

Tuning down the heat in a hot labor market ...

Can Voluntary Plans Help Worker Retention by Strengthening Employee Benefits Packages? by Joseph Kuechenmeister

Senior Vice President and Director of Marketing

AFLAC Do voluntary plans by themselves keep an employee from job-hopping in the face of sign-on bonuses, stock options and other cash incentives? Probably not. But when they are integrated into a company's total compensation and benefits package, they can exert a strong influence on employee morale and allegiance while bonding the agent/client relationship. It seems every week produces another business or government report on the growing shortage of qualified workers across virtually all industry lines. We are all aware how this tight labor market is putting greater stress on wages and benefits (fueling inflation fears) as businesses scramble to remain competitive and retain their most valuable people. For companies already straining under the weight of growing health insurance costs, funding new benefits is simply not an option. Yet the dilemma remains for most employers to do more with fewer available resources.

The budget/benefit "Catch 22"

Making the challenge even more imposing is the inevitable major medical premium increase that the agent has to "explain" each year to a frustrated client. Rather than expanding benefits, many employers are forced to absorb the added expense of maintaining their current program. The other equally unattractive alternatives: modify benefits or pass on part of the increase to the employee— the two things companies want to avoid in the first place!

Supplemental plans to the rescue

Demand for supplemental insurance policies sold on a voluntary basis, particularly under a Section 125 framework, is particularly robust because these products address the distinct nature of the "new economy" marketplace. Years ago these plans were sold directly to the consumer to fill in what was missing from their plans at work. Today they offer companies under their own banner a way to expand benefits plans— many times on a tax-advantaged basis— without having to fund a new array of expensive choices. If they so choose, employers can match employee contributions to some degree.

These individually owned products also shift control to the employee, who, studies tell us, wants greater freedom and diversity when making personal financial decisions— another characteristic of the "new economy" worker. Choice is particularly important in dual-income households and in companies with a diverse socioeconomic/age employee population.

A natural fit with primary plans

For the employee, supplemental plans offer a way to customize benefits, plug the gaps in coverage, and be insulated from a significant drop in living standards through various income protection options. These "gaps" can also include larger deductibles or co-pays as provider and pharmacy benefit charges continue to rise with some of the increase being shifted to the

employees. These policies also make this added "cost sharing" more palatable. These benefits can be used to address the extra costs of going outside a managed care network, allowing the employee more freedom in selecting and keeping a particular physician or hospital. For example, how would an employee react if the company changed HMOs to save money and the family doctor was no longer on the approved list?

Although offered at the workplace, supplemental policies are totally portable and guaranteed renewable at the payroll rate. Value and convenience are cited as a principal draw among employees, while cost is generally not a determining factor once the effects of pre-tax purchasing power are considered. But perhaps the greatest attraction among virtually all buyers is the total command over claim dollars these plans provide with no coordination of benefits. The ability for policyholders to use these benefits as they see fit with no conditions or prior approval has powerful appeal.

Voluntary plans boost morale, productivity and loyalty

Extremely high enrollment rates attest to the growing popularity of these payroll products among both company and worker. In fact, a recent LMRRA study reports that voluntary plans are so well-received because:

They give employees better benefits. Employees ask for the benefits. They give employees more choices and a wider array of products. They improve employee satisfaction. They provide plans at little or no cost to the employer. They help attract/retain good employees.

Agent apathy can equal vulnerability

The ability to introduce a new level of products and services to a corporate clientele looking for answers is not only a dynamic income opportunity, it's also a defensive strategy in a highly competitive marketplace. Agents and brokers who neglect this line of business leave the door open to rivals who will use the appeal of these products to make inroads on replacing other core insurance programs. Account preservation, the meeting of more company needs through one source, is becoming a driving force behind increased agent awareness and involvement.

Today more than ever it makes good financial sense for companies of all sizes to incorporate voluntary options in their overall benefits package. There is simply no downside for either employer or employee. Agents who offhandedly dismiss the lure and value of these plans shortchange both themselves and their clients.

Joe Kuchenmeister, 58, attended Marquette University in Milwaukee, Wisconsin. He joined AFLAC in 1970 as a sales associate. He served as AFLAC's first state sales coordinator in Wisconsin from 1971-1984. He joined AFLAC's headquarters in 1987 and became second vice president, director of direct products and sales development, in 1989. He was appointed to vice president, agency director of the south territory, in October 1990. He was promoted to his present position as director of marketing in November 1990.

Possible pullquotes:

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