.

Other voluntary benefits employers can offer to help supplement employees' health care coverage include cancer, dental and vision policies. Although life insurance isn't affected by health care reform, employers can add this product to an employee benefits package, especially the options of accelerated death benefits for living care and critical illness.

The Evolution of Protection

The evolution of the football helmet has been a necessity for America's roughest professional sport. As more durable materials and studies on injuries came on the scene, the sport's rules and safety equipment had to adapt as well. It takes commitment and dedication to stay ahead of athletes who are always pushing the envelope of what is possible.

Like the helmet, voluntary products have changed the employee benefits game. Products from Transamerica offer flexibility so you can bring innovative solutions to your clients. Benefits of choice give you the advantage.

The Goal: Meaningful Benefits for Employees

Last year, two million Americans declared bankruptcy due to unpaid medical bills. This means health care is the number one cause of bankruptcy filings, beating out credit card debt and unpaid mortgages. Even having health insurance doesn't buffer consumers against financial hardship.¹³ In many cases, the use of voluntary benefits offers protection against many of the financial burdens that go along with an illness or accident.

With the implementation of ACA, employees are taking on more of a consumer role and assuming more of the costs. Employees are concerned about the impact of health care reform, access to affordable health insurance and the ability to cover increasing out-of-pocket medical costs. Employers

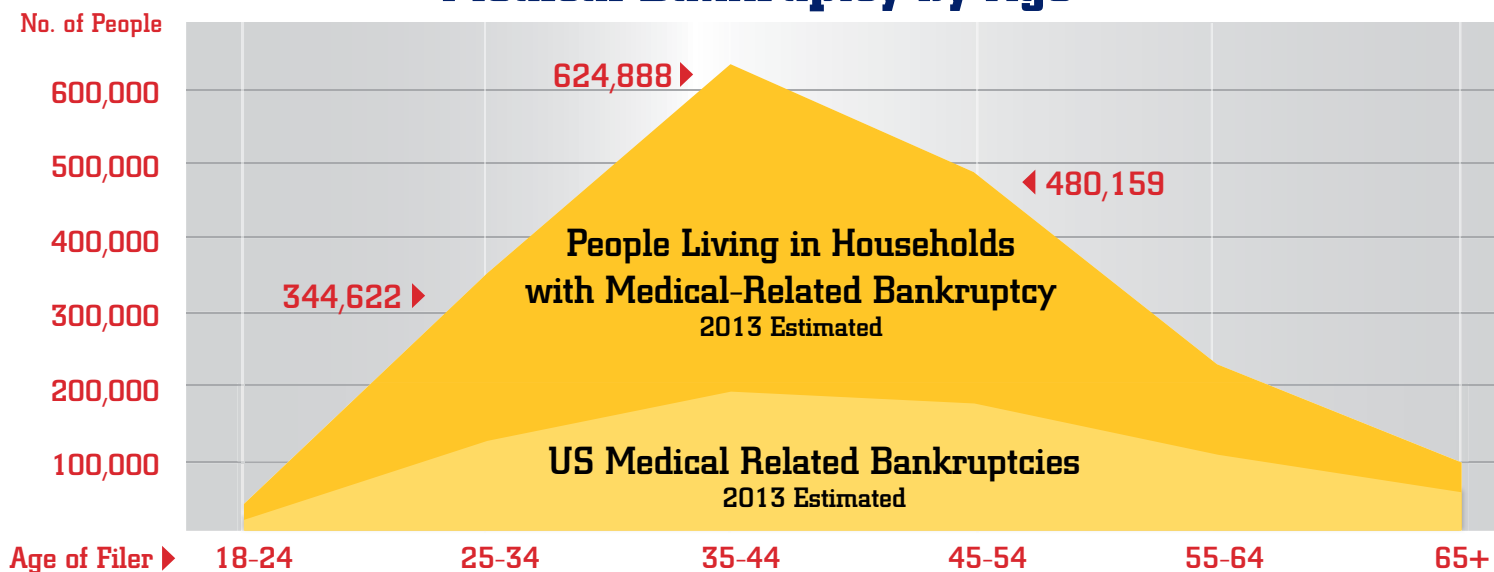
can help by offering inexpensive options—voluntary benefits—that fill coverage gaps and deepen the level of financial protection for employees in the face of increased out-of-pocket medical expenses.

While employees look at the total benefits package, there's no doubt traditional voluntary products will now be more important than ever. With voluntary benefits, employees can customize their benefits package and choose what appeals to their individual needs. In fact, 86 percent of employees say it is important to be able to customize all of their benefits to fit their individual lifestyle.¹⁴ Employees who are offered voluntary benefits report higher satisfaction with their benefits than those who are not offered voluntary products.¹⁵

The voluntary benefit model delivers advantages for employees, such as choice, convenience and affordability. Employees can select from carefully chosen options to personalize their benefit package to fit their lifestyles. Selecting voluntary products at open enrollment or throughout the year, if appropriate, and funding them through payroll deduction simplifies the process. In many cases, employees will have a price and underwriting advantage when purchasing products on a group platform.

As a new employee benefit paradigm continues to emerge, more employers will evaluate the perceived and real value of adding new voluntary benefits.¹⁶

Medical Bankruptcy by Age



Source: <http://www.nerdwallet.com/blog/health/2013/06/19/nerdwallet-health-study-estimates-56-million-americans-65-struggle-medical-bills-2013/>
Use of source does not imply endorsement.

So, who is filing bankruptcy?

The average bankruptcy filer in 2009 was a middle-aged, married, Caucasian woman with a high-school education or some college, employed and earning less than \$30,000 a year. In 2009, over-extension of credit, unexpected expenses and reduction of income were the biggest factors leading to bankruptcy.

<http://www.totalbankruptcy.com/overview/basics/bankruptcy-in-america.aspx>
Use of source does not imply endorsement.



The Evolution of Protection

Voluntary products have expanded over the past several years. These products offer more financial protection than ever for employees. Offering these products can improve employee engagement and retention. Potential and current employees will value these well-rounded programs as a major influence in job satisfaction.

As companies rethink employee value propositions and the total rewards mix, voluntary benefits will play an even greater role in companies of all sizes and industries. Employers who integrate these benefits into their overall strategy will remain competitive in attracting and retaining employees. In the new health care reform era, agents with insight, purpose, commitment and ability to cultivate relationships through voluntary benefits will have the advantage.



**How will you
Change the Game?**

Visit our site
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About Transamerica Employee Benefits

Transamerica Employee Benefits is a business unit of Transamerica Life Insurance Company. At Transamerica, we help our customers **Transform Tomorrow**[®]. Insurance products and services are issued by Transamerica Life Insurance Company, Cedar Rapids, Iowa, and its affiliates. With more than a century of experience, Transamerica built its reputation on solid management, sound decisions and consumer confidence. For more information, visit www.transamerica.com or www.transamericaemployeebenefits.com.

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Harris Interactive[®] Survey Methodology

The Harris Interactive[®] survey was conducted online within the United States on behalf of Transamerica Employee Benefits via its Quick Query omnibus product. The October 7-9, 2013 survey was conducted among 2,028 adults (aged 18 and over). Figures for age, sex, race/ethnicity, education, region and household income were weighted where necessary to bring them into line with their actual proportions in the population. Propensity score weighting was used to adjust for respondents' propensity to be online.

All sample surveys and polls, whether or not they use probability sampling, are subject to multiple sources of error which are most often not possible to quantify or estimate, including sampling error, coverage error, error associated with nonresponse, error associated with question wording and response options, and post-survey weighting and adjustments. Therefore, Harris Interactive avoids the words "margin of error" as they are misleading. All that can be calculated are different possible sampling errors with different probabilities for pure, unweighted, random samples with 100% response rates. These are only theoretical because no published polls come close to this ideal.

Respondents for this survey were selected from among those who have agreed to participate in Harris Interactive surveys. The data has been weighted to reflect the composition of the adult population. Because the sample is based on those who agreed to participate in the Harris Interactive panel, no estimates of theoretical sampling error can be calculated.