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Low Cost Employee Benefit Programs

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Think to yourself: “employee benefit program.” Did you wince? Most business owners know that offering benefits is essential to hiring and keeping top employees, regardless of the condition of the job market. But as the cost of providing these benefits continues to escalate, companies that do not have a substantial budget to pay for these programs believe they have a decisive disadvantage in the competition for talent. But nothing could be farther from the truth.

By taking a closer look at the ways medical, disability and even life and dental insurance plans are designed and delivered, as well as instituting less traditional, low-cost benefit options, employers of all sizes can improve their draw for new hires and provide a workplace that will be tough to leave.

Medical Plan - One Size Does Not Fit All

Employers waste a lot on money each year on one-size-fits-all medical plans. They take into account all the possible needs of every employee, which results in a plan that for some is too robust, and for others is too limited. Insurance rates are based on what the carrier sees as the expected cost per participant, meaning your premium - the amount you pay per month per employee - is a result of averaging the cost of the consumption of services for low, medium and high utilizers of medical care.

More and more employers are moving away from offering one plan for everyone and instead offer two or three plans with different levels of coverage. As the employer, you can set a fixed amount per month that you will cover towards the premium and simply allow the employee to pick the plan that best suits their needs. For example, take employees in their 20's, especially males, with no kids. Statistically speaking, this demographic rarely visits a doctor and therefore needs medical insurance mostly for catastrophic care (e.g., hospitalization for surgery or severe illness). As a result, they may be content with a plan that comes with higher per-visit co-pays and lower office visit coverage amounts in exchange for solid hospitalization coverage. A plan like this costs the employer far less than the standard plan. Providing a base plan like this can save you money on your medical benefit expense, and you can offer your other employees who might have different needs another plan option or two that have better co-pays and lower deductibles, but come with higher participation costs to them. Allowing your employees to make a choice will have them migrating to the plan that fits their needs best. The kicker – most carriers still consider multiple levels of coverage as one plan, thereby costing your firm the same whether you have 50 people on one plan or 20 on one plan, 20 on another and 10 on the third. Your broker can help you redesign your

present plans as needed to offer your employees more choices. There are limits in terms of how many employees you must have in your firm to secure multi-tier plans, which vary depending on state and carrier.

HSAs and HRAs

Other, albeit more complicated, medical plan options are high-deductible health savings accounts (HSA) and health reimbursement arrangements (HRA). These plans shift the burden of covering the first dollars spent on medical coverage in a plan year to the employer or employee. Usually the first \$1,000 to \$5,000 (as set by the employer) are out-of-pocket expenses, and then any co-pays and insurance coverage kick in. It's the employer's decision how those out-of-pocket costs are covered – by the employee in full, the employer in full or a hybrid, which is usually the case. There can be significant savings on overall plan costs, but it's imperative you find a broker with demonstrated capability to explain the way these plans work in simple terms to your employees, as well as to walk you, the employer, through the steps needed to design and implement the plan itself. The failure in these plans usually starts with the employees who see this design as a reduction of benefits and become confused by the process of paying for and being reimbursed for medical services. The bottom line is that you need to invest the time to learn about the plans and the broker that you partner with on this type of venture.

Voluntary Benefits

Another way to build on a basic medical plan is to offer voluntary benefits. Voluntary benefits are offerings that the company agrees to secure, set up and administer, but the coverage is usually at 100% employee expense. You are offering a menu of items for your employees to choose from, but only if they want them. Employees appreciate these plans because the benefits cost less than if they purchased the coverage as an individual. The most popular voluntary benefits include:

- Life insurance (for self and family members, possibly supplementing what the company already offers)
- Disability (short and long term)
- Long term care
- Pre-paid legal services
- Supplemental medical (e.g., AFLAC) that covers co-pays, deductibles, lost wages, etc.
- Dental
- Vision care

Again, the costs to the employer for offering these benefits are minimal, in fact the cost to administer the average plan could start at as little as \$500 per year, but the return on investment is high.

Fringe Benefits

Sometimes, the simplest gestures reap the largest rewards. Think of ways that your company can leverage small expenses for a big impact on employee retention. Some examples include:

Food. Providing breakfast or lunch at company expense once a week can have a huge positive impact – for you and your staff. Employees eating at the office stay at the office and therefore can be more productive and certainly more available. Further, if they eat together as a team, they have the opportunity to become a more cohesive unit. You can also inject some fun by keeping the meals casual; for example, buy big boxes of all sorts of breakfast cereals and your employees will get a kick out of seeing who eats Kashi and who goes for the Froot Loops.

Fitness. Approach a nearby health club and ask them if they can offer an incentive to your employees to join. Most will, at least, waive initiation fees and offer a discount on membership costs for groups. Some clubs will go as far as scheduling fitness classes (for instance, kickboxing, yoga or spin) for your folks to accommodate special time constraints providing enough of your employees participate.

Banking. Talk to your bank about employee programs like free checking, waiving ATM fees and special loan deals for your employees. Your bank also may have complimentary “lunch and learn” programs, where a bank representative comes to your business and hosts financial workshops on such topics as how people can use the equity in their home.

Home and Auto Insurance. Many insurance carriers will provide discounts of up to 20% off their rates for auto and home coverage as part of a company program.

Team Spirit

There is also a great deal of mileage to be gained from sports programs. Find the local purveyor of sports team leagues that services the corporate market and get a company team launched. Sites to check out include corporateleague.com, basketballcity.com and zogsports.com. Popular sports include softball, volleyball, basketball, tennis, bowling, billiards, darts, soccer and, yes, even kickball and dodge ball. Also, keep in mind that it's not out of the ordinary for the employer to pass along some or all of the expense (league dues, equipment, travel, etc.) to the employees. Regardless, these team activities result in a huge retention value. I have personally witnessed a situation where an employee seriously reconsidered his pending departure due to the fact that he played a critical position on the company's championship softball team.

If You're Not the Sporting Type

If there is little interest in athletics among your employees, try organizing trips to the theatre, amusement parks or even local casinos. The cost to the company can be as little as the time it takes to organize and administer, with some of the costs being directly passed on to the employees. Again, you are injecting a social aspect into your workplace, which further strengthens the employees' ties to the company.

Consider instituting a combination of low-cost benefit ideas that will engage your employees. Look at each additional program, service and benefit offered as another hook that attaches your employees to your company. The more hooks, the more likely it is that you will keep staff for the long term.