



# Benefits



An Overview

# Benefits

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What do you want your benefit program to accomplish?

# Objectives of a Benefit Program

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Leadership

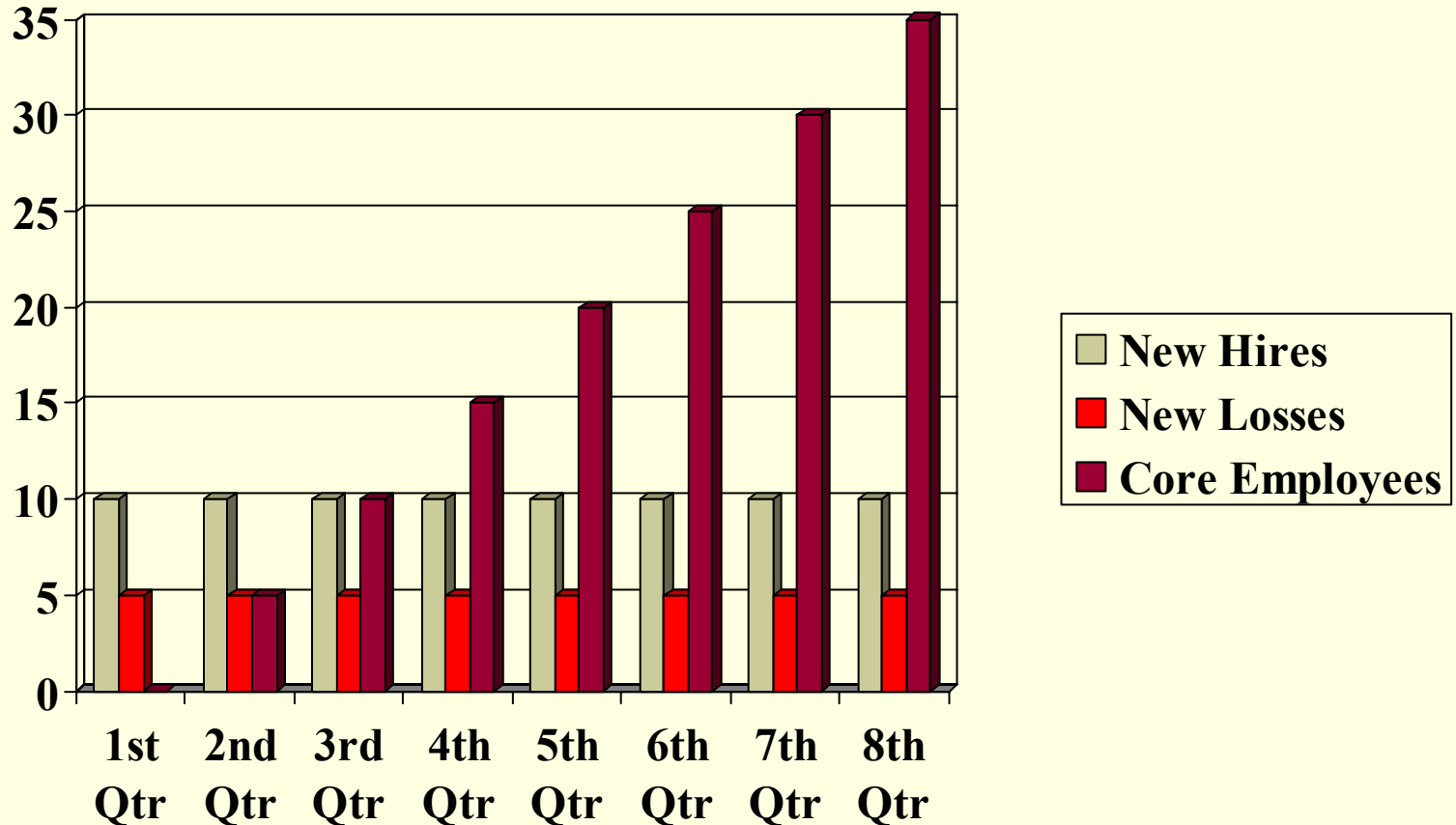
Competitiveness

Employee Security

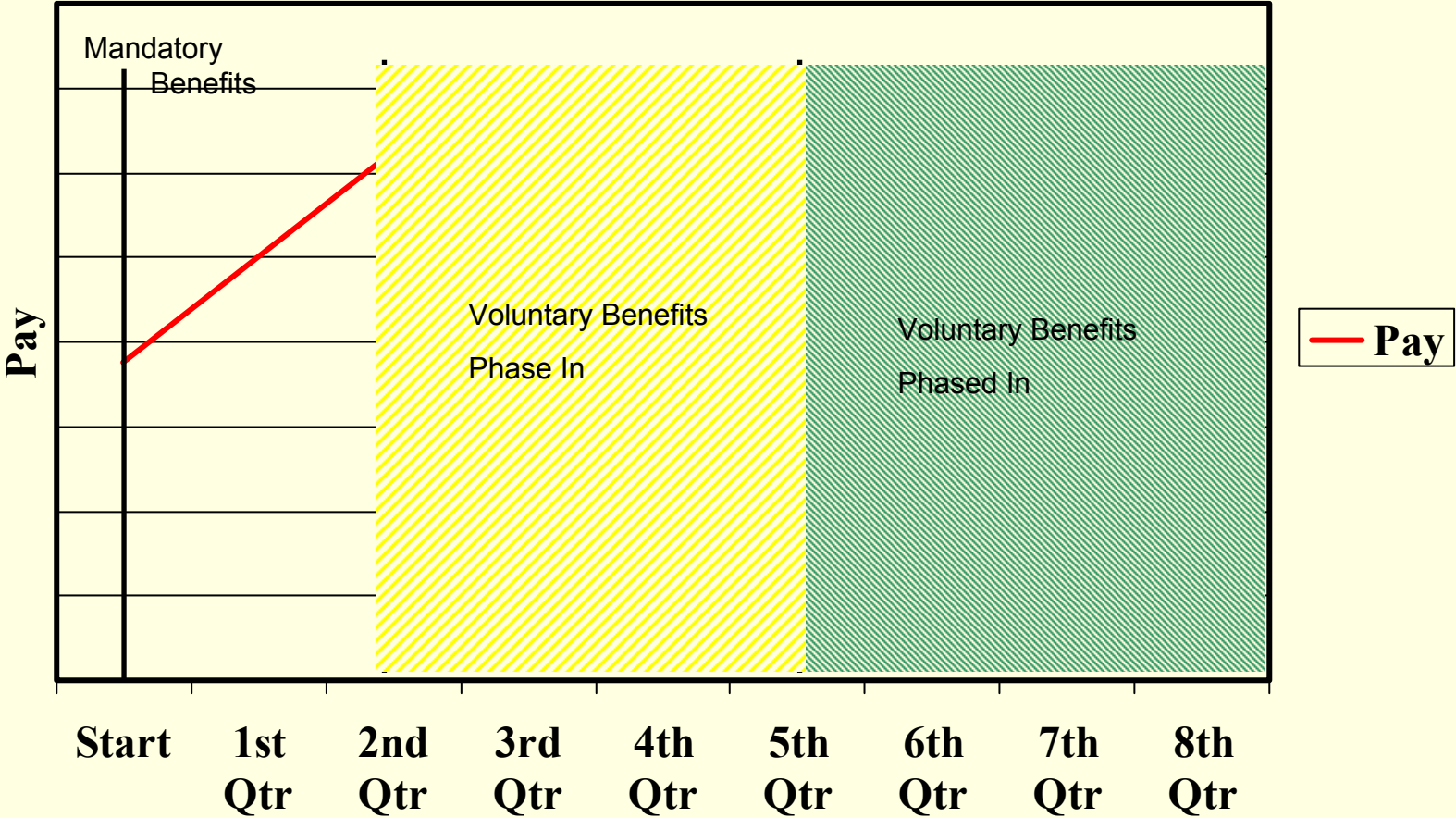
Equality

Employee Productiveness

# Employee Recruitment & Retention



# Employee Retention



# Workplace Diversity

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- The “Silent” Generation
  - Physical and Financial Security
- “Boomers”
  - Physical and Financial Security
  - Recognition, comfort, adventure
- “Gen X”ers
  - It must have meaning
  - Flexibility is key
  - Demand an explanation
  - Public Recognition?
- Other Cultures?

# Types of Benefits

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- Mandated
  - Workers' Compensation Program
    - Department of Labor and Industries
  - Unemployment Insurance
  - FICA Contribution
- Voluntary
  - Retirement plans
  - Insurances
  - Paid leaves
  - Income supplement
  - Common services and programs
  - Non-traditional Services and Programs

# Starting a New Voluntary Program

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- Questions to answer
  - What will it cost?
  - What do the employees want?
  - How does it fit into existing programs?
  - How will it benefit the company?
  - What are the legal ramifications?

# Starting a New Voluntary Program

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- What will it cost?
  - Employee contributions
  - Waiting periods
  - Utilization reviews
  - Section 125

**THIS IS A LONG TERM COMMITMENT!!**

# Starting a New Voluntary Program

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- What do the employees want?
  - One-Size-Fits-All
  - Employee Choice
    - Increasing Diversity
    - Broader Age Spread
    - Different Needs
    - Expense?

# Starting a New Voluntary Program

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- How will it benefit the company?
  - Will it help keep valued employees happy?
  - Will it help with employee recruitment?
  - Is there a strategic benefit?

# Insurances

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- Major Medical
  - PPOs
  - POS
  - Open market
  - HMOs
  - HSAs
  - HRAs
  - FSAs

# Major Types of Major medical

## COMPARISON OF PLAN TYPES

Question	HMOs (Health Maintenance Organization)	PPO (Preferred Provider Organization)
Where is care delivered?	From providers inside network, but can go outside if willing to pay more	Doctors and hospitals within the network.
Is a referral from primary care physician required?	Usually not, but depends on the plan	Yes
How do copays and deductible compare?	Usually higher	Usually no deductible, copays usually somewhat lower.
Other		Some may allow opting for a point of service (POS) plan for a higher premium and copay.

# Costs of Major Medical Plans

RELATIONSHIPS BETWEEN PLAN TYPES, PREMIUMS, EMPLOYEE COST SHARING AND PROVIDER CHOICE															
PLAN TYPE	FIRM'S MONTHLY PREMIUM					EMPLOYEES' OUT-OF-POCKET COSTS <i>(In addition to insurance premiums)</i>					PROVIDER CHOICE				
	Very Low	Low	Medium	High	Very High	Very Low	Low	Medium	High	Very High	Very Low	Low	Medium	High	Very High
PPO 1 HSA/HRA	■					■	■	■	■	■		■	■	■	■
PPO 2	■	■				■	■	■	■	■		■	■	■	■
HMO 1	■	■	■			■	■	■	■	■		■			
HMO 2	■	■	■	■		■						■			
POS	■	■	■	■		■	■					■	■	■	■
OPEN ACCESS	■	■	■	■		■	■					■	■	■	■
PPO 3	■	■	■	■	■	■						■	■	■	■

# HSA, HRA, and FSA

COMPARISONS OF OTHER HEALTH BENEFIT OPTIONS			
QUESTION	HEALTH SAVINGS ACCOUNT (HSA)	HEALTH REIMBURSEMENT ARRANGEMENT (HRA)	FLEXIBLE SPENDING ACCOUNT (FSA)
WHO IS ELIGIBLE?	Individuals and firms of any size.	Firms of any size. Owners of S corporations, limited liability companies and the self-employed can fund HRAs for their employees but not for themselves. Owners of C corporations can fund HRAs for themselves and their employees.	Firms of any size.
MUST IT BE USED WITH A HIGH-DEDUCTIBLE HEALTH PLAN?	Yes. It must be coupled with a health insurance policy with a minimum deductible of \$1,000 for an individual or \$2,000 for a family. There is no maximum deductible, but total costs to the insured cannot exceed \$5,000 for an individual or \$10,000 for a family.	No, but it usually is. The deductible is not set in law as it is with HSAs.	No.
WHAT ARE THE TAX ADVANTAGES?	As long as funds are spent on qualified medical expenses, there are federal and state income tax savings and payroll tax savings (FICA) for employee and employer. Qualified medical expenses are defined in section 213(d) of the Internal Revenue Code. <sup>1</sup>	As long as funds are spent on qualified medical expenses, there are federal and state income tax savings and payroll tax savings (FICA) for employee and employer. Qualified medical expenses are defined by the employer.	As long as funds are spent on qualified medical expenses, there are federal and state income tax savings and payroll tax savings (FICA) for employee and employer. Qualified medical expenses are defined in section 213(d) of the Internal Revenue Code.
WHO FUNDS IT?	Employer and/or employee. If the employer contributes to the employee's account, the contribution must be the same for all employees.	Employer.	Typically, the employee.
WHO "OWNS" IT?	Employee.	Employer.	Employee.
WHAT HAPPENS TO UNUSED FUNDS AT THE END OF THE YEAR?	Rollover is allowed.	Rollover is allowed at the employer's discretion.	Forfeited to the employer.
EMPLOYER FLEXIBILITY?	Federal legislation sets minimum deductible and maximum out-of-pocket amounts. The full amount of the deductible can be funded through the account.	The employer has substantial flexibility in designing an HRA. <sup>2</sup>	The employer can set the contribution limit.
WHAT IF THE EMPLOYEE LEAVES THE FIRM?	The account is owned by the employee and therefore the balance is portable.	The account is owned by the employer and therefore portability of funds is at the discretion of the employer.	Balances are generally forfeited at termination. However, if an employee leaves mid-year and has already spent the entire account, the employer is liable for the balance.

# Insurances

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- Traditional
  - Disability
  - Dental
  - Visual
  - Life
- Supplementary Insurance
- Discount Plans
- Newly emerging importance
  - Long Term Care Insurance
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# Retirement Plans

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- ERISA

- Qualified Plans

- Must meet all requirements of:

- Title I protection of employees and beneficiaries
      - Title II taxation of employee benefits and pension plans
      - Title III administration, enforcement, and jurisdiction
      - Title IV terms for pension insurance and guarantees

- Nonqualified plans

- Do not meet one or more of the above provisions
    - Do not receive favorable tax treatment

- Many changes probably due soon

# Other Benefits

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- Traditional
  - Child Care
  - Tuition refunds
  - Profit sharing
  - Vanpooling
  - EAPs
  - Paid Training
  - Parking and cafeteria facilities
  - Recreation programs
  - Relocation reimbursement
  - Discount purchases
- Less Traditional
  - Elder Care
  - Paid participation in public service projects
  - Health clubs
  - Competitive scholarships for children of employees

# Conclusion

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Decisions relating to employee benefits are not to be taken lightly.

Considered what you hope to accomplish as a company, and what you hope to accomplish for your employees.