

# NEWS & VIEWS

September 2018

## HOW EMPLOYERS CAN SUPPORT EMPLOYEES IN MAKING BETTER BENEFITS DECISIONS

When it comes to employee benefits, workers are adamant about having choices and flexibility. Yet when it comes to making benefits decisions, almost all employees simply default to their prior year elections. What's more, employees don't invest the time to fully understand their choices. A survey of employees found that only 20 percent spent an hour or more researching their options for open enrollment.<sup>1</sup> Not surprisingly, less than half of the survey's 750 employees knew all the perks their employers offered, and only 40% felt that their employer helped them understand their benefits.

Who's responsible for employee disinterest and lack of understanding? Rather than point fingers, a better question is how can employers help their employees become invested in understanding their benefits. Research into health behavior and behavioral economics provides some key insights, as we summarize below.

### BENEFITS DECISIONS ARE FINANCIAL RISK DECISIONS

Due to the ever increasing costs of health care, plan deductibles are rising higher and higher. High-deductible health plans shift the risk of initial health costs from the employer to the employee, but continue to cover the costs of catastrophic care. In exchange for this risk, the employee pays a reduced monthly premium for their insurance. Put another way, the employee who elects a richer plan with a lower deductible pays a higher monthly premium regardless of whether or not they need care. Given that the average American under age 65 with private insurance spends about \$650 per year in out-of-pocket costs<sup>2</sup>—an amount well below most annual deductibles—the majority of employees would save money by paying lower premiums for a high deductible health plan.

A study of health plan choices by employees at a Fortune 100 company found that even though 85% of employees would have benefitted from choosing the highest deductible health plan, only 37% actually did.<sup>3</sup> Employees who were more likely to take on the financial risk of a higher deductible have the following in common:

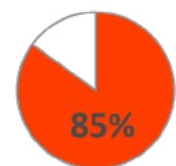
- Understand health insurance terms such as premiums, deductibles, and coinsurance
- Are guided through considering annual health costs vs. monthly premiums
- Define themselves as healthy
- Have higher incomes

What about the 15% who wouldn't benefit from the highest deductible health plan option? While the study didn't specify, it is possible that some people select the health plan with the lowest premium without considering their health needs. Employees who better understand health insurance terms and can better compare annual vs. monthly costs will be more successful at choosing a health plan that better fits their needs.

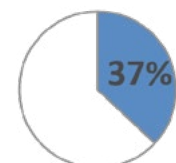


Only 2 out of every 10 employees spend an hour or more reviewing their choices during open enrollment

Employees who would've saved money with a high deductible health plan



Employees who actually selected the high deductible health plan



## HOW EMPLOYERS CAN SUPPORT EMPLOYEES IN MAKING BETTER BENEFITS DECISIONS

If the above factors increase the likelihood that employees can make financially sound benefits decisions, how can employers help employees make better choices on health plan selection? Foster & Foster suggests the following approach:

- Improve employee health literacy and understanding about premiums, deductibles, and coinsurance
- Educate employees about annual health costs vs. monthly premiums
- Support employees to live healthier lifestyles
- Provide education to encourage long-term financial planning

## MOTIVATIONAL MESSAGING: TACTICS TO GET EMPLOYEES TO TAKE ACTION

Once you've set your benefits communications goals and planned how to achieve them, the next step is deciding which tactics to use. If you have the resources to do so, try segmenting your audience by age, location, or job function. You can then tailor your message to each group to make it more relevant. For example, if you want to encourage your employees to increase their Health Savings Account (HSA) contributions from payroll, a message that appeals to a 40-year-old worker may be different than one that appeals to a 25-year old or a 55-year old. Similarly, how you distribute your message should fit your audience. Younger generations are more likely to appreciate short and timely information through mobile messaging or social media, while older generations tend to prefer longer text-based pieces. Videos and in-person messaging are popular with all generations, but can be costly and time-consuming to employ.

Other tactics that have proven to be successful in health and financial behavior changes include:

- Presenting information in a story format
- Using infographics to attract attention and improve information recall
- Being concise and providing resources for additional information

## MAKE USE OF EXISTING RESOURCES WHENEVER POSSIBLE

The following resources provide helpful content for crafting your benefits communications. For more help, please contact us.

Patient education and engagement: <http://www.choosingwisely.org>

General health information: <https://www.cdc.gov>

Health care cost information: <https://www.healthcarebluebook.com>

National health observances: <https://healthfinder.gov/nho>

Education about Health Savings Accounts: <http://www.hsacenter.com>

Foster & Foster works closely with employers throughout the U.S. to design, implement, communicate, and manage successful employee benefit cost control strategies. Contact us at [info@foster-foster.com](mailto:info@foster-foster.com) to find out how we can help you.

© 2018 Foster & Foster Consulting Actuaries, Inc. All rights reserved.

## REFERENCES

<sup>1</sup> "2016 Aflac Open Enrollment Survey." Aflac, August 2016. [https://www.aflac.com/docs/awr/pdf/2016-overview/2016.open\\_enrollment\\_overview.ic.pdf](https://www.aflac.com/docs/awr/pdf/2016-overview/2016.open_enrollment_overview.ic.pdf)

<sup>2</sup> "2017 Employer Health Benefits Survey." Kaiser Family Foundation, September 2017. <https://www.kff.org/report-section/ehbs-2017-section-1-cost-of-health-insurance/>

<sup>3</sup> Bhargava, Saurabh, George Loewenstein, and Justin Sydnor. "Do individuals make sensible health insurance decisions? Evidence from a menu with dominated options." National Bureau of Economic Research, 2015. Retrieved from <http://www.nber.org/papers/w21160.pdf>