

Maximizing Returns from Benefit Investments

“Respondents (to the survey) gave their companies the lowest marks at the most basic employee interaction level – getting employees to understand the cost and value of their health benefits”

Towers Perrin 2002 Study

One of the biggest challenges facing human resource managers is effective benefit communication. Recruiting and retaining quality employees is much easier if the employees understand the value they receive from the benefit dollars invested. In addition, employees with a better understanding of the total benefits plan will *participate* more in the plan. Hard copy, high quality benefit statements continue to be the most effective tool for comprehensive benefit communication.

In addition to reviewing the specific benefits of each program, benefit statements also quantify the cost of each benefit paid by the employer. Employee morale and satisfaction with the benefit plan increase substantially when the employee understands the value of the *entire* compensation package. Nationally, benefit costs represent 42% of payroll, though 80% of covered employees do not understand all of these benefits. Accordingly, recruitment and retention efforts are more successful when employees have a working knowledge of their benefits program.

Benefit statements have been in use for over 20 years in larger accounts. Today’s environment of rapidly escalating medical inflation has given benefit statements another, perhaps more valuable, application: the ***communication of strategy***. Employers facing continuing 10% to 20%+ increases in group medical rates need to develop and communicate their plan for addressing these on-going cost increases. Benefit statements can put both the employer and the employee on the “same side of the table” when addressing the challenges that will face the health insurance industry over the next 2 to 10 years.

How? By devising and communicating a long term strategy, employees get the clear message from their employer, “we care, we have a plan and you are a partner in that plan.”

Packaging and content are of utmost importance when selecting what kind of benefit statement to provide. The benefit statement itself should be crisp, professional and comprehensive. Many HRIS systems generate a one page summary of benefit costs, but these benefit statements are only marginally effective because they stress only the employer’s *costs*, not the employees’ *benefits*. These types of statements are little more than a number on a page. In some cases, emphasizing employer costs over employee benefits can breed cynicism amongst employees, the exact opposite of the desired result! Benefit statements are tangible evidence of the intangible value of benefits. By being a quality product itself, the benefit statement connotes the quality and importance of the employee benefits program.



More comprehensive benefit statements, frequently as long as 10 pages each, provide significantly more information and value to the employee. For example, they may include extensive specifics on how to order publications from the Social Security Administration and Medicare showing their individualized projected benefits, etc. Contact information for the claims and service departments of various carriers can be included, as well as exact URL's for specific forms, etc.

Additionally, benefit statements can be an indirect way to communicate with an employee's spouse. As we all have experienced, many employees rely on their spouse to make decisions regarding employment options, benefit options, etc. Inevitably, many of the distributed statements are taken home to that spouse who now has a better understanding of overall compensation. The prospective employee's decision-making spouse is greatly influenced by full benefit information.

The cost of these statements has come down as technology has made the software easier to operate and less expensive (\$500 to \$2,500). Frequently, the finished statements are printed and provided to the business by the benefits broker or consultant *free of charge* as a value-added service to the client. By providing the software for all their accounts, consultants can spread the costs over many employees. Be sure to ask your benefits advisor about employee benefit statements.

Benefit statements today continue to provide their traditional values of enhanced recruitment, retention and participation. In addition, they are now being used to alert employees to the problems and challenges employers will face in the future if health premium increases continue to soar. Benefit cuts and/or cost increases seem inevitable and employees need to be prepared early for these changes. As Yogi Berra said, "I don't mind surprises, as long as I know about them beforehand." Employees feel the same way.