

Health Care Reform and the Big Shift In Employee Benefits Enrollment



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Health care reform, driven by the Affordable Care Act (ACA), is having a sweeping impact on employee benefits. The entire landscape is changing as initiatives like voluntary benefits, defined-contribution plans and health insurance exchanges grab hold. All of this will dramatically alter the benefits enrollment process itself—in terms of both how employers and their brokers conduct enrollment and the level and manner of employee participation.

In this, the third roundtable in a series on the implications of health care reform sponsored by Guardian and hosted by *Employee Benefits Adviser*, five experts from across the industry participated in a wide ranging discussion on the shifting benefits landscape and the impact of the ACA. The panelists included: Chris Bernardine, Chief Operating Officer for Advanced Voluntary Concepts; Jennifer Daniel, Director of Benefit Advisory Services at Businessolver; Lou Faiola, Senior Vice President at Employee Family Protection, Inc.; James Gallic, Director of Health and Productivity at Buck Consultants; and Bart McCollum, Chief Operating Officer for AmeriFlex. Facilitating the discussion was Elliot Kass, Contributing Editor for *Employee Benefits Adviser*.

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Voluntary Benefits Implications



ELLIOT KASS: How is the employee benefits landscape changing? And how much of this is due to health care reform?

JENNIFER DANIEL: We've seen a change from passive enrollment to a more active enrollment process, and it's not necessarily employer driven. Employees, because of the ACA and because of surcharges, have to go online to select their flexible spending account dollars. They have to indicate things like whether or not they're a smoker, because non-smokers pay less, or if they have a wellness credit. So we're seeing a shift from employees doing the same thing they did the year before to actively considering their benefit choices.

BART McCOLLUM: The Affordable Care Act is accelerating a trend largely driven by rising costs. There's more health care spending per capita in this country than in most other developed countries, and it has a lot to do with the way the industry is structured and the way the incentives are aligned. Health care reform is really health insurance reform, and I don't believe it addresses the key factors that are driving costs. It's just accelerating

those costs and shifting more responsibility onto individual health care consumers, which makes things more complex for those individuals.

ELLIOT KASS: How big a factor are voluntary benefits and what are some of the implications for both the employer and the employee?

JAMES GALLIC: Voluntary benefits have moved from the early adopter stage to the mainstream, and it's more common than not to see them offered now. The challenge is that this results in an additional layer of complexity at both the employer and employee level. It's taking what was a simpler process and making it more complex. That means more education needs to take place, and not just once a year but throughout the year, so employees can understand the benefits of their entire benefit package.

JENNIFER DANIEL: You have such a short period of time to get information across. People spend eight to ten hours planning a vacation but only an average of 9 to 12 minutes choosing their health benefits. So how do

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we leverage that amount of time as effectively as we can to help them understand how voluntary benefits support their medical plan and their other benefits?

BART McCOLLUM: We would rather see employers slow the process down, even though we're moving towards a more efficient enrollment process. I think it is actually a detriment to the employees. If you look at the average cost of health care, it's over \$15,000 to \$18,000 a year. That's the equivalent of a new car, and no one buys a new car in seven to nine minutes. It takes time to research and a lot of consultation throughout the entire evaluation process, because it's a very large expense, and it has enormous implications on an employee's future.

ELLIOT KASS: Let's continue to talk about the enrollment process itself and how that needs to change. Why is that so important?

LOU FAIOLA: Enrollment needs to become more than just a single event. It needs to become part of a three to five year strategy that targets different segments of the employee population in different ways. Millennials need to be educated and enrolled differently than baby

boomers, because they have a completely different mindset and completely different needs. We can't just put the product choices in front of them and wish them good luck on making the right selection. We need to develop a full blown, ongoing strategy for helping them make the best selections for their personal situation.

JENNIFER DANIEL: We have to make it personal. You have to help each person determine what their needs are, and you can't do that with a generic solution. You have to customize it to the individual. Let's face it, no one wants to shop for insurance benefits. They want to shop for their vacations, they want to shop for their cars; they don't want to purchase life insurance because that implies that someone might die. So we have to make the process more appealing and, most importantly, we have to make it relevant to them on a personal level.

Enrollment is not just a transaction anymore. It's a process that needs to start early. It starts during the sales cycle, when the sales rep or broker is still trying to determine what benefits the employer has traditionally offered and how their employees are accustomed to enrolling for those benefits. Once those determinations are made, disseminating information about the new benefit choices that will be available must start as soon as possible, so employees have time to digest their options, before they begin the actual enrollment process itself. Finally, follow up; ensuring that the enrollment process went well and that the employees understood the choices they made during the enrollment. The "follow up" step will be one of the major differentiators among enrollment services providers.

Education is Key

ELLIOT KASS: Why is it so critical to employers that their employees experience a successful outcome when selecting their benefits?

JAMES GALLIC: Most of our clients truly care about their employees; they want them to be productive, and they know that there's a link between their employees' health and their productivity. But those sorts of considerations are still missing from most of the conversations taking place around employee benefits enrollment. Enrollment planning shouldn't begin with how to get employees to enroll, but with how the voluntary and the core benefits that are being offered can better complement each other to support employee well-being. And then there needs to be thought given to what sort of data can be provided to help employees make the most suitable choices. For instance, are you letting your employees know the top five reasons why people at the company get sick? Are you giving them the information they need to better understand and cope with those conditions? Those are the sort of enrollment conversations that need to occur, and they are occurring, but they need to enter the mainstream.

In the past, the employer selected the benefits for everyone and offered maybe two or three choices. Now the average employee has to choose among 9 to 15 benefit plans that are individualized to meet their needs. Why are we doing it like this? We want healthier, more productive individuals, and we want people to help assume the expense of health care. That's a very different message than what we've been communicating for 50-plus years.

BART McCOLLUM: With more cost sharing and higher deductibles, people are going to need to engage with their health care spending, just like they engage with their wellness. They're going to need to get on the treadmill; they're going to need to count calories and think about what they eat. But they're also going to need to think about what kind of money they're spending



when they get an MRI. If people are thinking about wellness, and they're thinking about all the dollars that are going to be coming out of their own pocket, then they're more likely to do a little shopping when it comes to their own health care spending, and voluntary benefits are benefits that each individual is responsible for managing. If you can change people's wellness habits and get them thinking about what they're going to be spending—undoing 40 years of managed care, where it's just 'I go to the doctor; I don't pay anything, or I pay a \$10 co-pay and I don't even think about that'—then that's when you really have something.

CHRIS BERNARDINE: If you look at how 401k plans operate, they communicate with employees throughout the year, and they take certain options, package them together and give examples. Benefit plans can do the same. For instance, you can address a critical illness by packaging together a couple of different types of plans—and offering employees a couple of different solutions for addressing that illness. People should be allowed to pick and choose their plans, because everyone's personal needs are different. Just like with 401k plans, where you're offered a lot of investment choices, whether you choose to take advantage of them or not.



ELLIOT KASS: How are health insurance exchanges going to impact this process?

BART McCOLLUM: When I think of a private exchange, I think of an enrollment tool. When we say we want the enrollment process to become an engagement and not an event, a private exchange is one way that a broker or a consultant can accomplish that. They can present a variety of different plan options in an online format and then supplement them with education and chat and whatever other forms of interaction people want to get a better understanding of their benefits.

Public exchanges also will ultimately be helpful for brokers, because it's going to be very confusing and very difficult for people to get cost effective products through a public exchange. The navigator program and all these non-profits that are being set up to help guide individual people through the public exchanges are still big question marks. We don't know what they're going to look like, how they're going to work, how enrollment's going to work, how EDI files are going to work... I think there's really going to be more confusion than anything else. And the insurance is going to be more expensive. I don't think there's a big enough incentive for healthy people to enroll in the public exchanges and buy products, if their employers are offering an alternative.

This all should help brokers go back to employers and restart the conversation about what sort of benefits their employees really need and can afford.

Who's responsible for all this education that needs to take place?

- **The insurance carriers:** Developing the products and processing the benefits when they're purchased.
- **The broker consultants:** Bringing employee benefit solutions to their customers, both the employers and the employees.
- **The employers:** Supporting their employees with the right educational tools and enrollment experience.
- **The employees:** Doing their own research, especially when the technology with which to do that research is made available to them.
- **The enrollment technology firms:** Ensuring that the carriers, the brokers and the employer groups that they work with understand how the technology works and benefits it provides.

Enrollment Interaction

ELLIOT KASS: Let's talk about the enrollment process itself. There's self-service technology like the public or private exchanges, and then there's the more traditional face-to-face model. How do they interact? What are the tradeoffs between them and how do they work together?

JENNIFER DANIEL: Face-to-face enrollment is personal. It affords you the chance to sit down with employees and speak to them in their language. Technology, on the other hand, provides year-round support. Face-to-face is an opportunity to provide employees with an initial education. But with the right technology support you can back that up with claims data and annual spending patterns, and you can quickly answer questions about account balances and deductibles. So both approaches bring value.

LOU FAIOLA: In the past six to eight years, the HR function has been consolidated or has shrunk for all intents and purposes, so most HR departments just don't have the resources to handle all of this. The beauty of the technology is that it simplifies all the back-end processes, like payroll integration and data reporting, that are so time consuming for HR. The technology can also offer high-touch concierge-type enrollment service to compliment the face-to-face activity provided by the benefits counselor. That's a strong, impactful experience for an employee. And it certainly solves for a lot of issues on the back end, which is what ultimately delivers the ROI that the CFO is looking for.

CHRIS BERNARDINE: The highest level of participation results from face-to-face interaction. Now, part of the reason is that most software and Web sites were designed to process an application and not to educate, although that's been changing by great leaps and bounds over the past few years. People say that face-to-face enrollment gets you thirty to sixty percent participation, whereas online enrollment only gets you two to ten. But that's not really fair, because it depends on how you use the technology. If you're putting the right online program in place, with a combination of video or avatars or online education, that will raise your penetration numbers.



Face-to-face enrollment is still important, but it's best to complement that with online enrollment, using a call center as the bridge between the two.

ELLIOT KASS: When choosing a worksite benefits provider, how much weight should employers and their brokers give to enrollment services, benefit administration and billing? Why are these so important?

BART McCOLLUM: Those services are critical, because for most employers their core business is not providing benefits to their employees; it's making widgets or selling pizzas or doing something else. Employers don't have time to deal with those back-end systems, and if they have to deal with them it's perceived as a lack of service.

CHRIS BERNARDINE: Carriers today can't just offer product anymore. That doesn't mean that they need to create all these services—they don't have to develop their own TPAs or section 125 plans—but they need to have the right partners. The products are an important piece of what they offer, but they also have to offer the services that go along with them and that make things easier for their clients.

ELLIOT KASS: Any final thoughts?

CHRIS BERNARDINE: Health care reform is a moving target. I don't think any of us know where it's going to end up, but we do know that things are changing and that it's

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been a very confusing couple of years for both employers and employees—and for us as well. When it comes to voluntary benefits, it’s been especially confusing and, unfortunately, that’s led to a lot of companies delaying a decision until they really can’t delay anymore. So now you’re starting to see them jump in and make those decisions, and I think that’s going to lead to a lot of change over the next few years.

LOU FAIOLA: Brokers and employers need to be more strategic, more forward thinking. Obviously they need to continue to focus on today’s priorities, but they also need to consider the long view and think strategically about benefit planning. Personal engagement is very important. Employers need to understand how important it is to pursue a personal engagement strategy with their employees and to provide them with the tools they need to make the right choices. At the end of the enrollment process, employers want their mission critical employees, those employees that they can’t afford to lose, to feel like they’re fully satisfied.

JENNIFER DANIEL: Employees are hungry. They want to know more, they want that education. In order to engage them, you have to look at the plans you’re putting in place. Are they the right plans for your employees’ demographics? Do they take into account their ages, their income? You have to look at the process of enrollment. How do you educate those employees? How do you do the best job of reaching them? Do you have the right people and the right system in place to answer their questions? Can you tell them what their claims are, so they know which plan to select and which benefits best fit their personal situation? I strongly feel that in order for us to be successful the engagement has to be personal.

JAMES GALLIC: You have to have a variety of inputs. Going to the same source for all of your information is



not going to lead to a really productive output. Every level of the organization needs to be educated: The C-suite, HR, the brokers, the consultants and the employees — every level needs to be better educated, because I think that will actually drive the process. If you are using the same strategies that you used for the last two years, you’ve got a problem. You have to re-evaluate everything you’re doing constantly, because the rules are changing every single week. So if you’re not educated and you’re not re-evaluating, you’ve got a huge challenge.

Because of all the market volatility and regulatory uncertainty, the landscape is shifting each day. But no matter which side of the employee benefits business you’re in, you need to keep in mind that your jobs are to deliver financial protection products to employees and their families for the benefit of their health and welfare. And what you need is a short, mid and long term strategy in order to make sure that you can do that effectively. ■

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