2014-2015
Benefits Open Enrollment Guide
for employers

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We’ve got you under our wing.
For savvy employers, benefits enrollment is always top of mind

Some things should be planned well in advance, and among them is deciding which health care benefits your company will make available to workers during open enrollment. Sure, employees’ open enrollment decisions may be months away. But for savvy decision-makers, open enrollment begins early – long before it’s too late to make changes that directly affect the financial well-being of every employee, from the newest hire to the most-tenured executive.

Each year, Aflac conducts the Aflac WorkForces Report, which asks employers, employees and brokers to share their attitudes and opinions about health care benefits. It’s clear employees value benefits and their employer’s guidance when it comes to benefits decisions:

» **80 percent** believe their overall benefits packages influence their engagement on the job and with their organizations.
» **57 percent** say they are likely to accept a job with slightly lower compensation but better benefits.
» **68 percent** believe their employers will educate them about changes to their health care coverage as a result of health care reform.

How to use this guide

Informed by employer and employee preferences and concerns about benefits, this guide will help your company prepare for effective benefits communication during open enrollment season – and throughout the year. The savvy employer’s guide to benefits enrollment includes:

» Answers to tough benefits enrollment questions.
» Time well spent? Employees spend more time on vacation planning than on choosing benefits.
» What is voluntary insurance – and why do employees need it?
» Out-of-pocket costs 101.
» Key changes to tax-free savings accounts for employers.
» Tools to help put your companies’ benefits to work.
Answers to tough benefits-enrollment questions

Employees face many decisions during open enrollment. Some are familiar, but many are new. For example, should they choose employer benefits or go to a state exchange for medical coverage? Is a high-deductible health plan better than a higher premium with a lower deductible? Matthew Owenby, Aflac’s vice president of Human Resources helps small-business leaders tackle top benefits-enrollment challenges to better equip employees to make decisions for the year ahead.

1. What should employers focus on during open enrollment this year?

In a word: education. Employees have more options than ever before, and so, more than ever, they need to understand how to compare and purchase health insurance plans – especially with new options available through state and federal marketplaces. All benefits plans are now required to include a summary of benefits coverage that helps employees with comparison shopping. Employers should also consider offering their employees easy-to-understand definitions of health-coverage terms, the actuarial value of their plans and other clearly communicated resources that show the total cost of a plan and the out-of-pocket costs of illness or injury. Small companies may find it challenging to take on the responsibility of educating employees, but there are plenty of resources to help ease the burden. They should rely on their brokers or benefits advisers, and take advantage of free resources. For example, Aflac offers two tools that clearly help communicate these concepts: The Real Cost Calculator and Out-of-Pocket Costs 101.

2. What are the most common mistakes employees make during open enrollment?

Employees usually make two basic mistakes. First, they spend little or no time choosing their benefits: 77 percent spend 60 minutes or less preparing for and selecting benefits, and nearly half (46 percent) spend 30 minutes or less.¹ This leads to their second mistake: The majority (90 percent) simply keep the same benefits year-after-year, despite the fact that most (73 percent) only sometimes, rarely or never understand changes to their policies each year.²
Health plans can vary significantly each year, especially with the implementation of health care reform. Employees may need to adjust their coverage or add products to make sure they’re financially protected. Benefits mistakes can be costly, with 42 percent of employees estimating they waste up to $750 a year because of errors they make with their insurance benefits. That’s a significant portion of a family’s budget that could go toward groceries, gas, rent or a mortgage. It points to the overwhelming need for easy-to-understand benefits information that can help employees understand the financial effect their benefits choices have on their families’ budgets.

3. What advice do you have for employers seeking to do a better job with benefits communication on a budget?

The most successful benefits programs are accompanied by communications plan before, during and after open-enrollment season. But for small companies, time and money can be big obstacles to comprehensive communication plans. Some may be tempted to use technology to overcome these obstacles, but employees at small companies say they prefer to receive benefits communication directly from the HR or benefits professional. Working with a trusted benefits adviser can help employers solve benefits-communication challenges, without adding to their time or budgets. Many insurance companies, brokers and agents have access to resources to help deliver communications to employees throughout the year, and for some it comes as part of doing business with their organizations. You can also take advantage of free resources, such as Aflac’s Employee Communication Toolkit or business.usa.gov.

4. How will the rising costs of health care affect benefits enrollment?

Unfortunately, costs are on the rise and many employers are taking cost-cutting measures just so they can continue offering employee benefits. This ultimately means that employees pay more out of pocket for their health care coverage. The government has set limits on out-of-pocket costs; however, the limits are still quite high ($6,450 for self-only coverage or $12,900 for family coverage) and don’t include any limits or exclusions that aren’t covered by a particular plan. The most disconcerting news is that employees indicate they aren’t prepared to take on additional costs. The 2014 Aflac WorkForces Report found that nearly half (49 percent) have $1,000 or less to pay unexpected out-of-pocket medical expenses, and 27 percent have less than $500 on hand. Employees at small companies are even more likely to fall into these categories (59 percent and 34 percent respectively).
Given these realities, it’s not surprising that voluntary insurance benefits are increasingly more important to employees. The same Aflac study found that 63 percent see a growing need for voluntary insurance benefits today compared to previous years because of rising medical costs, higher costs for medical coverage, increasing deductibles and copays, changes due to health care reform and their employers’ reduction of benefits. Nearly 9 in 10 (88 percent) employees see voluntary benefits as part of a comprehensive benefits program.¹ Employers can offer these policies at little to no cost to their bottom lines, so they’re an invaluable addition to any employee benefits program.

5. What should employers focus on when it comes to health care reform compliance?

Employers should begin keeping detailed records of the health benefits they provide, which employees they’re offered to, and whether the benefits meet government requirements. If a company’s program is fully insured, much of this information can be provided by their insurers. Additionally, all employers, regardless of size, should provide employees with communication about the government exchanges and whether their companies offer benefits. The communication was originally required for all employees by Oct. 1, 2013, and it continues to be required for all new employees upon hire. Other requirements vary by company size. Aflac’s Health Care Reform Benefits Decision Tool can help employers determine which requirements apply to their businesses.

About Matthew Owenby

Matthew Owenby has 15 years of experience in the financial services and HR industry, and is Aflac’s vice president of Human Resources. He is responsible for the strategy and implementation of all human resources related services to Aflac’s most valuable resource, its employees. Prior to Aflac he held critical HR roles at Bank of America and General Electric.
Time well spent?

Workers spend 10 times more effort on vacation planning, 8 times more effort selecting a computer than on choosing health insurance

When it’s time to select their health insurance options, most Americans do a thorough job of researching the types and amounts of benefits that best meet their unique needs, right?

Wrong.

According to the 2014 Aflac WorkForces Report, nearly half of U.S. workers (46 percent) devote 30 minutes or less to the once-per-year task of understanding and signing up for health care benefits. To put that in perspective, here are a few of the things they spend more time doing:

- Researching mortgage loans – 5 hours
- Researching new car purchases – 10 hours
- Planning vacations – 5 hours
- Shopping for new computers – 4 hours
- Deciding what televisions to buy – 2 hours

Given that health care insurance can help protect workers’ financial futures – as well as those of their loved ones – it would serve them well to have a better understanding of the whats, whys and hows of their benefits options.

So, what seems to be the problem? Of course, time is an issue. Between work demands, family obligations and leisure time spent watching the television it took them two hours to select, the last thing most folks want to do is spend a few hours examining a benefits booklet.

Because many employers communicate about benefits only at new hire and open enrollment, absorbing pages of information about plan choices, benefits options, deductibles and more can be overwhelming. That’s why insurance professionals recommend that companies deliver the information in bite-size pieces throughout the year.

Unfortunately, most employers aren’t taking that advice: 65 percent of employees surveyed as part of the 2014 Aflac WorkForces Report say their companies have communicated with them about benefits options two times or less over the past year. And employers are
questioning their own insurance-education efforts, with just 11 percent saying they are extremely effective at communicating about benefits options.

The problem is compounded by changes to the nation’s health care system. Ongoing reform has left many workers confused about their choices, and just 13 percent of workers surveyed as part of the Aflac study strongly or very strongly agree their employers have prepared them well for health care reform.

All the noise and confusion makes this summer, well in advance of open enrollment, the perfect time for employers to communicate with workers about not only their benefits options, but also about the importance of taking time to thoroughly understand those options. After all, 90 percent of workers admit pressing the easy button by simply choosing the same benefits options and coverage amounts year after year – and that’s a shame because 42 percent admit wasting up to $750 per year due to enrollment mistakes.²

Savvy employers will develop communications plans and materials that provide employees with regular, ongoing information about the workplace benefits available to them; tips for using benefits options to help protect their families’ financial security; and explanations of why different coverage combinations are appropriate at various life stages.

Employers that aren’t in the position to create original benefits messaging don’t have to forgo communications. They can rely on experts because most brokers, insurance companies and benefits partners provide materials at little or no cost. They can also check out news and information about benefits options – as well as printable articles, posters, emails, table tents and more – provided free of charge through Aflac’s Employee Toolkit, http://www.aflac.com/business/employee_toolkit/.

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13% of workers surveyed as part of the Aflac study strongly or very strongly agree their employers have prepared them well for health care reform.
What is voluntary insurance – and why do employees need it?

A whirlwind of changes to the way health insurance in the United States is purchased and delivered has more Americans focused on cost and coverage than ever before. Suddenly, major medical insurance isn’t just a nice-to-have: It’s a must, much like auto and homeowners insurance are musts for those of us who drive cars or own homes.

Health care reform has turned workers’ attention to their personal health care situations. They’re also looking closely at their insurance coverage to identify gaps that might leave them vulnerable to medical expenses they’re ill-equipped to pay. Enter voluntary insurance, a type of coverage that’s not required or mandated, with enrollment that’s completely optional – which is why it’s known as “voluntary.”

Why voluntary?

Voluntary insurance works hand in hand with major medical plans to help ensure individuals who are sick or hurt have the funds needed to pay health-related costs their primary insurance might not cover, as well as other out-of-pocket costs. After all, when a medical event occurs, there are deductibles, copayments and treatment costs that aren’t covered to consider – not to mention the bills that continue to roll in even if an individual is too ill or injured to work.

According to the 2014 Aflac WorkForces Report,¹ 49 percent of today’s workers have less than $1,000 on hand to pay out-of-pocket medical expenses and 66 percent would not be able to adjust to the financial costs associated with a serious injury or illness. Perhaps that’s why so many are open to voluntary insurance: 52 percent of workers who don’t currently have access to voluntary benefits through their companies say they’d probably apply for coverage if their employers made it available.

With that in mind, here are several reasons employers should seriously consider offering voluntary options:
» Voluntary policies help employers attract and retain employees. Employees who are offered voluntary insurance products are also more likely to be satisfied with their jobs, have more positive perceptions of their employers, and are more likely to be satisfied with their benefits packages.

» Voluntary insurance helps employees build financial safety nets. Financial confidence can help employees keep their minds on their jobs and not on money concerns. That’s especially important given that employees who participated in the 2014 Aflac WorkForces Report said personal financial issues are the top non-work-related issue that distracts them while they’re on the job.

» Voluntary insurance pays cash benefits regardless of any other insurance coverage. Workers can use their benefits to help pay unexpected health care costs that might not be covered by major medical insurance or to help pay bills that threaten their financial security. They can use their benefits regardless of other insurance coverage, including policies available through government health care exchanges.

**A win-win scenario**

With so much uncertainty swirling around benefits and options in the wake of reform, developing a plan to manage health care-related costs can be overwhelming for both employers and workers. Voluntary insurance options are a double win: They can soften the blow of rising out-of-pocket costs for workers and, because premiums are employee-paid, they can be made available at no direct cost to companies.
Out-of-pocket medical costs are a reality – regardless of changes related to health care reform – and can add up quickly. Some can be very much unexpected, so it is important to consider where they arise:

- **Deductible**: The amount owed for covered health care services before your health insurance or plan begins to pay. For example, if a plan deductible is $1,000, the plan won’t pay anything until you pay $1,000 toward covered health care services subject to the deductible. The deductible may not apply to all services.5

- **Coinsurance**: The percentage you pay toward each covered health care service. The coinsurance is paid on top of any deductible. For example, let’s say your company offers an 80/20 health insurance plan and the allowed amount for an office visit is $100. Once you’ve met your deductible, your coinsurance payment of 20 percent would be $20. The health insurance or plan pays the rest of the allowed amount.5

- **Copay**: A fixed amount – for example, $15 – you pay for a covered health care service, usually when you receive the service. The amount may vary by the type of covered health care service.6

- **Non-medical costs**: When faced with a serious accident or illness, there are various non-medical costs associated with a hospital stay or recovery time, including child care, transportation and reduced take-home pay due to missing work. These expenses can add up quickly, contributing to the overall out-of-pocket cost of being sick or injured.

- **Limits or exclusions**: Pay attention to services not included in your plan, as well as any limitations or exclusions. Due to health care reform, plans will no longer have lifetime or
dollar limits, but there may be limits related to other items, such as the number of refills for certain drugs, the number of visits to certain specialists or the number of days covered for certain benefits. These limits or exclusions could mean unexpected out-of-pocket costs.

» **Out-of-pocket limit:** Out-of-pocket costs are different than out-of-pocket limits. Out-of-pocket limits are established by the IRS and for 2015 they are $6,450 for individual coverage and $12,900 for family coverage. This means you will pay coinsurance – in a variety of ways as determined by your health plan – up to your out-of-pocket limit. These limits apply only to covered expenses, so if you or a family member incurs non-covered expenses, they will not count toward your out-of-pocket limit. This adds to your potential unexpected costs.
Key changes to tax-free savings accounts for employers

Important changes to tax-free savings accounts that may affect your employee benefits program

Does your company offer employees a health savings account (HSA), a flexible spending arrangement (FSA) or health reimbursement account (HRA)? These plans can help employees enjoy tax-free savings for health expenses they incur. Still, health care reform includes a few changes that you’ll want to pay attention to; ensuring employees can take full advantage of the plans and their perks in the years ahead.

Key changes

» Limit of pretax deduction for FSAs: Starting in 2014, the amount an employee can withhold before tax for a flexible spending arrangement is reduced to $2,500. The limit is per employee, so a family with two working spouses can both choose to contribute up to $2,500 to his or her FSA. The limit is per employee, so a family with two working spouses can both choose to contribute up to $2,500 to his or her FSA.7

» New FSA rollover policy: FSAs are known for being “use it or lose it” plans, but employers can now elect to allow $500 of unused FSA contributions to rollover to the immediately following year, while still allowing employees to contribute the pretax maximum of $2,500 for each plan year. The only catch is that employers must choose whether they will offer the $500 rollover or if they will offer employees a grace period to spend the funds. The employer can only offer one or the other.8

» Mandatory health reimbursement account integration: Starting Jan. 1, 2014, HRAs must be integrated with a non-HRA group health plan. This means employers can no longer offer active employees a stand-alone HRA or an HRA tied to an individual health plan that is not considered group coverage. Additionally, employees and former employees participating in the HRA may not be eligible for premium tax credits while enrolled in the plan, so they must be able to permanently opt-out of or waive future HRA reimbursements at least annually. The only exceptions to these rules are retiree-only HRAs, which are exempt from the Affordable Care Act market reforms.9

» Limit on pretax deduction for health savings accounts: Each year HSA contribution limits are announced by the IRS. For 2015, the annual limit for an individual with self-only coverage under a high deductible health plan is $3,350 and for an individual with family coverage it’s $6,650.6
Key benefits enrollment facts

Employees spend little time making enrollment decisions.

Nearly half (46%) of U.S. employees devote 30 minutes or less to the once-per-year task of understanding and signing up for health care benefits.¹

9 in 10 employees choose the same benefits year after year.²

42% estimate they waste up to $750 due to mistakes made with their insurance benefits.²

Employers retain top talent by improving benefits offerings and communications.¹

41% of employees who are likely to look for new jobs in the next year say improving their benefits package is one thing their employer could do to keep them in their jobs.

80% say a well communicated benefits package would make them less likely to leave their jobs.

57% are likely to accept a job offer with slightly lower compensation, but better benefits.

Businesses improve employee satisfaction with voluntary insurance benefits.¹

Employees enrolled in voluntary insurance benefits are:

38% more likely to be satisfied with their overall benefits package.

58% more likely to say their benefits packages are more competitive than their peers'.

17% more likely to be extremely or very satisfied with their job.

88% more likely to understand the concept of consumer-driven health care.

Get results fast with tools and resources – at no cost to you!

» Employee communication toolkit: We’ve made improving your benefits communications simple with easy-to-use email templates, posters and more! Visit: aflac.com/business/employee_toolkit/.
» **The Real Cost Calculator:** Help employees understand the real cost of injury and illness to make more informed benefits decisions. Visit: [www.aflac.com/realcost](http://www.aflac.com/realcost).

» **Health care reform benefits decision tool for employers:** Health care reform can be confusing – but it doesn’t have to be. We’ve narrowed down the requirements and benefits delivery options that apply to your business. Visit: [aflac.com/hcrtool](http://aflac.com/hcrtool).

**About the study**

The 2014 Aflac WorkForces Report is the fourth annual Aflac employee benefits study examining benefit trends and attitudes. The study, conducted in January 2014 by Research Now on behalf of Aflac, captured responses from 1,856 benefits decision-makers and 5,209 employees from across the United States.


**Sources**

2. 2014 Open Enrollment Survey, conducted by Research Now on behalf of Aflac, July 2014.
5. Note: Definitions and examples were adapted from [healthcare.gov/glossary](http://healthcare.gov/glossary).

This material is intended to provide general information about an evolving topic and does not constitute legal, tax or accounting advice regarding any specific situation. Aflac cannot anticipate all the facts that a particular employer or individual will have to consider in their benefits decision-making process. We strongly encourage readers to discuss their HCR situations with their advisors to determine the actions they need to take or to visit healthcare.gov (which may also be contacted at 1-800-318-2596) for additional information.

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