



Beyond Health Insurance:

Meeting Employee Needs Through Ancillary Benefit Solutions

The key to an effective ancillary benefit strategy is filling core health insurance gaps by understanding and matching the needs and demographics of a particular client with available benefit options.



A Little Perspective

As healthcare costs in the post-pandemic environment continue to rise and employers are facing the difficult challenges of hiring and retaining talent in a candidate-driven market, benefit specialists are looking for creative ways to enhance their company's employee benefit package. Intuitively, many consultants have built solutions around ancillary benefit programs, which have gained significant traction over the years.

Despite the abundance of ancillary benefit programs, many fail to achieve the desired levels of employee appreciation and utilization due to poor planning, improper design, and lack of effective communication. With a shift in current employee needs and focus, offering a simple life and disability program no longer placates the general employee population.

Understanding today's diverse range of employee demographics and education levels in combination with the widespread demand for technology-based solutions are keys to achieving beneficial results. Employers should seek to satisfy the diversity of medical and service needs today's employee requires. To be truly effective, the benefit professional needs to design a client's ancillary program around each employer's specific workforce, taking into account their dynamic, evolving healthcare needs, service interests, and willingness to use products that might be innovative and lesser known.



Employee availability to ancillary benefits has been historically linked to employer size, industry type, and geographic locale. In recent years, however, these benefits have gained importance as a differentiator among employers, requiring even the smallest of companies to package the right mix of ancillary coverages in order to successfully achieve their business goals. Our Ancillary Benefits Team at My Benefit Advisor can work with you to craft solutions to help employers and their employees achieve successful long-term health outcomes.



The Pivotal Role of Ancillary Programs In an Evolving Benefits Landscape

In an environment where companies are finding it a challenge to attract and retain necessary top-tier talent, the employee benefit package offered to workers takes on a level of heightened importance. And while the health insurance portion of a company benefit program is often put in a primary position, it isn't the only benefit desired by employees. Ancillary benefits can play a pivotal role in making a workplace more attractive for both new applicants and existing employees.

What Are Ancillary Benefits?

Ancillary programs are typically secondary benefits that are offered in conjunction with a core medical insurance product. These supplemental benefits are provided as a way to enhance the overall value of a company's employee benefit package, providing additional support for the total well-being of both employees and their families.

Employers can provide these ancillary benefits to their workforce in one of two formats:

Voluntary benefits: where the employee pays 100% of the cost, but is taking advantage of lower premiums and sometimes better coverage levels than might be available outside the group plan. The lack of company premium contribution makes this approach an easy one for the employer.

Employer-contributory benefits: where the employer will typically pay either a significant portion of the premium or the entire cost of the benefit.

Why Should a Business Offer Ancillary Benefits?

The strength of an employer's overall package of employee benefits will usually provide a significant advantage in the company's ability to acquire and maintain a competitive workforce. Additionally, a strong ancillary benefits program shows that the employer truly cares about their employees, resulting in improved morale among the employee population.

The added emphasis on employee well-being can boost the future prospects of a business, since employees who feel valued and appreciated by ownership are likely to be motivated to be more engaged in the business and contribute to the company's success in a meaningful way. Benefits to the business can include lower rates of employee turnover, increased worker productivity, lower rates of absenteeism, and greater overall profitability.

Since a solid benefit package consisting of well-chosen ancillary coverage contributes to the efforts of employees and their dependents to remain healthy, employers will often find added rewards through lower claim utilization, resulting in positive impacts on health plan renewal premiums.

Crafting a Results-Oriented Strategy

In order to ensure that an ancillary benefits program achieves maximum effectiveness as a results-oriented strategy, care must be taken when crafting the structure and details of the program. Blindly piecing together a few benefits without a coherent, well-designed plan is not only a waste of employer dollars but also a failed opportunity to put the finishing touches on a successful total rewards benefit package.

1

Target Employee Needs

A comprehensive analysis of workforce demographics (including age, income levels, family status, and geographic characteristics) coupled with an understanding of specific company-wide employee needs is a promising first step in the development of an effective ancillary strategy. Employee questionnaires and surveys are a helpful tool to utilize. Then, by targeting the specific and anticipated needs of a particular population, an ancillary benefit portfolio can be crafted, producing a high degree of employee satisfaction.

2

Address Coverage Gaps

By plugging the holes in any employee-perceived coverage gaps, the employer can more effectively round out a sound benefit portfolio, allowing employees to further enhance their well-being and reduce their personal financial exposure at minimal cost. This can be more readily accomplished once a worker demographic and needs analysis (as described in step 1) is performed.

3

Integrate with the Core Benefit Offering

For optimum results, the ancillary benefit program should be integrated as much as possible into the core employer-paid benefit package. Too often, ancillary benefits are relegated to a lower tier when communicating benefits instead of being highlighted as an essential part of the overall offering. By treating these benefits with greater significance, employees are more apt to understand the true value of the ancillary offering, and will be more likely to enroll in programs that they perceive will enhance their family's overall health financial lifestyle.

4

Choose Products That Offer True Value

Just because a product may fill an employee need doesn't automatically mean there's a place for it in an ancillary benefit offering. Employees will be unfazed by and unlikely to enroll in coverages that don't provide a true value to them through some savings or enhancement. If they can obtain the same coverage for the same cost on their own, outside the employer sponsored program, the ancillary product provides little or no value and will likely fail to meet enrollment goals.

5

Find the Right Vendors

Numerous vendors provide benefits in the ancillary marketplace, but performing due diligence through the selection process and finding the best vendor for each company can mean the difference between the program's success and failure. In addition to the vendor's financial soundness, portfolio of benefits offered, benefit parameters and costs, it is important to verify any geographic applicability, technology utilization, and ongoing employee service structure. One of the hallmarks of a successful vendor choice is one that leaves company benefit personnel with little or no administrative work.



Flexibility and Scope of Ancillary Benefits

With an increasingly diversified workforce, ancillary benefits have become a way to address a variety of employee needs, offering them freedom to choose those programs that enhance their personal health and wellbeing and provide security for themselves and their families. The value ancillary products bring any employee benefit program is significant, as the degree of flexibility and customization available presents tremendous opportunities.

Additionally, the value they bring in terms of being able to accommodate the varied needs of workers has become a differentiator for many employers. In addition to the more traditional products offered, such as life and disability, there are also hospital indemnity, accident coverage, dental, and vision programs among others. Today's employers have recognized their employee's concerns for education and financial well-being by offering educational training and access, student loan and debt repayment programs, personal financial planning, pre-paid legal, and identity theft protection.

The plethora of programs currently available from vendors can be categorized according to the areas of need they fill, such as:

- **Protection of Health** - assisting the employee and any covered dependents to achieve a higher level of well-being and means to offset costs related to illness and injury
- **Lifestyle and Wealth** - minimizing health risks or reducing risk of financial loss due to health issues
- **Protection for Security and Personal Interests** - providing protection for dependents and survivors and against identity theft



In the following sections we'll take a look at the scope of benefit options available through an ancillary program based on these areas of need.

ANCILLARY BENEFITS DESIGNED FOR:

Protection of Health

Dental Insurance

Coverage for dental expenses can include both routine (regular dental appointments, cleanings, scalings and polishing of teeth) and major dental procedures like extractions, caps, crowns, dentures, etc. As with most things health-related, treating issues that may crop up early is instrumental in preventing more costly treatment later on. And in turn, this keeps future costs down for the employee as well as the employer. Good dental hygiene can be an indicator of overall health resulting in lower claim utilization on the company health plan.

Vision Insurance

Coverage for eye exams can lead to early detection of more serious disease, such as glaucoma, high blood pressure, and diabetes. Additionally, these plans may provide coverage through allowances or discounted fees for frames and lenses, contacts, and laser eye surgery. The ability to obtain coverage for eye exams through ancillary insurance products is attractive to both employees and job seekers.

Accident Insurance

Expenses build quickly when an accident occurs and this type of policy provides benefits that individuals can apply toward these costs. The benefits for this type of insurance are typically paid based on a specified injury, such as a broken leg or fractured wrist, and could be used for things like transportation or lodging costs.

Cancer Insurance

When a cancer diagnosis is received, the last thing people want to add to their worry list is the impact the illness will have on their financial health. Most carriers, as a result, provide a specified sum payment that can range from \$10,000 to \$100,000, paid upon the diagnosis of specified types of cancer.

Hospital Indemnity Insurance

This coverage provides a cash benefit when the beneficiary is hospital confined. This coverage is designed to help with any out-of-pocket costs related to the stay. This can help with the cost of deductibles, coinsurance, outpatient surgery, doctor's office visits, emergency room visits, etc.

Critical Care Insurance

Serious health events typically come with serious expenses for the patient. These programs often pay benefits based on the diagnosis of a specified critical illness. Most carriers will list among their covered illnesses diagnoses like cancer, heart attack, stroke, kidney failure, blindness, paralysis, and major organ transplants. The designated flat dollar payments are made to the insured regardless of any other coverage the individual may have. The rationale for these plans is treatment and care has significant financial liability from unreimbursed expenses, both medical (like deductibles and coinsurance) and non-medical (like travel, child-care, etc.) resulting from such illnesses.

ANCILLARY BENEFITS DESIGNED FOR:

Protection of Wealth and Lifestyle

Disability Insurance

After good medical insurance, income replacement (or more commonly disability coverage) is the most important insurance for most people to have. Both short term and long-term disability products can be utilized for protection against loss of income.

Pre-paid Legal

Many people neglect to solicit proper legal advice when necessary for real estate, vehicle, or civil matters and fail to tend to personal matters such as wills, because of legal fees. Providing legal services through ancillary insurance via discounted fee arrangements gives them an option to provide these resources at a lower price point.

Protection for Security and Personal Interests

Life Insurance

This coverage is common as a core benefit for many groups, as it provides financial protection for the employee's family in the event of their death.

Personal Interest Protection

These "soft" benefits are designed to assist individuals with personal, lifestyle needs, and can include discounts, concierge services, and umbrella insurance to provide liability protection above auto or homeowners insurance.



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