



Auto And Homeowners Insurance As An Employee Benefit?

Voluntary benefits have been around for years. Typically there is a menu of benefits that employees can choose which ones they want to enroll in (if any) and have the premium deducted from their paycheck. They are a great way to enhance your benefit package with little or no cost to the business. (See Critical Illness article in this newsletter) Home and auto insurance is a little different from other voluntary benefits and many HR departments are trying to figure out how it fits in.

There are several differences between home and auto insurance and traditional voluntary benefits...

- 1) Traditional voluntary benefits are an added cost to the employees that choose to enroll in them. Home and Auto is only purchased when it is going to replace an existing policy and typically save money.
- 2) Many traditional voluntary benefits are only available through an employer such as short-term disability insurance or dental. Home and Auto is available on almost every street corner and the internet.
- 3) Most people don't shop around among several short-term disability carriers. They choose the one that their employer

is offering or they don't purchase it at all. Home and auto is something that is usually shopped among several carriers.

So why offer home and auto insurance as an employee benefit then? Because you can get discounts for your employees that they can't get anywhere else. Also, many employees perceive home and auto insurance to be two of the top three most important insurance needs for their families. Further, most home and auto carriers do not have participation requirements and will allow you to offer it to a select group of employees (i.e. managers, executives, etc...) or make it available to everyone. This benefit is also an excellent tool to recruit prospective employees.

This is a fast-growing benefit that most companies should take a look at. Since this is a discount off of a regular priced policy, not a group policy, it may make sense to offer more than one carrier to your employees so that there are several options to handle all types of risk.

For more information about these programs, contact your agent or email us at info@capitolbenefits.com.

Wellness Programs Deliver a Return on Investment

Comprehensive wellness programs not only improve employees' health—they also can slow the rate of an employer's health care cost increases. This results in a positive return on an employer's investment in the wellness initiative. According to a study published in the Journal of Occupational and Environmental Medicine, employers can save \$1.65 in health care costs for every dollar spent on a comprehensive employee wellness program.

The study followed participants in a wellness program sponsored by health insurance provider Highmark for its own employees. The wellness initiative was launched in 2002 and offered the following free of charge to employees (some program components were not included initially but were added in later years): health risk assessments; online, onsite

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Welcome to Our Newsletter!

Capitol Benefits is pleased to present you with the first edition of our monthly print newsletter. We hope the articles in this and future editions will provide insight into an array of financial matters, and we urge you to contact us with questions and comments. Our agency specializes in working with small and medium-sized businesses in all areas of employees benefits, retirement planning, commercial, and personal insurance.





Carrier News...

- **CareFirst** is requiring that all enrollments, terminations, and changes be done online. We suggest that you print out copies of the employee detail report for your records once you have completed an online transaction. All enrollment forms faxed to CareFirst will be returned. We have many resources available to assist you with the online enrollment system. Let us know how we can help!
- **Kaiser Permanente** continues to expand their network options. They now have several PPO networks to choose from with over 450,000 doctors and hospitals. If you haven't looked at Kaiser recently, it may be a good time to do so. Let us know if you'd like to have a private tour of any of their facilities. We took one and were very impressed!
- **Assurant** lowered rates for Maryland small groups twice so far this year by 6% each time. For groups that have average to better than average health in Maryland, Assurant may be able to save you 30-40% on your group health premium with a nationwide PPO plan.
- **eDocAmerica** has revised their pricing for clients of Capitol Benefits. This service provides employees with online and telephonic access to practicing board-certified physicians that can prescribe medication at local pharmacies. This service pays for itself with reduced absenteeism and claims.
- **United Healthcare** has enhanced their packages savings program for groups that purchase ancillary coverage in addition to their health insurance.
- **Travelers** now allows part-time employees, contractors, and other employees not normally eligible for benefits to enroll in their home and auto insurance discount program.

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and/or individual programs on nutrition, weight and stress management, and tobacco cessation; screenings for cholesterol, blood sugar and blood pressure levels; campaigns to increase fitness awareness; disease management initiatives; and (at some locations) onsite fitness centers. Wellness program expenses averaged \$139 per employee per year.

In order to assess the impact of the wellness program, participants were matched to nonparticipants based on gender, age, 2001 medical expenses, claims-based evidence of heart disease and diabetes, and certain predictive morbidity scores. For both participants and nonparticipants, individuals with \$100,000 or more in annual health care costs were excluded.

Health care expenditures grew more slowly 2001 through 2005 for wellness program participants than for nonparticipants. Specifically, estimates of health care expenses per person per year were \$176 lower for participants, and inpatient expenses were \$182 lower. Over the four-year period, during which the wellness program cost Highmark just over \$808,000, more than an estimated \$1.3 million in health care cost savings were gained. This translates to a return on investment of \$1.65 for every dollar the employer spent on the wellness initiatives.

The study also examined whether the wellness program participants made greater use of preventive services available through the health plan. In comparing data from the year before the wellness program launched and the next year, preventive visit screening rates increased from 56% to

60% for employees who completed a health risk assessment (HRA), from 57% to 60% for employees who completed an HRA and also participated in an online, group or individual wellness program component, and from 62% to 64% for employees who took an HRA and also used a fitness center. For nonparticipants, use of health plan preventive services remained unchanged at 55% during the comparison years. As a further measure of the impact of the wellness program on use of health plan preventive services, the study found that preventive care visits accounted for 16.5% of total health plan expenditures for wellness program participants, compared with 13.5% for nonparticipants.

Because the analysis only considered health care cost savings, the authors note that, "This savings estimate is most likely an underestimate of benefit as it does not include savings realized from improved productivity or reduced absenteeism or presenteeism." They go on to cite other studies that found wellness program participants were absent a third- to a half-day less in the year following participation in a wellness program, and that wellness program participants have higher morale, productivity, job satisfaction and overall health and fitness levels than nonparticipants.

Though the Highmark initiative might be more comprehensive than many employers are willing or able to do, the study does show that wellness programs return the investment employers make in them, in financially measurable ways and in intangibles like a happier, more committed and productive workforce.

Do Your Employees Appreciate Their Benefits?

As an employer, you spend a significant amount of money providing your employees with an attractive benefits package. It is a necessity if you're in a competitive industry where you need to find and retain top talent. But do your employees appreciate your investment? Do they have any idea how much you spend to provide their benefits package?

If your workplace is like most, the answer is probably no. Surveys on employee attitudes toward their benefits reveal that most vastly underestimate the amount their employers spend. Studies also show that employee attitudes toward their benefits packages tend to be negative, focusing on focusing on rising premiums and cost-sharing methods rather than employer contributions.

Telling your story

Generally, it's not that employees are ungrateful; it's that they truly don't realize how much you pay to provide benefits. How can you tell your story so that employees appreciate their benefits? There are a number of ways to accomplish this, and it's a worthwhile undertaking since you need a return on your considerable investment. Here are low or no-cost tips that may help:

- Provide a total pay statement: When employees think about their compensation, they typically only consider their gross pay. However, as you know, benefits make up a large part of the full amount you pay to keep them on board. You can spell out the details in a total pay statement, which is typically a chart illustrating the value of the total compensation and breaking it down into its various parts. You can include other employee perks you offer, such as

tuition reimbursement, licensure fees you pay, etc. There are companies that provide custom total pay statements, or you can use a spreadsheet application to generate them yourself.

- Make costs a part of benefits education: Many businesses provide educational meetings about employee benefits during new-hire orientation or annual benefits enrollment. This is a perfect opportunity to emphasize the value of the benefits package and to underscore the fact that it is part of the employees' total compensation. If your insurance carrier conducts employee training on benefits, you can ask your representative about the possibility of mentioning the total cost and the employer portion.
- Add free or low-cost perks: You might also consider adding voluntary benefits or perks such as pet insurance, discounts on gym memberships, community service days or other incentives to help employees see the overall value of their relationship with your company. Sometimes employees focus on quantity, so having additional choices — even ones that are 100% employee paid — can result in a greater level of appreciation. Your insurance broker may have suggestions if you're ready to explore this option.

A token of appreciation

If your employees don't appreciate their total compensation, you can't fully capitalize on your investment in benefits as the important motivational tool it can be. It pays to take a second look at how your employees perceive their benefits. Remember, improving their perception can be relatively inexpensive — and well worth the effort.

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tion/accommodations required for out-of-town medical specialists and facilities; to hire help for household chores that become too difficult to manage during an extended illness (housecleaning, cooking, yard work); or to adapt the insured's home to any special needs that the illness temporarily brings about. The key feature of these policies is that the benefit can be used for any purpose that the insured sees fit.

Critical illness insurance can be an excellent addition to a company's employee benefits offerings. Although the employer can contribute to the cost of coverage, many firms add it as a voluntary benefit, so that employees can choose whether to purchase it, but if they do they get savings through group rates and the convenience of payroll deduction. Here are a few of the policy features that can vary—

- The schedule of insured medical conditions. Typical inclusions are cancer, heart attack, stroke, major organ

transplant and kidney failure. Some policies pay a partial benefit for other conditions, such as a coronary bypass.

- The coverage amount, which typically ranges from \$5,000 to \$100,000.
- The length of any pre-existing condition exclusion.
- The waiting period (number of days—typically 30—coverage must be in effect before a serious condition can trigger benefits).
- The survival period (number of days—typically 30—the insured must survive after a diagnosis before benefits can be paid).

Due to advances in medical care and technology, critical illnesses are more treatable, and are no longer the automatic death sentence they once were. Critical illness insurance complements a company's existing medical and disability insurance plans to help fully protect employees who survive a major medical event.

Critical Illness Insurance Provides Financial Security Beyond That Offered By Other Benefit Plans

If your company makes medical and disability coverages available to employees, you probably think they will be well protected, financially, if they experience a major medical event. However, even with these types of coverages in effect, a serious illness can financially ruin an individual. An article in the journal *Health Affairs* estimated that approximately half of the bankruptcies in the U.S. are “medical bankruptcies,” meaning that medical reasons were a significant cause of the bankruptcy. Among the individuals interviewed for that article who had gone through a medical bankruptcy, three-quarters had health insurance coverage in place at the start of the illness that eventually led to their bankruptcy filing.

Critical illness insurance can fill in the very large gap between what a serious illness actually costs, and what other insurance coverages will pay. This type of insurance pays benefits upon the diagnosis of a critical illness, such as cancer, heart attack or stroke. The benefits paid can be used for anything the insured needs or wants—and not just for medical expenses. Critical illness insurance gives the covered individual and family members financial security and flexibility, and peace of mind, during a difficult time.

Consider these ways that critical illness insurance can be used to complement—and supplement—other kinds of insurance:

- Health insurance may pay a significant portion of the medical costs generated by a serious illness, but an insured most likely will have some out-of-pocket costs, such as deductibles and coinsurance, which can add up during an extended illness. These costs could grow more quickly if the insured wants to use specialized providers that are not in a health plan’s network.
- Depending on the nature of the illness, an individual may want to take advantage of new or experimental treatments, which may not be covered under a medical plan.
- Disability coverage only replaces 50%–60% of one’s usual wages. This makes it difficult, if not impossible, to pay the mortgage or rent along with other regular bills, clothe and feed a family, pay for child care and education costs, etc.

A critical illness insurance benefit also could be used to enable a spouse or other family member to take unpaid time off from work to be with the insured; to pay for transporta-



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