

How Voluntary Benefits Have Gone From Important to Critical

Voluntary benefits have always been an important part of an employer's benefits strategy. Today, they are not just important, they are critical.

A myriad of factors are creating additional stress on employers, especially their need to manage health care costs. At the same time, employees are placing greater emphasis on protecting their health and looking to their employers to provide traditional and non-traditional benefits.

The following challenges help illustrate why voluntary benefits have been pushed to the forefront, the impact they have on employers and the role of benefits advisors in this new environment.

The pandemic

COVID-19 has impacted employers in a number of ways, but the most obvious comes down to simple dollars and cents. According to a University of Southern California study, net losses from the pandemic could range

from \$3.2 trillion to as much as \$4.8 trillion in U.S. real gross domestic product.

Not only does this impact employers, it subsequently affects employees as well. As employees have spent more time thinking about the actual or potential impact of COVID-19 on their health, it has changed how they look at benefits. For example, nearly one-third of consumers say COVID-19 has made it more likely that they will purchase life insurance. Most employers are also expecting either somewhat or significantly higher benefit enrollment participation as a result of the pandemic. The growing importance of benefits and health are especially important because they fill those gaps and provide needed financial protection.

The great resignation

Employers are also facing substantial financial challenges due to staffing issues. Over 38 million employees quit their jobs in 2021 – leaving employers scrambling to fill those roles. This pushes voluntary benefits to the forefront, as they can play a critical role in recruiting and retaining talent. In fact, 62 percent of employees think that employee benefits are more important now than they were before the pandemic.

In the same recent Gallagher benchmarking study, respondents said that attracting (46%) and retaining (52%) top talent were among their top three operational priorities in 2022. Additionally, 25% of the respondents intended to use voluntary benefits as a key strategy for addressing those top priorities.

Inflation

If you've been to the gas station recently (or turned on the news, for that matter), you've heard of or experienced the impacts of inflation. Inflation extends well beyond the pump — it also impacts businesses through higher operating costs. This too, accelerates the need for more cost control.

Managing health care costs

Many of these challenges are intertwined, but the impact of the pandemic, the great resignation and the rising costs of doing business all point to a need to manage costs; in particular, health care costs.

Voluntary benefits are customarily employee-paid benefits. As such, they not only offer the added benefit of increasing loyalty by enhancing an employer's benefits package and providing much-needed protection, they

do so at no cost to the employer. So, when it comes to managing costs, there are a number of popular benefits advisors are introducing to their clients:

Health benefits – Plans like accident insurance for common injuries, hospital insurance that fills coverage gaps and critical illness insurance for out-of-pocket expenses from a specified illness.

Life insurance – Permanent life solutions provide financial security for families, and some policies also include long-term care benefits to help address the need for living care.

Income protection – Many employers have had to scale back their company-paid disability program(s), but they can still offer an option for employees to add to that protection with individual disability insurance.

Lifestyle benefits – Corporate discounts or purchasing programs can help reduce the impact of inflation on employees.

Growing importance of voluntary benefits means growing importance of education

Processing all of these benefit options and nuances can be challenging for a lot of employees. While employers and their advisors can spend a great deal of time and energy building an exceptional benefits program that balances everyone's needs, if employees don't know or understand what's being

offered, the plan is not going to achieve favorable results (i.e., increased participation and utilization).

With today's hybrid work environment, there's less opportunity to connect directly with employees. That makes the need for clear and consistent communication and education even more critical. It is important to carefully examine benefits strategies, as well as communication strategies, including leveraging resources provided by advisors and carriers.

Employers and benefits advisors today face constant challenges in an ever-evolving work environment. These changes are accelerating the need to effectively manage employee benefits and health care costs. Voluntary benefits can help protect employees, while also providing a platform to educate them on ways to modify their behavior. Ultimately, this can enable employers to achieve their corporate goals.

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