

# Benefit Insights

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## ***Are Your Communications with Employees Targeted and Effective?***

Modernity of communication has brought with it an overload of information. In this age, immense volumes of mail not only accumulates at the front door, it also accumulates in email in-boxes. The sheer volume alone leads us to spontaneously get rid of anything that isn't a bill, personal or business matter, or of otherwise importance.

This creates an especially challenging situation for employers attempting to communicate benefit issues with their employees. It also means that employers need to develop benefit communication presentations that employers don't instantly dismiss and discard if they want to effectively communicate benefit matters. One way to do this is by considering your specific employees when developing communications. By identifying various employee groups, you can then work to target or customize the communications toward specific employee groups.

It's important to first understand that topic interest is going to strongly vary from generation to generation, as each will have different current needs and goals for the future. The current work force consists of mainly three generations: those born after 1980, Generation Y; those born from 1965 to 1980, Generation X; and those born before 1965, Baby Boomer Generation.

Generation Y are those that are relatively young and still in the beginning stages of their career. This group isn't very likely to be contemplating their retirement or the importance

of retirement savings. As most of us not in this generation can remember, the fallacies of youth may include a feeling of infallibility and assumption that bad things only happen to others. So, this group may not pay much attention to health benefit information either. This generation is accustomed to fast-paced media imagery and usually don't have very long attention spans. Therefore, this group is more likely to be receptive if the communication is concise and visually catching and received through electronic portals like email.

On the other hand, those in Generation X are at a much different point in their lives. Children, a mortgage, contributing to a child's college education, caring for an elderly parent, and contributions to a future retirement are all common financial responsibilities of this age group, and these responsibilities often compete with one another. This group is usually established enough to know the importance of a retirement plan, but still might not be sufficiently contributing, if at all, due to balancing other financial obligations. Knowing what affects this group can be the perfect gateway to communication. For example, a retirement plan communication that has a budgeting tool as a highlight could serve to gain viewer attention.

An EAP (employee assistance program) with a resource and referral service to get elderly care and childcare services might also be something this group would find useful. So, EAP availability could be a highlight of a communication and gateway to discussing other benefits.

Baby Boomers are at the end of their careers and quickly nearing retirement. Many are scrambling

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## ***Want to Improve Your Company's Image with Employees and Prospects? Offer Voluntary Benefits***

Voluntary benefits are playing an increasingly important role in employers' benefits strategy, expanding the reach of a company's benefits budget and helping employees to affordably fill gaps in their insurance coverage. Survey data shows another reason to offer an attractive voluntary benefits roster: Your employees-and prospective employees-will think better of your company if you do.

According to a survey from WellPoint Inc., a health benefits company that is an independent licensee in the Blue Cross and Blue Shield Association, 83% of U.S. employees think more highly of employers that offer voluntary benefits than of those that don't. Among surveyed employees whose employers offer voluntary benefits, 82% say they are content with their overall employee benefits package, a satisfaction percentage that drops by 30% for employees in companies without a voluntary benefits program. And, when considering taking a new job, 90% of surveyed employees said it would be very important that the prospective employer offered voluntary benefits.

Voluntary benefits encompass an array of insurance offerings, from more traditionally offered supplemental life, supplemental medical, and disability insurance, to more recent entrants in companies' voluntary benefits packages, such as pet insurance, financial planning, long-term care insurance, and group auto and home. A survey of employers from the International Foundation of Employee Benefit Plans and trade publication Employee Benefit News, in which 84% offered voluntary benefits, found that the most common voluntary benefits were life insurance (73%), vision insurance (53%), long-term care insurance (51%), long-term disability insurance (50%), accident insurance (49%), and dental insurance (48%).

Today's uncertain economy places increased importance on voluntary benefits even though, on first thought, it might

seem that employees would be less likely to enroll at such a time. That's because employees, especially low-income employees, see voluntary benefits as a means of providing affordable financial protection. A survey from the Employee Benefit Research Institute asked employees to rate different insurance benefits on a scale of one to five, based on the importance of these benefits in providing financial protection. Disability insurance, for example, was rated a five by 39%, but by 52% among workers making less than \$35,000 a year. A similar result occurred with life insurance, with 48% of employees rating it a five, a figure that increased to 67% among workers in the lower-income category.

To keep employee interest in and appreciation of voluntary benefits high, use ongoing communications to emphasize the value these benefits provide. For example, illustrate what an employee might expect to pay for a particular type of insurance coverage on the open market, and compare that to the cost of such coverage enrolled for through the voluntary benefits program. For insurance that employees can pay for on a pre-tax basis through the group plan, emphasize these additional cost savings. Of course, the convenience of payroll deduction-and of having the product selection brought to you, rather than having to seek it out on your own-add to the value of voluntary benefits.

If your company offers voluntary benefits, congratulate yourself on this strategic decision, but don't sit pat-periodically examine whether your current offerings serve employee needs, along with checking out what new products in the ever-increasing voluntary benefits roster you might add. And if your company doesn't currently offer voluntary benefits, get smart-and take advantage of the opportunity to expand your employee benefits menu, as well as improve your standing in the eyes of both current and prospective employees.

### ***continued from page 1...Are Your Communications with Employees Targeted and Effective?***

bling to account for bad financial decisions or lapses in savings and preserve whatever they've managed to accumulate thus far. Age also brings an increasing concern about health care issues. Any communication that targets these issues are usually very well received by this generation. Many in this generation aren't very computer savvy and respond better to non-electronic communications.

The bottom line on targeted communications is quite simple-whatever is interesting and applicable to us now is what we are most likely to read and pay attention to now. It only makes sense that effective communication is best achieved by knowing what's important and when it's important, and then developing and presenting communications accordingly.

## Many Employees Remain Unaware Of Lower-Costing Alternatives To Their Existing Medications

An August 2010 survey sponsored by UnitedHealthcare found that most Americans are concerned with their medication costs, but admit that they don't know how much new prescriptions cost them or if there's a less expensive option available to them.

Consumers being unaware or unfamiliar with generic alternatives and less expensive alternatives means that many are missing a chance to substantially save on their out-of-pocket drug expenses. UnitedHealthcare has estimated that if members with fully insured plans changed to a generic brand or alternative lower-costing option, the result could be a yearly health care savings of over one billion dollars, \$490 million of which would be savings on prescription co-pays.

Other highlights from the study included:

- Thirty percent of those surveyed admitted that they had not taken or skipped a dose of their routine medications due to the high cost of their prescription.
- Sixty percent of those surveyed said that they had concerns regarding the cost of their medications. Of those, almost seventy percent admitted that they often didn't know the cost of their prescription prior to purchasing it.
- Yet, when the respondents were asked if they would be willing to switch to a lower-costing medication if their doctor gave them two medically equivalent medication options, an astounding ninety-four percent answered yes.

### The Desire For Information

The survey clearly showed that most Americans purchasing prescription drugs have an interest in learning more about their options, especially lower-costing options. There are several ways that employers can help their employees to more comprehensively understand how much their medications are costing them and discover ways to reduce their out-of-pocket prescription drug spending without compromising the medicinal effectiveness of their medications.

1. Employers might develop communications tailored to providing plan participants information about saving options, recognizing alternative lower-costing medications to their existing expensive medications, and advice and support on how to pursue other options. This can be in the form of a phone call, email, newsletter, or such.
2. A co-pay tier system can be very helpful in communicating the differences in value between drugs. The more fiscally and clinically advantageous medications should be placed on the lowest tier. These are the medications that have little, if any, co-payment. Meanwhile, the more expensive medications with higher co-payments should be placed on higher tiers. Plan members will be able to clearly see the difference in how much they pay for their existing medication and how much they could be saving with an equally effective lower-costing option. Seeing the difference in such a comprehensive manner can motivate the employee to consider trying a lower-costing medication option.
3. Pharmacists can be given specific messaging on what lower-costing and effective options are available to plan participants. As an employee goes to his/her pharmacy to fill a prescription, the pharmacist will see what alternatives are available at a lower-cost and be able to convey this information to the individual. If the employee feels that a lower-costing medication is desirable, then the pharmacist can contact the doctor that prescribed the medication to approve the change or, in some cases, make the change then and there.
4. A pill splitting or half-tablet program can reduce employee co-pay on medications by fifty percent. However, a physician must state on the prescription that the pills are to be halved or split.



### continued from page 4...Amendment Allows Employers To Switch Insurance Carriers And Retain Grandfathering

the same under the new health plan, were not able to do and keep the grandfathered status. Now, since the amendment, every employer will be able to maintain their grandfathered plan, while still changing the third party administrator or insurance company.

- There is an unwarranted and unjust leverage by the insurance company when negotiating coverage renewal prices if employers must stay with a specific insurance company or risk losing the benefit and flexibility of having a grandfathered plan.

- Circumstances will always exist where a group health plan could need the leeway in making administrative changes that wouldn't have an impact on the cost or benefits of the plan; a specific example of such being when an insurance company stops offering/providing coverage in a market or when a company has a change in ownership. Now, under the amendment, the employer in both of the above examples can continue their grandfathered status.

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## **Amendment Allows Employers To Switch Insurance Carriers And Retain Grandfathering**

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Due to the fervency and multitude of public comments concerning the grandfathered-status rule in the Patient Protection and Affordable Care Act (PPACA), regulators had little choice but to make an amendment allowing group health plan employers to change to health insurers providing a similar and lower costing coverage, while also not losing their grandfathered-status.

On November 15, officials from the Department of Health and Human Services, Department of Labor, and The Treasury Department issued an amendment to the grandfathered health plans interim final rules.

Specifically, the new amendment enables an employer to offer the same health coverage through a different health plan carrier, but still be able to retain their grandfathered status. However, the new coverage must be under a new insurer that doesn't involve a significant cost increase. And, the new coverage can not significantly decrease the benefit levels or otherwise violate any provision contained in the grandfathered-status regulations.

Unfortunately, the amendment will only apply in cases of insured group health plans. This means that those changing their health insurance carrier and changing their policy outside of the employer will lose their grandfathered-status.

Before the amendment, a plan could lose the grandfathered-status in the event a plan design was implemented that increased member cost or reduced member benefits. An employer group health plan was also tagged as non-grandfathered compliant when an employer changed their insurance company. According to PPACA, plans that are self-funded are limited to only changing third-party administrators, else they lose their grandfathered status.

In relation to previous projections made regarding the grandfathering rules as under the PPACA, estimates by federal regulators now suggest that the amendment will create a small increase in how many plans are able to maintain the grandfathered status.

Regulators at The Department of Labor say that the amendment was created in response to public commentary and concern about the PPACA, mainly the following:

- Prior to the amendment, plans that are self-insured were able to change the company employed to deal with the paperwork and risk loss of the grandfathered-status if the cost and benefit did not change. However, employers that only their changed insurance company, keeping benefit's

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