OPEN ENROLLMENT READINESS BENCHMARK

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MARCH 2018

As employers turn to plan selection, advisers need to play quarterback

One big goal: Helping clients provide a full range of employee benefits.

If they aren't there already, advisers have an opportunity this month to get their employer clients back on a successful open enrollment track. The odds are that most of them will need some help: February's composite Open Enrollment Readiness Benchmark index stood at 35 out of a possible 100 for employers with Q1 benefit start dates.

This poor showing was somewhat tempered by slightly better marks for plan selection, with employers awarding themselves scores of 49 for health plans, 45 for voluntary plans and 49 for pharmacy plan selections. For advisers this is significant, because March was when employers should have been choosing plans for their forthcoming benefits enrollment if they hope to keep pace with the 12-month open enrollment preparation process most benefit experts recommend.

For advisers and clients following this process, "We're at a point in time where the adviser and the client have pretty much agreed on the plan design for the 2018 open enrollment period," says Jack Kwicien, a managing partner at Daymark Advisors, a Baltimore consultancy that works with advisers. "The next step is for the adviser to determine how the employer can offer a full range of benefit options to its employees."

Plan selection, Kwicien says, should be based on a thorough analysis of an employee population's demographics and how employees have been utilizing their current roster of benefits. The results should serve as the basis for an RFP sent to multiple carriers to ensure employers not only receive the best price, but also the best possible coverage and quality of service for their workforces.

"The adviser needs to quarterback this process," Kwicien says, "not only throughout the year, but very specifically right now."

Workforce demographics are a key consideration, Kwicien maintains, because different types of plans are better suited to different types of employees. A highly educated, well-compensated workforce in an industry like healthcare or technology, for instance, may appreciate the tax advantages of a health savings account and how it can offset the costs incurred with a high-deductible health plan.

In contrast, less well-educated employees may have difficulty understanding how an HSA works and view an HDHP simply as a way for an employer to cut costs at their expense.

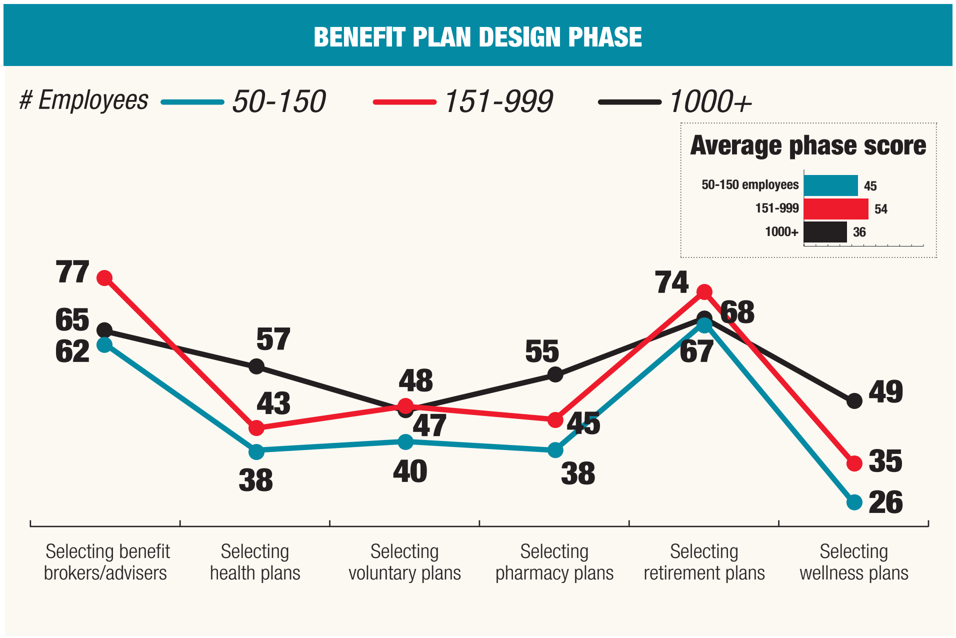
When selecting a plan provider, advisers should also consider any shortfalls in coverage that may have arisen over the past decade, when employers began increasing deductibles and pulling back on company-paid benefits. To compensate, Kwicien says advisers should recommend a menu of employee-paid coverage options that can help fill gaps.

Demographics are also important to consider when deciding which voluntary and retirement benefits to offer. For example, says Kwicien, a large contingent of an employer's workforce may be younger than 35, and these employees may have a keen interest in benefits such as tuition loan repayment assistance. Employees who are 35 to 50, on the other hand, will more likely gravitate toward benefits designed to help them save for retirement and pay their kids' college tuition. Retirement is also likely to be a chief concern for more senior employees older than 50. But in this case, they may be seeking more immediate assistance with retirement planning and devising a strategy to cover their future medical costs.

Some employers, Kwicien notes, may have all three age groups in their workforce, and it's important for advisers to assemble a slate of employee-paid benefits that address the full range of these concerns. Typically, these coverage options will include a short-range disability plan and some form of life insurance, which — if they are employee-paid — need to be transportable.

"It's not like it was 20 or 30 years ago," Kwicien observes, "when an employee would commonly work for only one or two employers throughout his career. Today, the average 20-something employee has already worked for two or three different employers and may work for as many as eight or 10 during his working lifetime."

As a result, employees need to be able to migrate employee-paid benefits to their next employers if/when they change jobs. This is in the interest of their employers as well, Kwicien adds, since they are, of course, recruiting prospects from other employers and want them to be mobile. ■



Note: Scores are based on the progress employers with benefit start dates in the first quarter say they have made in each activity. Responses range from no progress, which equates to a score of 0, to completed, which equates to a score of 100.

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For smaller employers, a consultative approach is key

Advisers should guide plan selection based on workforce demographics.

Many larger employers have begun self-funding their health benefits to control costs, yet many smaller and midsize employers balk at the idea.

"If you're a small employer, you're probably in a fully insured program and, depending on the state where you're located, you may have very limited choices in terms of top-rated medical carriers in the under-100 employee market," notes adviser consultant Jack Kwicien.

But smaller employers have a wider range of options when it comes to the size of the co-pays and deductibles that they require of their employees. They can also switch to a high-deductible health plan and offer it in conjunction with a health savings account. Or they can take the even more radical step of joining an employer association or insurance collective that uses its greater buying power to purchase coverage on behalf of large groups of small business owners.

Given these possibilities, Kwicien says benefit advisers with small and midsize clients need to take a highly consultative approach. "If the employer is going out to market for a major medical program on a fully insured basis," he says, "or if they're going to evaluate HSA providers or any of the voluntary benefit carriers, then the adviser needs to drive the RFP process so that it aligns with what the employer is trying to accomplish strategically." That, he adds, "can vary widely based on employee demographics and the needs of the workforce."

But there are also some significant differences between small- and middle-market employers.

Advisers with a small-employer client base need to pay close attention to their own operational efficiencies. "With most of their clients remaining fully insured and a very limited choice of carriers on the market, the options for plan design are limited," Kwicien explains. "One thing that can set these advisers apart is how effective they are at processing renewals."

Advisers who specialize in serving midsize employers with between100 and 500 employees, on the other hand, need to be even more strategic in their approach. "They need to raise the possibility of self-funding," Kwicien says, "even if it would be only for a portion of the coverage, while the employer remains fully insured against catastrophic illnesses." Those dynamics can be more complicated, he admits, "but that's where the artistry, if you will, of the adviser comes into play." ■

ASK THE ADVISOR

Should employers move to a high-deductible health plan?

Benefits expert Jack Kwicien explains that while HDHPs are a viable strategy for controlling costs, they are not the only option.

Jack Kwicien
Daymark Advisors

Employers are asked every month to submit questions they'd like a qualified benefits adviser to answer as part of the Open Enrollment Readiness Benchmark survey. This month's question is answered by Jack Kwicien of Daymark Advisors.

Are HDHPs with HSAs still the future for employer-sponsored medical plans?
They are an important part of it and will be for the foreseeable future.

High-deductible health plans and health savings accounts are a very viable strategy. But not every employer has embraced it yet, and there's still a sizeable portion of the employer population that doesn't understand how HDHPs and HSAs work and how they can be an effective means of controlling costs for both the employer and also the employer's employees. These types of plans definitely have room to grow.

But I say they are only part of the future because one size does not fit all, and the appropriateness of a high-deductible health plan strategy depends on the size and demographics of the employer's workforce.

I know of advisers who are using self-funded plans for employers with between 50 and 100 employees, something we didn't see five to 10 years ago. For that size employer, there seems to be a move toward joining collectives and associations, in which 100 or 150 employers get together and go to market with a pool of 4,000 or 5,000 employees — which gives them access to better coverage, better rates, a wider network of physicians, along with pharma and disease management services they couldn't get as an individual employer.

But certainly, HDHPs and HSAs are going to be around for a while, and it's incumbent upon advisers to do a more effective job of explaining that particular strategy and why it might fit the needs of a specific employer. ■

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MARCH 2018

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EMPLOYERS STARTING BENEFITS IN Q1 2019				
Overall Readiness (as of February 2018)				**35**
PHASE	**ACTIVITY**	**ACTIVITY SCORE**	**PROGRESS**	**PHASE SCORE**
Phase 1 **Benefit Plan Design**	Selecting benefit brokers/advisers	67		53
	Selecting health plans	49		
	Selecting voluntary plans	45		
	Selecting pharmacy plans	49		
	Selecting retirement plans	69		
	Selecting wellness plans	40		
Phase 2 **Open Enrollment Preparation**	Enrollment timing	50		26
	Planning/designing employee communications	14		
	Reviewing compliance/eligibility issues	20		
	Setting goals	24		
	Documenting processes/procedures	23		
Phase 3 **Open Enrollment Management**	Managing meetings with advisers/brokers	31		20
	Enrolling employees	14		
	Answering employee questions	20		
	Documenting worker feedback	19		
	Measuring enrollment engagement metrics	17		
	Boosting enrollment engagements	19		
Phase 4 **Open Enrollment Design Analysis & Follow-up**	Reviewing enrollment engagement metrics	39		39
	Reviewing worker feedback	39		
	Soliciting additional feedback	33		
	Reviewing plan design	44		
	Reviewing communications strategy	43		
	Tracking benefit usage	41		
	Reviewing enrollment engagement analytics	37		
	Reviewing/improving the process	38		
	Planning year-round employee engagement	39		

Source: SourceMedia Research, Open Enrollment Readiness Benchmark Survey, February, 2018

OPEN ENROLLMENT READINESS BENCHMARK INDEX

Previous OERB reports explored ways advisers can work with clients to overcome benefit sign-up challenges. To access all OERB reports, go to: https://www.employeebenefitadviser.com/collections/open-enrollment-readiness-benchmark

Employers off to slow start with benefit planning

Advisers can play a big role in helping clients create strategies to ensure a successful open enrollment.
https://bit.ly/2pNST1A

How to set a 12-month open enrollment strategy

Advisers should present clients with a schedule of monthly goals to enable them to better prepare for sign-up periods.
http://bit.ly/2t3Y7dx

Why it's critical to do a post-open-enrollment review

Clients need to study what they did well, and not so well, to improve their processes.
http://bit.ly/2CPHUbg

How to better engage employees in enrollment

Focus groups and surveys can determine what employees understand or don't understand about their benefits.
http://bit.ly/2nWPH53

How to help employers explain benefit changes

With plans changing annually, employers need to know how to clearly explain to workers what differs from one year to the next.
http://bit.ly/2F23aki

How advisers can engage clients as open enrollment partners

Helping employers structure their efforts more effectively enables them to escape the annual sign-up scramble.
http://bit.ly/2oHuwB1