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EMPLOYEE BENEFITS

# LOOKING AHEAD 2018

Considerations For The Employee Benefits Landscape





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# Executive Summary: Perspectives On Employee Benefits Today

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by  
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## We're pleased to bring you Woodruff Sawyer's first annual Employee Benefits Looking Ahead Guide.

The current landscape of health care and employee benefits is requiring us to think and act differently; so in this inaugural issue we highlight key trends we're seeing, provide insight into some exciting developments that are pulling the benefits industry forward, and share advice on how you can start thinking differently about your benefits program and strategy.

Those of us who live and breathe in this space every day understand that the complex and fragmented US health care system, along with the ever-changing regulatory environment, is one we will have to continue to navigate.



We also know the increasing cost of health care has the C-suite's attention, given it is one of the top three business expenses for most firms. And, we know if left unmanaged, it will double in cost about every seven years.

Those are the realities. At the same time we are seeing some very interesting megatrends with underlying innovations emerge at a fast clip that present opportunity to disrupt, or at a minimum, reshape the current landscape.

### Here are a few trends that really deserve prime time:

**Big Data** – Harnessing disparate data sources to drive actionable business strategies and results is a priority for many employers. In addition to health care financing, we believe this is the next big lever to address cost through improving health efficacy and aligning incentives.

**Digital Health Solutions** – A broad and fast-growing category that includes areas such as consumer engagement, digital therapy and genomics. These three examples alone are seeing record-level investment of \$4.7 billion and will continue to grow. The key is understanding what will be effective for your workforce.

**Workforce Changes** – With five generations in the workforce, there are new expectations

that employers will offer benefits that are important and relevant across the generational continuum. This will take some creativity and ongoing adjustment as the workforce changes. A tight US labor force (characterized by a low unemployment rate) is expected to remain, and we are now hearing about the “gig” workforce. Intuit reports that by 2020, 40% of all American workers will be independent contractors. We will likely see new, creative options in the benefits market to address this fundamental shift.

The realities of our current environment and the changes coming at a steady pace create an intersection where we have the opportunity to think and act differently. This is less about recreating the wheel and more about how to identify the right course of action and activating the right levers to get the desired outcome.

In the most simplistic terms, employers are looking to accomplish three major business objectives with their employee benefits programs:

1. Attract and retain talent.
2. Offer the most competitive program they can afford, ideally at a sustainable rate.
3. Improve the employee experience and engagement in their employee benefits program.



We know that every employer faces different challenges and is at a different place relative to these objectives. We also know that some employers want to be bleeding-edge early adopters and others want to stay the course and refresh every year to maximize their program. The following perspectives provide insight on what we see happening every day and may give you some fresh ideas. It’s really about approaching your employee benefits differently—in an incremental way, perhaps—that will create a cumulative impact and allow your organization to continue to evolve and stay relevant.





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# Be Prepared: Don't Let Employee Benefits Become “Risky Business”

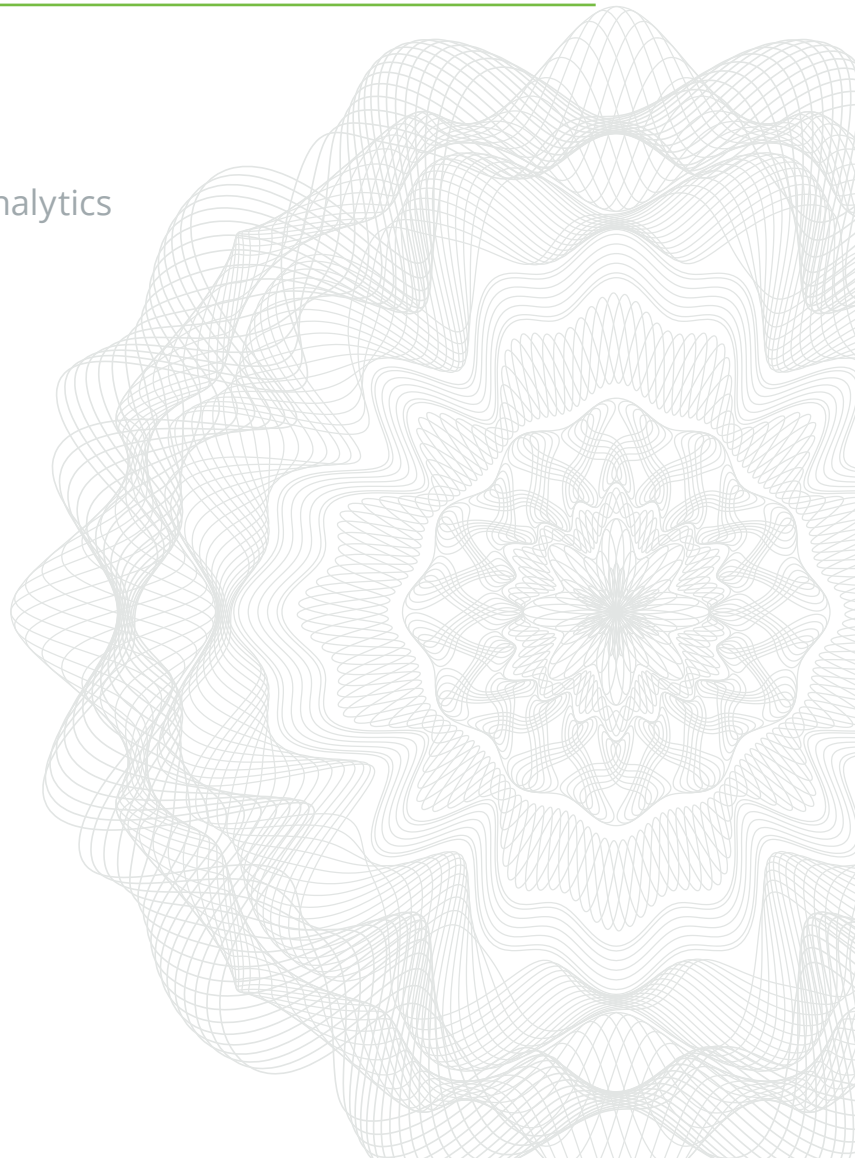
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by  
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**We all face risk in our day-to-day work activities. Unfortunately in business, the risks associated with those activities can result in costly outcomes.** The decisions we make for our businesses, and the intrinsic risks behind those decisions, can put hundreds of thousands—if not millions—of dollars on the line.

Those responsible for administering the financials and operations of any business are familiar with the term “risk”: legal risk, operational risk, economic risk, competitive risk, financial risk, etc. As vital as these analyses are, we often find companies don’t place enough emphasis on the risk analysis of employee benefits and health care.

## Protecting Your Company: The First Step

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If you’re a decision maker of operations, finance or HR, it’s easy to overlook “risk” when thinking purely about employee benefits. Most often, the risks associated with protecting against liability exposures, loss of business income, and protecting assets take priority.

In talking about risk in the context of employee benefits, let’s first talk about how different industries attract particular

employee demographics that carry different risks. Will a manufacturing client have a different demographic/risk profile than a technology company in Silicon Valley? Unequivocally, yes. Understanding the components in your risk profile and how it’s applied empowers you to meet your business goals, and ultimately saves you time and money.

### Understand Your Risk Profile

Within employee benefits, we can think about a company’s risk profile in the context of the demographics of your employee population, or in other words, your employee health risk profile. One key factor to note is that the basic mechanics of your employee health risk profile is something you can’t control. We’ll quickly run through a few:

**Age (or average age).** It’s no surprise that the older an employee is, the more statistically likely they are to incur more health care costs.

**Gender mix.** This gets a bit tricky and is not as cut-and-dry as age risk. However, statistically speaking, men are *actuarially* cheaper with respect to their expected utilization of health benefits than women are—that is until they reach their early to mid-50s. At that point, the risk potential switches genders, and men’s health care becomes more expensive.



### *Location of the company and employees.*

Metropolitan areas are more expensive than suburban and rural areas.

*Industry or SIC code.* It stands to reason that a steel manufacturing firm, where a lot of physical labor is involved, will have a higher risk profile than an engineering firm of equal size where employees are mostly at desk jobs.

It's important to understand that, regardless of your funding mechanism (either fully insured or self-insured), insurance carriers assess risk, which does affect the way an insurance product is priced.

*Your employee health risk profile is comprised of demographics and industry factors that insurance carriers use to price your health insurance plans.*

### **Proactively Work With Your Risk Profile**

Considering that a company's basic risk profile as outlined above can't be modified dramatically from a benefits perspective, it's important to understand the implications of other factors that could have an impact—whether intentionally or not—on your risk profile.

Events that may normally occur within a business, such as acquisitions, layoffs or office

closings, plan changes, carrier introductions or eliminations, may not change the risk profile in year one, but could have lasting effects to the risk, and thus pricing, for years to come.

*Business events such as mergers and acquisitions, office moves, and insurance plan additions could affect your employee benefits risk and pricing for years to come.*

Take mergers and acquisitions, for example. What if your newly acquired employee population dramatically shifted your risk profile from a desirable risk to an undesirable one? Unintentionally, this may have increased the total cost impact and changed the overall profit and loss of that transaction.

To reduce risk, it's best to complete a demographic/risk review on the prospective acquisition to understand the total future cost of the acquisition.

### **Planning For Long-Term Outcomes**

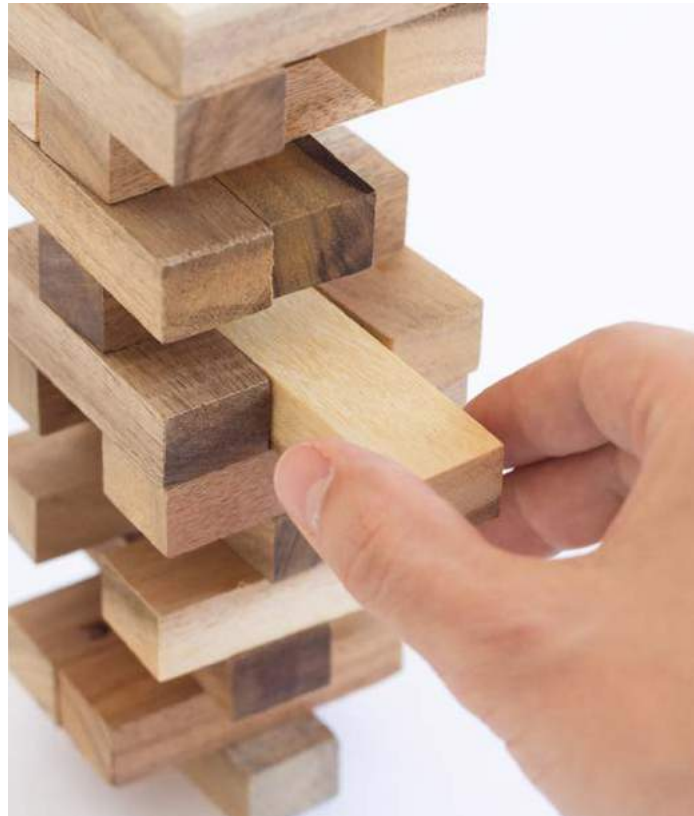
A common mistake is to make decisions for year one gains, but not make room for the long-lasting implications of those decisions.

For example, say your health plan has

been experiencing higher than normal utilization. Paid claims caused the renewal to be substantial, and the cost became too large for your organization to absorb. As a result, to achieve budget, it was necessary to dilute the plan designs by increasing copays, deductibles and so on. Sound familiar?

At times, these are valid courses of action, but what could be the unintended consequences? It's possible that a change in plan design or plan offering becomes so unattractive to

*Tip: Understand the short- and long-term impact when you make decisions about your benefits plans.*



healthy, low-risk employees that they leave the plan to pursue alternative options, such as a spouse's plan. As a result, the employer's pool of healthy employees shrinks—these are the people who are contributing to a positive overall group experience and lower premiums. Not to mention the potential impact on the company's goal to attract and retain good employees.

## Partnering To Find The Right Solutions

Risky business in employee benefits means complex problems with equally complex solutions, and no two solutions are the same. That's why it's important to partner with experts, so you can be guided through the maze of your employee benefits risk profile, and be informed decision makers.

Whether it's implementing new plan offerings (such as an additional medical plan), making plan design changes, or working through M&As or waiver populations, knowing the true risk of each decision in your benefits plan and the price impact ensures you don't get caught unprepared. In other words, assess all risk factors for the best possible outcome.





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# “The Data Is In: You’re Pregnant!” How Data Can Support Your Benefits Strategy

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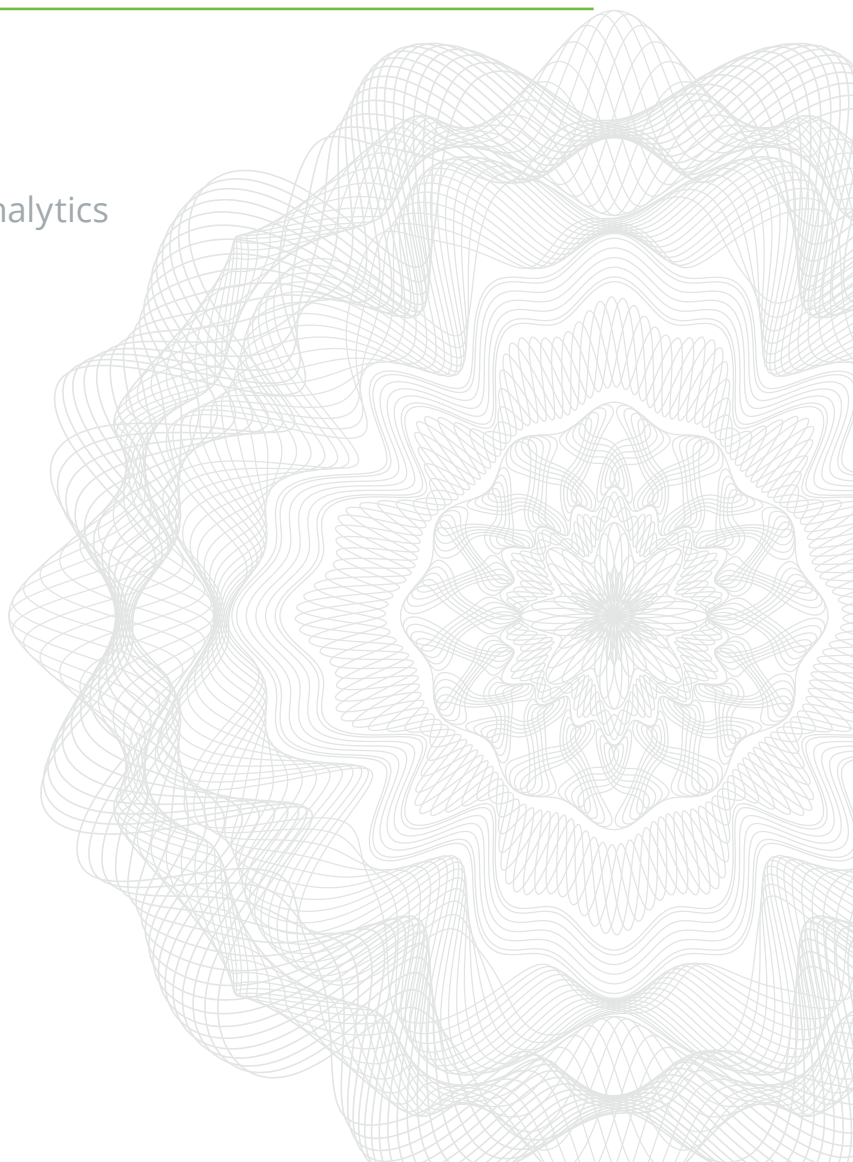
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## If you buy cocoa butter lotion, zinc and magnesium supplements, a large purse and a blue rug, can Target figure out you're pregnant?

Well, yes, or more accurately, there is an 87% chance of the answer being yes. Target developed a sophisticated data-mining model to study the buying habits of buyers and give customers a "pregnancy score."

As early as possible, Target wants to identify a customer as pregnant (before registering) so it can send the customer promotions and coupons. Why? To secure the buyer to Target before all the larger items get purchased or even thought of.



According to a Forbes article<sup>1</sup> about Target's data mining, 25 products were analyzed together to assign customers a pregnancy prediction score. In the end, Target determined that each individual product, such as the cocoa butter, wasn't the key. What made the difference was how the cocoa butter was combined and analyzed with the other products purchased.

## Helping You Find Purpose In Data

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Data is a big buzzword these days and it's everywhere. Not only does it hold many names, it has many applications, disciplines and even careers built on it. You've likely heard of some of these terms: big data, data mining, data science, data warehouse, data analytics, etc.

But what does data mean with regards to employee benefits? Without getting too far into Snoozeville, we use data in employee benefits to discover useful information, suggest conclusions and support decision-making in your benefits plans.

For simplicity's sake, let's parse out data analytics for employee benefits into three major categories:

***Financial claim data*** to produce monthly experience reports, claim projections,

incurred but not reported (IBNR) analyses, etc. This type of data assists companies in setting internal budgets and any increase or decrease associated with them.

**Utilization and encounter data** such as large claimants, diseases, office visit counts, retail vs. mail order, disease management efficacy, etc. This helps us advise companies on the causality of plan design and employee behavior.

**Predictive analytics**—the fun stuff. By leveraging technology, we're able to analyze current and historical facts to make predictions about future or otherwise unknown events.

*You can get substantive, useful information by looking at aggregated data in your covered population.*

## Data Can Be Scary, But There Are Protections

The Target example illustrates the power of seemingly innocuous information and how it can influence industries. It also substantiates the fear people have about computers gathering insightful information about them without their explicit consent.

This is especially true when it comes to health care. Fortunately, regulations exist to protect our private information, as encompassed by



HIPAA and its Privacy Rule, called “protected health information” or PHI.

However, could these protections, which prevent the individual’s identifiable health information from being shared, limit our ability to understand patterns that could ultimately bend the health care cost curve?

The truth is, you can get substantive, useful information by looking at aggregated data in your covered population. Due to the privacy regulations mentioned above, we can’t cross-analyze member-specific data points in health care, but we can integrate the data sets we do have.

As an employer, you collect data from multiple facets of the business, such as health care, retirement, workers’ compensation, employee records, etc. Just as in the Target example, where the 25 products being analyzed were only meaningful when combined, we at Woodruff Sawyer can combine data sets to provide information crucial to your benefits decision-making.



## Case Study: Transportation Company Gets To Root Cause Of Driver Accidents

A transportation client of ours was experiencing an alarming trend in driver accidents, and was unable to understand the underlying cause of the uptick. At first, the client assumed typical problems, such as sleep apnea and other sleep disorders were the cause, but when we integrated its health and business risk data together, the model gave us interesting insights.

The model identified **three correlations** outside the common issues the client was facing:



1. Drivers experiencing financial stress had a **292% higher chance** of being involved in an accident. In addition, the retirement data revealed that 81% of drivers could not afford to retire at age 62, and 62% could not retire at age 65.



2. Drivers with 2 or more comorbidities (the simultaneous presence of 2 chronic diseases or conditions in a patient) had a **238% higher chance** of being involved in an accident.



3. Drivers whose child or spouse had health issues had a **280% higher chance** of being in an accident.

As a result, the employer decided to cover diabetic and cholesterol medications at 100%, restructured its retirement programs to mitigate the health care costs for drivers over age 65, and restructured the benefits program by implementing new plans that included financial wellness.

**The Takeaway:** By analyzing the transportation company's health and risk data together, we discovered causal links between driver accidents and factors associated with finances and health. Armed with this data, we worked with the employer

to make plan changes to address those financial and health factors in its employee population.

## Bridging The Data Gap

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There is no doubt that data is here to stay and is an emerging trend worldwide, including in health care. Data analytic models will continue to be updated, refined and become increasingly sophisticated. It's our job as consultants to bridge the gap and provide insights, by leveraging data and technology, to help shape your employee benefits platform. Through data, solutions can be uncovered to help curb health care costs and deliver the right mix of benefits to your employees.



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1. Hill, Kashmir. "How Target Figured Out A Teen Girl Was Pregnant Before Her Father Did." *Forbes*. March 31, 2016. Accessed March 19, 2018. <https://www.forbes.com/sites/kashmirhill/2012/02/16/how-target-figured-out-a-teen-girl-was-pregnant-before-her-father-did/#26935bb76668>.



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# A Genetic Prescription To Rescue Your Health Plan Strategy

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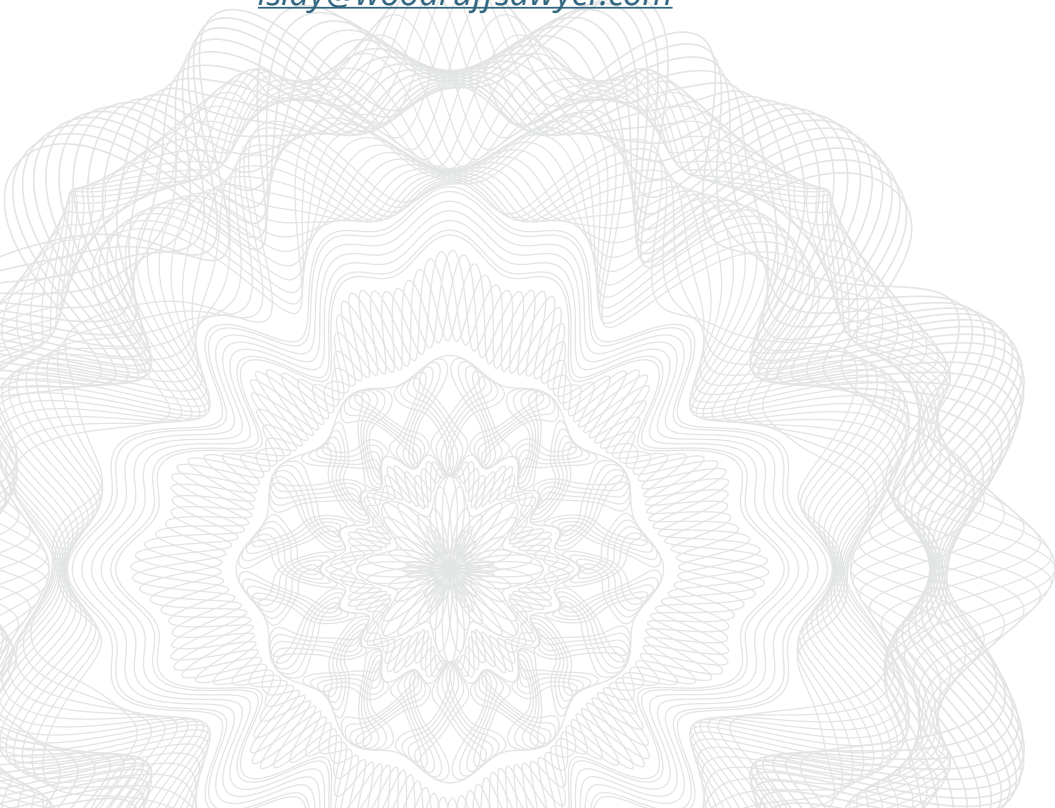
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**Let me tell you what you may already know: Health care costs are the fastest-rising employer cost and the largest growing sustainability issue with Medicare,** according to the Kaiser Family Foundation. And, according to health care insights from PwC, the numbers for the employer market will continue to rise in 2018 between 8%-15% per year. Most employers don't see an end in sight, and are not sure how to afford such a costly employee benefit.

For all the blatant costs with health care today, there are also the less-obvious costs, which some employers forget when speaking about their health care spend. Productivity is lost when an employee is out sick, and quality is degraded if the employee is sick and does come to work.

## Today's Health Care System: Broken At Best

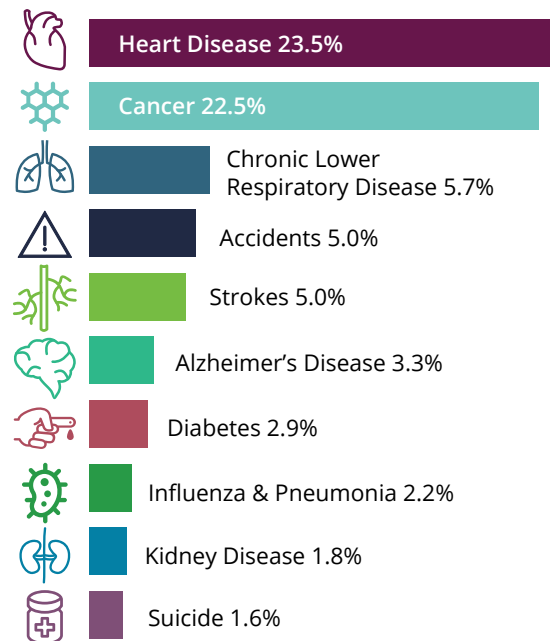
Unfortunately, the health care delivery system in this country is not necessarily aligned with actual health care. I might prefer to call it "sick care."

Rather than taking a targeted approach based on the patient's specific needs and health dynamics, oftentimes the patient is subjected to multiple treatments, some of which are provided by doctors to prevent malpractice suits rather than in the best interest of the patient.

The other cog in the wheel is the lack of good technology infrastructures to track health care and help make the system more efficient and patient-centered. Our for-profit health care system is perhaps at odds with the Hippocratic Oath to do no harm and treat regardless.

Even with access to health care, people are still dying of what may be preventable causes. According to the Centers for Disease Control and Prevention, 2,596,993 people passed away in 2013, with the leading causes of death being heart disease and cancer. And the next year, the number climbed to 2,626,418. Billions of dollars are spent treating these diseases, yet more people die of them year over year.

### Top 10 Leading Causes of Death, 2013



Source: Deaths: Final Data for 2013. CDC National Vital Statistics Reports, February 2016

Exacerbating the problem is that employees seem to not want to be bothered with learning how their insurance works. Perhaps they are tired, like the rest of us. Knowing that a simple mole removal might take multiple visits to various doctors before someone diagnoses that, “it’s just a mole” and to stay out of the sun, is daunting.

*What if there was a crystal ball to help us spend less but treat people more effectively? There is: It’s called genetic testing.*

## Genetic Testing: A Winning Strategy

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Today we have genetic testing that can help people everywhere with better treatment of disease and less money spent trying to cure it.

Genome sequencing has been studied since the late 1800s, with the first whole genome sequence released over 16 years ago in 2001.<sup>1</sup> In less than two decades, the cost of genetic testing has come down from tens of thousands of dollars to just hundreds of dollars, and the accuracy has increased substantially.

If specific genome tests exist for cancer that can pinpoint the exact type of cancer for a person’s genetic makeup and help the patient and oncologist determine the most effective treatment, should we embrace that? I say, yes!

*According to the American Clinical Laboratory Association, genetic testing could save \$30 billion to \$110 billion each year in costs associated with pharmaceuticals, hospitalization due to inaccurate dosages and so on.<sup>2</sup>*

A simple swab test, which is now approximately \$400 to \$600, can avoid hundreds of thousands of unnecessary dollars in health care spend that is, frankly, ineffective.

## Genetic Testing Is Gaining Ground

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Two areas of genetic testing getting the most interest lately are cancer and pharmaceuticals. In the cancer space, genetic testing can help physicians pinpoint the actual cancer diagnosis. This also allows for genetics to help determine the most effective treatment for the cancer in the individual, thereby enabling the treatment team and the patient to achieve a possible better outcome.

Genetic testing is also being used to help individuals and their physicians understand which drugs are most effective in treating pain and a variety of other diseases. For someone with chronic pain who is not being managed well with pain medications, genetic testing can help to determine which pain medication is the most effective and least addictive for them.

*Cancer and pharmaceuticals are two areas of genetic testing that are getting the most interest lately.*

## Navigating Health Plan Obstacles

The problem is that genetic testing is typically excluded from fully insured health insurance contracts. The reason is that it's not considered medically necessary. It never has been. That is why you do not see this on any benefits program flyer you get at open enrollment describing your HMO or PPO medical plan. And you won't anytime soon. Carriers are reluctant to begin changing contracts to include non-medically necessary testing or services. Once one such service is included, the door opens to include many more.

The other reason you might not know a lot about this is that the genetic testing industry is in its infancy. Having said this, great efforts are being made to make such testing available to people, including establishing or identifying labs where the tests can be done and translating such data into common language so we can all understand it. Genetics are complicated and services that help translate the data are key. There is also concern around privacy and information being shared with employers or other insurance carriers. As with all new developments, these are areas being worked on.

## Genetic Testing As A Cost-Containment Strategy

Today, using science, we can help people get the care they need effectively and at a reduced cost—at a personal and corporate level. We simply need to more quickly embrace the amazing tools that are now available to us. “How?” you may ask.

As an employee benefits broker and consultant, I've had conversations with clients who are looking for progressive cost strategies. At Woodruff Sawyer, we've helped to explore genetics testing in self-funded health plans as well as voluntary benefits programs that include genetic testing alongside fully insured medical plans. Start by having a knowledgeable broker at your side who can work with you on the options and feasibility of such strategies in your benefits program offering.



1. “Timeline: History of genomics.” *Facts*. February 05, 2016. Accessed March 14, 2018. <https://www.yourgenome.org/facts/timeline-history-of-genomics>.

2. American Clinical Laboratory Association. “Genetic Testing Can Help the US Cut Costs and Improve Health Care.” *PR Newswire: news distribution, targeting and monitoring*. July 25, 2011. Accessed March 14, 2018. <https://www.prnewswire.com/news-releases/genetic-testing-can-help-the-us-cut-costs-and-improve-health-care-126105103.html>.



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# Differentiating With Competitive Employee Benefits And A Thoughtful Engagement Strategy

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by  
**Brandi Kyle**

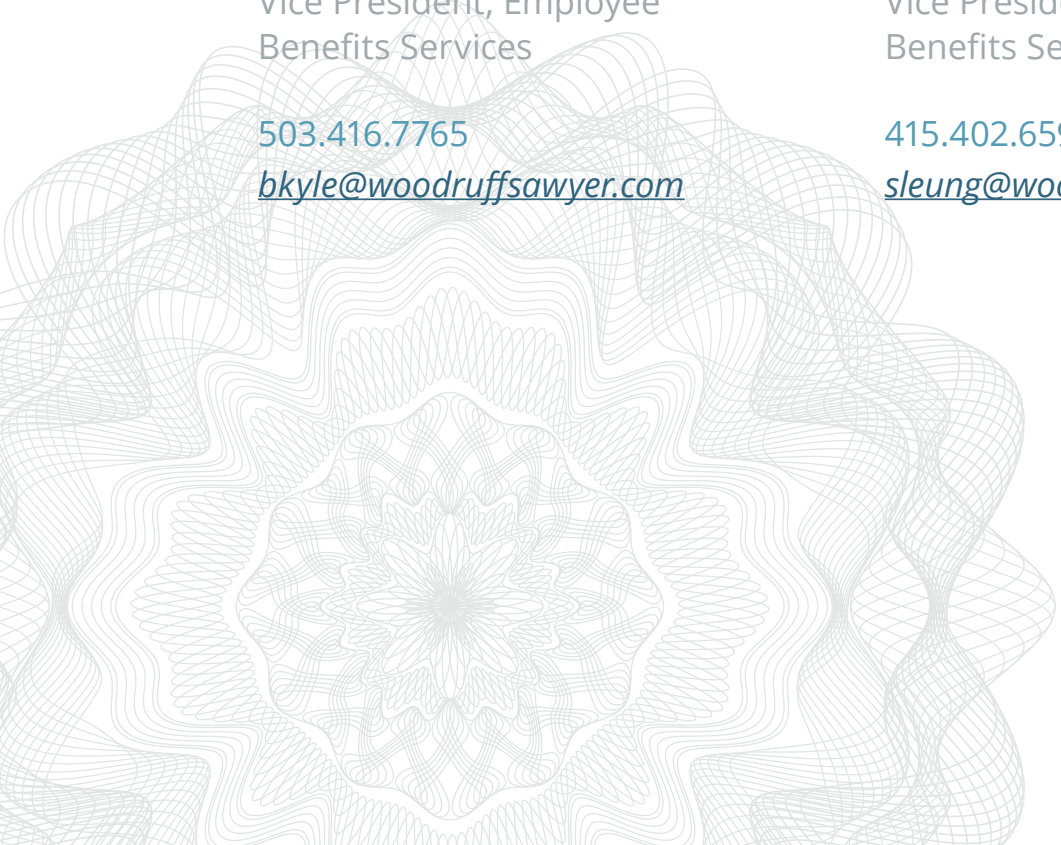
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**Employee benefits aren't what they used to be.** Employers are now expected to provide robust packages that offer choice, all while navigating the Affordable Care Act (ACA), battling rising health care costs and vying for talent in a highly competitive market.

The benefits package you offer is key to recruiting and retaining talent. So, how do you make it more competitive with a workforce comprised of multiple generations who have different wants and needs?

There are a wide variety of voluntary and employee-paid benefit options that employers can offer to meet employees in their various stages of life, while favorably impacting overall satisfaction. At this point, you may be saying to yourself: We offer two medical plans, isn't that choice enough?

Likely not. As consumers today, we want to pick and choose from a variety of products that fit our individual needs.

## Thinking Creatively About Benefits

Think about it: When you're shopping for a new dishwasher, you research the best fit for your household based on a set of criteria. Shopping for benefits is no different. How do you ensure what you're offering meets the current and future needs of your employee population and new recruits?

To think outside the box, think about employee benefits as resources that support life issues, such as critical illness, accident and hospital indemnity plans. These plans can provide additional income protection.

But consider other creative benefits as well. For example, take an employee in the early stages of her career and buried in student loan debt. Some employers are now offering student repayment programs that help lessen that burden. It's a strategy to attract and retain employees recruited straight out of college.

As noted in SHRM's "2017 Employee Benefits" report, the adoption rate for financial advice programs is 49%, up from 36% in 2016.<sup>1</sup>

Whether it's student loan assistance, managing debt or learning how to balance a budget, financial well-being is key to productivity and employers are open to help in such areas. Many employers now offer programs to help employees manage finances and plan for the future.

*Think outside of traditional benefits and ask what benefits and perks employees truly care about today.*

Employees are looking at protection for other important areas of their lives as well: identity theft protection, legal insurance, pet insurance, discount programs, prenatal and postpartum resources, and elder care, to name just a handful. Fortunately, a wide array of benefit options is available. (Read more about innovative and supplemental benefits programs gaining popularity today: see our article on [Digital Health solutions](#) in this [Looking Ahead Guide](#), and our short feature on [Retirement](#) at the end of this article.)

Before you start offering choices, however, keep in mind you need a plan. Communication is crucial to assisting employees in choosing the combination of plans that is right for them. The more products to choose from, the greater the complexity. Do you have a way to effectively communicate the options to all of your employees? Let's explore that next.

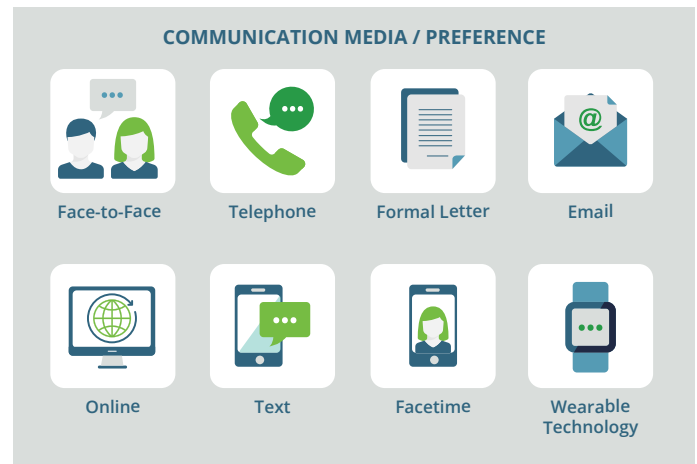
## Educating Your Workforce On Options

Once you've created a benefits plan that meets the needs of your multigenerational workforce, it's time to communicate the plan and engage employees. Total compensation or benefits statements have come and gone, but are they extinct from our tool belt? Conveying the value of its benefits program to employees is the struggle of every employer. Technology and its role in communications has made it easier and faster to deliver information, but a diverse

workforce may mean technology can't be your sole or primary method of communication.

And let's not forget: Employees work and live in an environment of information overload and digital fatigue with multiple benefits vendors, portals and access points, none of which are usually centralized for truly seamless, one-stop shopping.

### Communicate benefits to your employees in the ways they prefer:



When communicating benefits plans to a diverse workforce, be mindful of the varying generations you're speaking to. It's not as easy as it seems when your workforce encompasses four—and in many cases five—generations. And, by the way, each of these generations grew up with different communication mediums and have different preferences.

*Be mindful of the varying generations you're speaking to.*

Each generation was also raised with different values and beliefs that impact the way they intake and digest information. If we implement the same communication style across the entire workforce, it's unreasonable to expect the same level of understanding from all employees.



Addressing generational differences is one facet of impactful communications, but additional layers exist with gender, ethnic groups, salary levels, geography and workforce flexibility (remote, job share, etc.).

One size definitely does not fit all. To be successful, we must balance the efficiencies gained from leveraging technology, with what may seem inefficient but could be more impactful for some generations: paper and face-to-face interactions. The key is not to overcorrect for one side or the other, but to understand the diversity of

your workforce so that you find the right mix of tools and mediums.

Times are changing and so is the makeup of your workforce. With that, we must think of ways to attract and retain our talent through competitive and creative benefits, as well as think of innovative ways to communicate those benefits to a multigenerational workforce.



1. 2017 Employee Benefits Report. Alexandria, VA: Society for Human Resource Management, 2017.

## Getting Employees On Board With Retirement

by Kristina Keck

Vice President, Retirement Plan Services

Woodruff Sawyer works with clients to identify their needs and those of their workforce around financial wellness. Part of our process is to understand and analyze not only the barriers to saving for retirement, but also the impediments to saving for other needs, because financial wellness must be addressed holistically.

For example, one of our clients had a low retirement plan participation rate—just 22%. During our initial interviews, the HR department blamed it on the high cost of living in the San Francisco Bay Area.

However, our investigation revealed that 50% of employees cited not the high cost of living, but that they were too

busy to begin saving for retirement, and another 30% said the process was too complicated.

The answer became obvious: streamline the process with technology, put certain automatic features in place to help employees save, and generally make it as easy as possible. The result? A jump from a 22% plan participation rate to 55% in one year.

By helping the employer properly diagnose the issue upfront, we were able to install behavior-based processes to help its employees move towards financial wellness, all the while creating and illustrating the value of the employer's benefits program.







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# Innovation In Health Care: Digital Health And Wellbeing Programs

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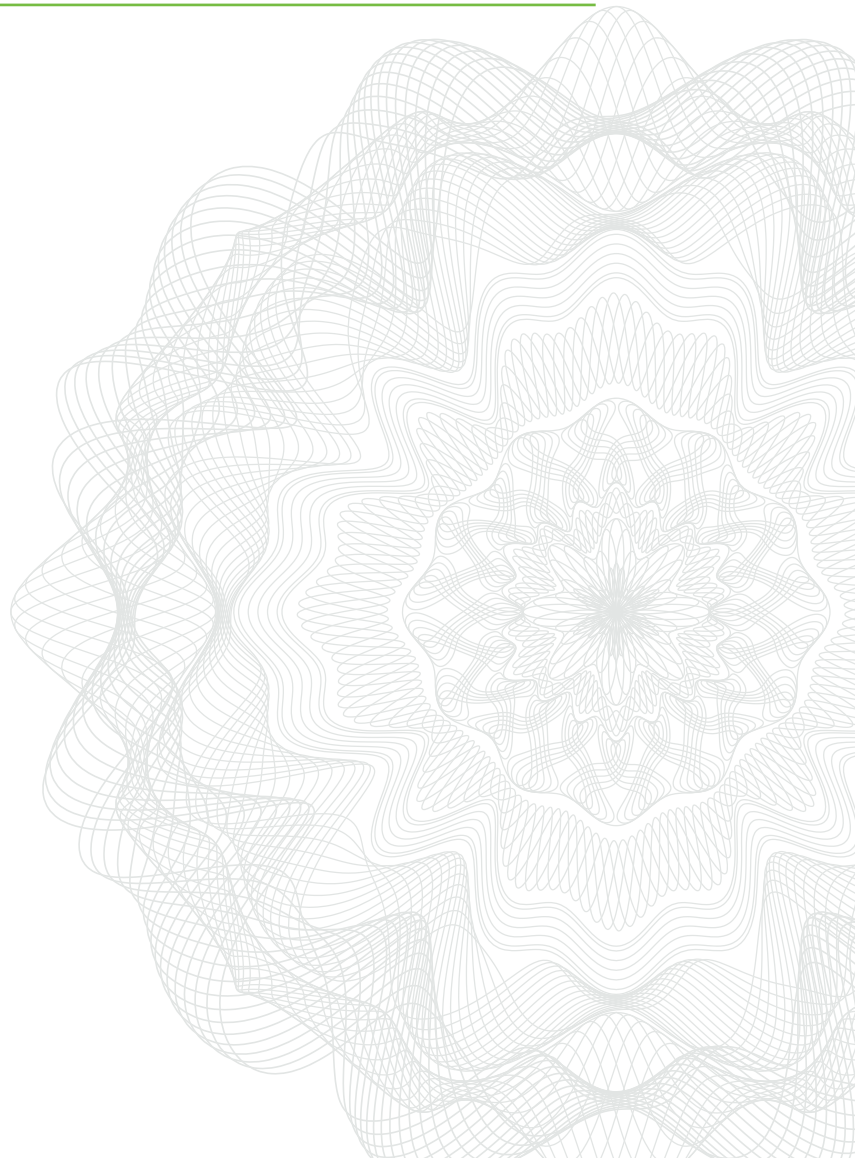
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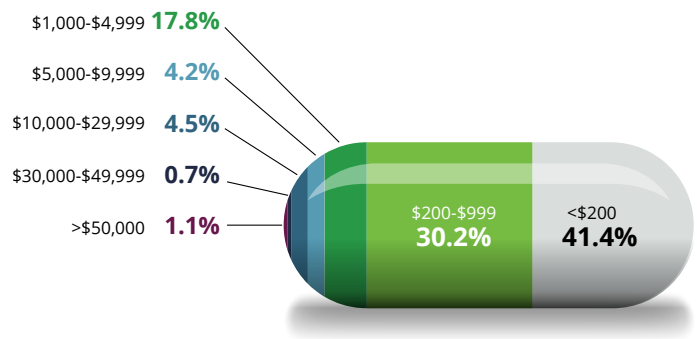


**In the first three quarters of 2017, health care innovation, coined “digital health,” received over \$4.7 billion dollars in funding.** This magnitude of capital demonstrates the tech industry’s interest in the health business isn’t going anywhere. While investors focus on many areas within health care, it’s employers who will continue to see an expanding array of products with a promise of a happier, healthier and more productive workforce.

The momentum behind innovation comes from the known shortcomings in the system and increasing presence of chronic conditions among our general population. We’re running out of tools to address the demand side of health care. A primary response over the last 10+ years has been the uptake in high deductible health plans (HDHPs) as a way of lowering cost for employer and employee. As of 2017, roughly 84% of employers offer an HDHP, with 35% using it as the sole offering. While HDHPs deliver (especially when connected to a health savings account), they often expose the healthy population to reduced benefits so high-claimants can continue to have suitable coverage.

*We’re running out of tools to address the demand side of health care; this is fueling innovations in health care delivery models as well as digital health.*

It’s not news that the majority of people don’t actually spend that much on medical care. In a study of their 5,000-employee customer, digital health company Sherpaa reported 89.4% of the population didn’t spend beyond the \$5,000 mark. The struggle remains: how to address the 10.6% of people that got sick and how to keep others from falling into that pool.



2017 Healthcare Spend Study, Sherpaa, Inc.

## The Goal Of Digital Health: Deliver Resources To Keep People Healthy

Digital health programs aim to offset health care demand of the smaller population by increasing the supply side—the clinical and non-clinical resources—to help keep people healthy or help them become healthier. This is done over mediums such as on-demand and virtual physician visits, mobile applications for stress reduction, and wireless scales and glucose meters that feed data to a personal health coach.

Regardless of the program or focus, the key that all companies strive to achieve is engagement that a participant wants to live with. Compare that to a health insurer's disease management program circa 2005, where a "coach" had a knack for calling your house during dinner.

## Things To Consider Before Implementing A Solution

With hundreds of companies out there, it can be daunting for a benefits leader at an employer to stay on top of the best solutions for their program. Before focusing too heavily on potential products, we encourage our clients to do the following:

- Analyze company demographics
- Look at recent medical and disability claims data
- Determine a budget
- Define short and long term success
- Gain leadership alignment
- Be realistic about technology adoption

Over 60% of employers in one national survey responded that they have implemented some type of innovative program.

For a consultant who is helping accomplish this, it can be tempting to rely on a narrow field of vendors to recommend to a client. And for a benefits leader, it may be tempting

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to rely on what someone else calls "best in class." By taking an internal inventory of the facts and objectives and partnering with an unbiased, objective consultant, a benefits leader will be in the best position to evaluate and implement the right solution for his/her employee population.





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# Leveraging The New Era Of Consumerism In Health Care

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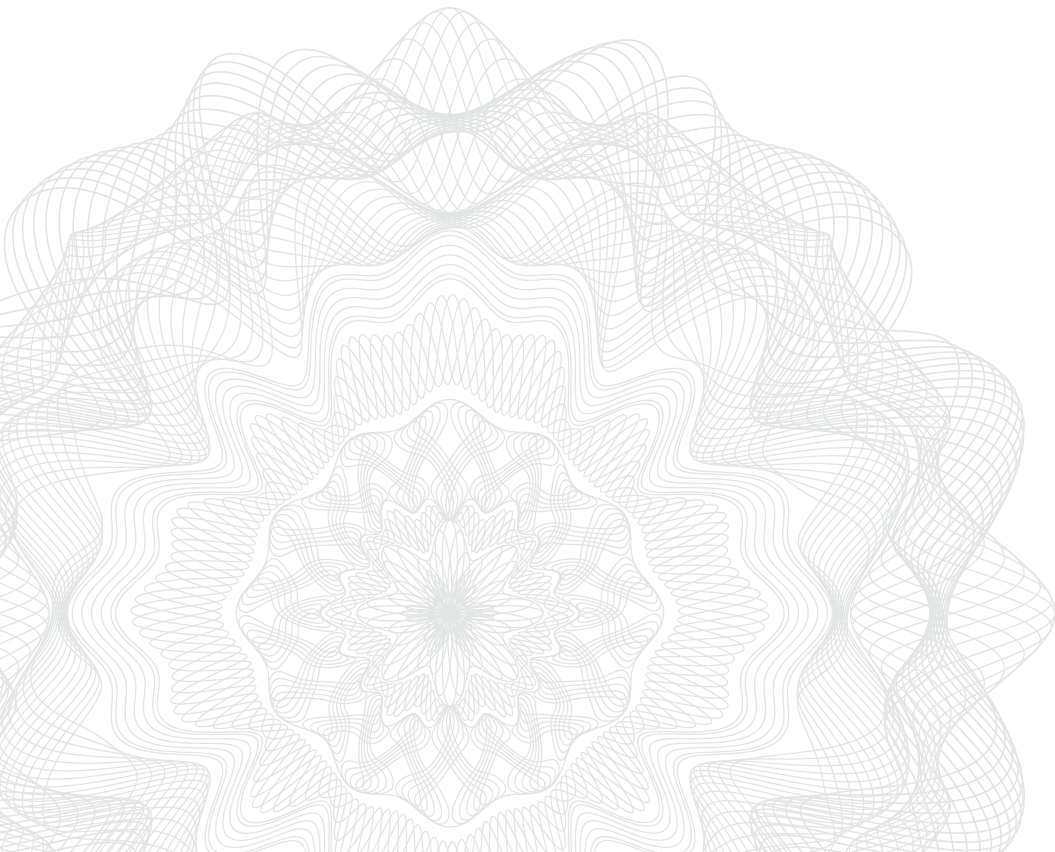
by

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## High-deductible health plans. Health savings accounts. Consumer-driven health care.

These approaches to managing health care are here to stay. The good news is there's a lot to like about these plans; however, implementing and managing them can be challenging, and how your company handles this is critical for the acceptance, appreciation and long-term viability of these plans for your organization.

## Understanding The History Of HSAs

Although consumer-driven health plans (CDHPs) have been around since the 1990s, health savings accounts (HSAs) were introduced and approved by Congress in 2003 and came into law in 2004. For the first few years not many employers noticed, but early adopters showed signs of promising returns.

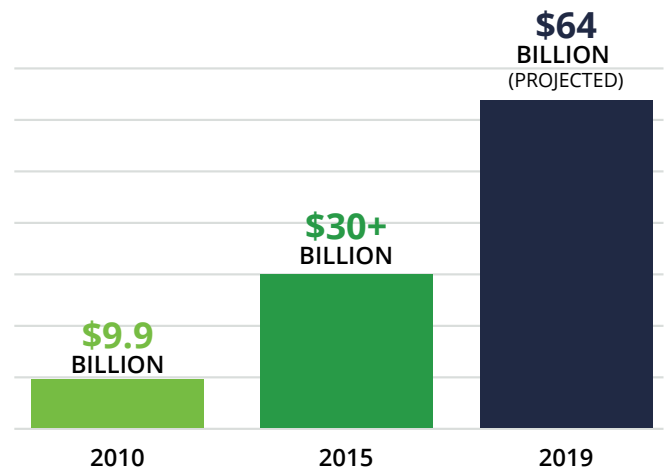
Most employers were originally motivated by cost savings. Changing to a high-deductible health plan (HDHP) and funding an HSA account for employees netted a significant savings—even in year one. However, it quickly became apparent that the key to these plans was engaging employees in understanding the cost of health care services.

In addition, the significant tax savings to the employer and employee, as well as the investment opportunities, were key drivers of growth.

By 2010, there were \$9.9 billion in assets in HSA accounts.<sup>1</sup> The majority of this was simply deposits with very little being invested. By this time, the value and potential savings of these plans were starting to emerge in a big way, and HSAs took off.

By 2015, there was more than \$30 billion in HSA accounts, with more than \$4 billion of that being invested. By 2019, that figure is estimated to be more than \$64 billion, with more than \$13 billion in investments.

**Amount Of Money In HSA Accounts Has Grown Tremendously**



## Four Changes Driving Interest In CDHP/ HSA Plans

Four changes in the market have markedly accelerated interest in CDHP/HSA plans for employers:

### 1. Tools for Employees to Better Understand Health Care Costs

While many employers are using their insurance carrier's online tools (they all have them), there has been growth and increasing usage of more intuitive third-party consumer tools. Healthcare Bluebook, HealthSparq and Castlight are some of the leaders in this space. Amino is a particularly interesting new player in the market. Amino is not only an excellent source of information for employees who are looking for the best cost and quality of services, but the amount of data they have and the data scientists they leverage to understand and compare that data for a particular employer is very impressive.

### 2. Employer Engagement Strategies

Savvy employers are now coming up with new ways to engage their employees in the health care discussion and usage of high-quality, low-cost providers. Videos, health fairs and creative incentives are just some of the ways employers are tailoring the message to their population. You can read more on this topic in "[\*Differentiating With Competitive Employee Benefits And A Thoughtful Engagement Strategy.\*](#)"

### 3. Better Understanding of the HSA Value Proposition

Fidelity Investments estimates that a 65-year-old couple retiring in 2017 needs \$275,000 for out-of-pocket health care costs during retirement.<sup>2</sup> More employees

are coming to understand the value of HSA accounts and how they can help pay for future health care costs.

### 4. The Millennial Workforce

Generally, Millennials like the control HSA plans give them in the market. They don't mind researching cost and quality of health care services if it means saving money. We see a clear trend in this generation of the workforce asking for HSA-qualified health plans.

## Integrating HSA Plans Into Your Business Strategy

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It has been clearly demonstrated that moving your employee population to a consumer-driven approach and incorporating HSA-style plans can reduce your overall company spend. However, it shouldn't be just about reducing spend in the first year. Employers who take a longer term, more strategic view of cost reduction tend to have more satisfied, more engaged employees.

One way to take a longer-term view is to not net any savings in the first year when moving from a more traditional plan design. Trade the higher deductible for investment in employee HSA accounts. This should result in a plan design that has an equal value to your traditional plan option, and drive more satisfaction and engagement from employees.

This, in turn, drives down cost increases year over year, which is where the employer should be focused.



## Choosing The Right HSA Strategy: Business Cases

Let's look at two hypothetical business cases that have very different strategies but yield similar outcomes. Company No. 1 was doing well, and didn't have to "save money" on their health care spend. This company chose to implement their HSA-style plan as an option to their traditional plans, and have employees migrate to the HSA-style plan over time as they became more comfortable with the concepts and gained experience. Over the course of five years, that employer held their overall cost increases to less than 1% per year.

Now consider Company No. 2—a company that did need to save money on its health care spend, but didn't want to sacrifice the level of benefits it offered to employees. The company decided to replace its

traditional offerings with only an HSA-style plan. While this sounds drastic, they took the approach of seeding employees' HSA accounts, so the value of the plan was the same as the traditional plans they replaced. This required much more upfront communication and education to ensure employees understood the business case, value proposition and savings opportunities for both the company and its employees. This company had similar five-year financial results as the first company, but achieved much more of the savings in the first couple of years (that is, cost decreases).

At Woodruff Sawyer, we have extensive experience strategically positioning these plans and their value with C-suite executives. We turn the complex into simple and position your value proposition with employees for a welcome experience—not a takeaway in terms of plan benefits and out-of-pocket costs.

No matter the approach you take for your company, the key is to design the right health care program, educate your employees on it, and make sure they have a great experience throughout the year as they become accustomed to their plan.



1. 2017 Year-End Devenir HSA Market Survey. Report. Devenir Research.
2. Fidelity Investments n.d. "Retiree health care costs continue to surge." Accessed April 4, 2018. <https://www.fidelity.com/viewpoints/retirement/retiree-health-costs-rise>



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# A Tale of Two Businesses: How Smart HR Investing Can Affect Your Company's Narrative

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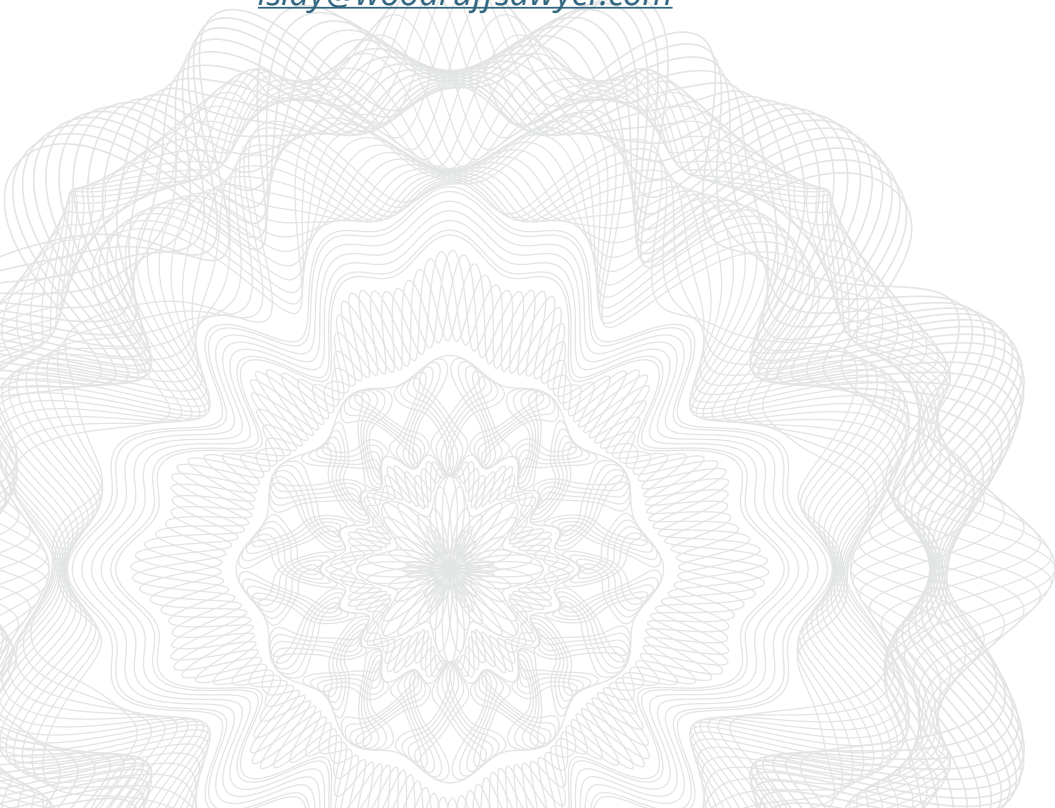
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## Don't we all like a good story with a nice ending?

The days of Mother Goose might be far behind us, but we can still learn a lot from fables about how to run our businesses right.

This story is about two companies that both have wonderful employees. These employees need to take personal and family leave from time to time to care for loved ones, expand their own family or to handle personal illness.

Both of these companies want to do the right thing for their employees, but the ways in which they grant and handle leaves of absence are very different. One handles it poorly, and one handles it "just right." Let's take a look.

## FMLA Management Comes In Different Sizes

First, we should consider that, in managing Family and Medical Leave (FMLA), there are almost as many areas to be abreast of as the Old Woman in the Shoe has children. Proper protocols must be in place and executed upon according to the city, state and federal laws, employees should be advised on the

*For just \$1.50 per employee per month, businesses can hire FMLA leave administration services and greatly reduce their risk of a lawsuit.*

procedures and their FMLA benefits, and so forth. In each leave circumstance, the following needs to be considered and reviewed:

- Eligibility requirements for leave
- Protocols around FMLA notices
- Use of proper 12-month calendar based on employee's FMLA event
- Protocols around granting leave
- Designation of the right amount of time
- Understanding medical notices
- Protocols around new leave years and overlapping FMLA periods
- Proper recertification of leaves
- Intermittent leaves

This makes most of us as out of breath as Jack and Jill running up the hill! Fortunately, businesses can make a small investment in FMLA leave administration services (for something like \$1.50 per employee per month) to help with all of this.

### Case Study 1: Goldilocks' Hair Extensions And Accessories Outsources Its Disability Management



Let's look at the first company from our business fairytale. Goldilocks' Hair Extensions and Accessories (GHEA) has been a thriving business for more than seven years (made famous after Rapunzel gave them a shout out in an interview).

GHEA employs 410 employees located in four different locations throughout the US. The company employs an HR director with three other HR managers to handle situations in all locations.

This is a smart HR team. They schedule weekly meetings to debrief. They understand the value of making sure employees are treated fairly and accurately under the law. They also understand the labor law risks that can be avoided by doing just that.

Two years ago, when their disability carrier offered to help with leave administration, the HR team jumped like “the cow over the moon” at the opportunity. For a small administration fee, the disability carrier would handle all leave situations with their employees.

### **The Value Of Having Disability Experts Doing The Work**

With the disability carrier doing the work, GHEA has a consistent and fair way of evaluating all of the situations surrounding leave for employees. If an employee needs to file a disability claim, he or she works directly with the disability carrier—right from the start—around the leave. The disability carrier administers all of the leave tests and determines if leave is warranted. They also handle protocol checklists in a fair and consistent way. It was the type of situation that the Goldilocks’ team wanted to achieve to manage leaves properly—it was “just right.”

*Investing in the “right” HR tools can save companies thousands of dollars.*

### **Case Study 2: Bluebeard’s Grooming Essentials Manages FMLA On Its Own**



In our next tale, we have the plight of Bluebeard’s Grooming Essentials. Bluebeard sells men’s shaving equipment through online subscriptions.

While the business had taken off over the last few years, unfortunately the company is not open to making investments in their internal HR infrastructure, including technology and systems that can help to manage complicated issues.

Bluebeard has approximately 300 employees in two different states, an HR director at headquarters and an HR generalist in their other location. This HR team is smart, too, but they’re too new at their profession to really know how to grant leave.

One of Bluebeard’s employees requested Family Medical Leave. This employee’s husband had just passed away, and she was initially on FMLA to care for her sick husband.

### **Mistakes Can Happen Without Clear Processes And Responsibilities**

This employee went to her manager and asked for help with the leave request. That’s where

things went wrong. She informed her supervisor that she needed 30 additional days to take care of matters. The supervisor indicated he would take care of things and he did not tell her that she needed to contact HR and complete any additional steps to extend her leave.

When the supervisor contacted HR, they did not approve the employee's request and terminated her because she was out longer than her original leave entitled her to be (based on the original FMLA leave period she took).

One day, the terminated employee was at a barbeque thrown by her good friend Little Miss Muffet. When she told her friends about the situation, they advised her to seek professional advice. So the terminated employee sought legal counsel.

In the end, the former employee ended up winning a large judgment in the Eighth Circuit court against Bluebeard, and individual managers were held personally liable and ordered to pay a fine.

*By administering FMLA incorrectly, a company risks facing lawsuits with hefty fines.*

## The HR Path To A Happy Ending

Does Bluebeard sound more like a horror story than a fairytale? Unfortunately, this scenario is based on true events at Fedex National.<sup>1</sup> By not spending the equivalent of \$10,000 in administration and HR support, the company left itself unprepared to financially handle the loss and unfortunately had to close its doors for good.

Establishing an FMLA administrator to work with you doesn't take a lot of work. As I mentioned earlier, companies can get the help of an FMLA leave administrator for nominal per-employee-per-month fees. And setting up the systems and having the employees call a designated 800 number is not hard to do. The administrator will take all leave inquiries and determine if the employee is eligible. This service is now available for firms at approximately 50 employees or greater.

The moral of the story? Investing in proper HR support, even for smaller businesses, can end up ensuring everyone has a happy ending.



1. *Susan A. Murphy v. FedEx National LTL, Inc.*, Case Nos. 09-3473/3518 (Eighth Circuit Court of Appeals, August 26, 2010).



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# About Woodruff Sawyer

**As one of the nation's largest insurance brokerage and consulting firms,** Woodruff Sawyer protects the people and assets of more than 4,000 companies. We provide expert counsel and fierce advocacy to protect clients against their most critical risks in property & casualty, management liability, cyber liability, employee benefits, and personal wealth management. An active partner of Assurex Global and International Benefits Network, we provide expertise and customized solutions where clients need it, with headquarters in San Francisco, offices throughout the US, and global reach on six continents.

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