

# Voluntary Benefits Solutions



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Life Insurance

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## Voluntary Life Can Help Women Bridge the Insurance Gender Gap

The MetLife Employee Benefits Trends Study found that 54 percent of employees are interested in having life insurance available through the workplace, even if they have to pay the entire cost themselves. Making insurance available through the workplace, including with voluntary programs, can help eliminate a dangerous financial problem for many women: inadequate life insurance.



**H**ow serious is the underinsurance problem? MetLife's 8th Annual Study of Employee Benefits Trends found that married men with minor children have, on average, five times their annual household income in life insurance coverage — if they have coverage. Married women with minor children have, on average, only three times their annual household income in coverage. This gender gap is noteworthy

**U**.S. healthcare spending grew at historically low rates in 2009 and 2010, at 3.8 percent and 3.9 percent respectively, according to the annual report of national health expenditures (NHE), published in the January issue of *Health Affairs*. Analysts at the Centers for Medicare & Medicaid Services (CMS) reported that the 2009 increase in spending represents the lowest rate of increase in the 51-year history of the NHE. In 2010, healthcare spending reached \$2.6 trillion or \$8,402 per person, only .01 percent higher than in 2009.

The low growth rate reflects lower healthcare utilization than in previous years. In 2010, health spending growth remained low while gross domestic product rebounded (4.2 percent). As a result, health spending's share of the overall economy remained unchanged

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because men and women express equal concern about the financial impact of their premature death on their families — yet women are more likely to be underinsured than men.

Financial planners say it's common for married women to assume that their spouse's income and savings will do the heavy lifting. However, many women overlook some important expenses that life insurance can help cover. For example, the death of a working mother may not only terminate an income source but also a family's source of health insurance, tuition assistance and other financial benefits.

### Consider the Value of Women's Household Contributions

The loss of a working woman means more than the loss of her income and benefits. Penn Mutual Life Insurance Company surveyed families in 2011 to determine the dollar value of the tasks male and female parents perform. As other studies have found, even among couples where both partners work, women are likely to bear a heavier burden of the childcare and household responsibilities. Penn Mutual found that men spent an average of five hours per week doing household tasks, while women spent an average of 17 hours per week on the same tasks...more than three times what men spend.

Penn Mutual calculated the economic value of household chores couples perform, including housekeeping, laundry, food preparation / cleanup / cooking/serving, traveling for and driving children, and miscellaneous/animal caretaker tasks. Men were likely to overestimate the value of their household contributions by \$30,000 or more, while more than half (52 percent) of women underestimated their worth by at least \$10,000; 36 percent of women undervalued their worth by at least \$30,000. In fact, Penn Mutual found the average married woman of minor children performs household and childcare tasks worth an average of \$44,913 per year—significantly more than the 2009 median annual salary of \$38,428 for all full-time workers determined by the U.S. Census Bureau.

at 17.9 percent. This share has risen from 5.2 percent in 1960.

**Other key statistics for 2010: Household healthcare spending equaled \$725.5 billion, or 28 percent of total health spending. Growth in private health insurance premiums slowed to 2.4 percent from 2.6 percent in 2009, continuing a slowdown that began in 2003. Private businesses financed \$534.5 billion, or 21 percent, of total health spending in 2010, down from 23 percent in 2007.**

### Consider Women's Longer Lifespans

In addition, women are more likely than men to spend part of their retirement alone, making it even more important for them to have their own life insurance and annuity plans. Women have longer life expectancies — an average of 80 years vs. 75 years for men. The fact that women tend to be younger than their male spouses further increases the likelihood of a woman becoming a widow.

Fortunately, there are some easy ways to help your female employees fill the life insurance gap. If your employer-paid plan provides only minimal coverage, such as two or three times annual salary, you can offer employees supplemental policies to add additional limits. Even individuals with pre-existing health conditions can often obtain a minimum amount of coverage, usually \$25,000 to \$50,000, if your group meets participation requirements.

Many employees need help to understand the importance of life insurance in their overall financial plan—along with help in determining how much insurance they need. We can help educate your employees and tailor a program to their needs, at no cost to you. For more information, please contact us. ■

# Use Voluntary Benefits to Help Retention

An improving economy will bring sighs of relief to many employers. Unfortunately, it could also bring increased employee turnover. A strong benefits program can help you retain your valuable employees.



## The Coming Turnover Storm

Right Management, a branch of Manpower staffing services, found that 84 percent of employees surveyed planned to look for a new job in 2012, while only five percent planned to stay in their current job. If the survey results represent the general employee population, an upturn in the job market could bring serious turnover problems for a lot of employers.

Even surveys with more conservative results indicate troubling trends for employers: Nearly one in three U.S. workers told Mercer researchers in mid-2011 that they were "seriously considering" leaving their organization, while another 21 percent were not looking to leave but viewed their employers "unfavorably" and scored extremely low on loyalty, commitment and motivation. MetLife's annual Study

## How Much Does Turnover Cost Your Firm?

**T**he Center for Economic and Policy Research (CEPR) has developed an online tool that helps employers calculate the costs of turnover in their organization. The tool considers direct cost factors such as the position's salary and benefits and the costs of advertising, recruiting and hiring. However, it doesn't include hidden costs, such as increases in unemployment insurance contributions, costs to process exit paperwork for the departed employee, and additional staffing or overtime costs to cover the position while it is vacant. See it at [www.cepr.net/calculators/turnover\\_calc.html](http://www.cepr.net/calculators/turnover_calc.html) ■

of Employee Benefits Trends revealed similar findings: In November 2008, 62 percent of small business employees surveyed called themselves "very loyal." By November 2011, that percentage had dropped to 44 percent.

What factors do employees cite when they talk about leaving their jobs? Leigh Branham, an employee retention consultant, wrote in *Workforce Management* that only 12 percent of people exit-surveyed by the Saratoga Institute cited pay as the reason they left their employer. Of the seven "hidden" factors for employee departures, most had to do with poor job fit, poor management (i.e., lack of feedback and feeling disrespected) and lack of opportunity. Ranking Number Six after these was: "Stress or burnout issues arising from work-life

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imbalance, inflexibility and excess of work hours and schedules, understaffing, poor health benefits, substance abuse and work-family complications.”

### Using Voluntary Benefits to Combat Employee Dissatisfaction

A good benefits program can help employers reduce employee stress caused by work/life imbalance. And voluntary benefits can help employers soften the blow of changes in health benefits due to cost-cutting. Yet the Mercer survey found decreasing employee satisfaction with benefit programs: 68 percent rated their overall benefits program as good or very good, down from 76 percent in 2005. Satisfaction with medical benefits has also dropped: only 59 percent of employees surveyed said they were satisfied with their medical benefits, down from 66 percent in 2005.

MetLife, in its annual *Study of Employee Benefits Trends*, found a “clear correlation between benefits satisfaction and job satisfaction.” While 72 percent of small business employees who are very satisfied with their benefits felt a “very strong” sense of loyalty to their employer, only 44 percent of employees overall identified themselves as very loyal.

The MetLife study also found that, among small business employees:

- ✱ 55% felt it is important to have dental insurance,
- ✱ 48% felt it is important to have life insurance, and
- ✱ 43% felt it is important to have disability insurance.

Interestingly, employees want these benefits even if they have to pay for them. However, as the accompanying chart illustrates, small employers are less likely to offer benefits.

In addition to the core benefits listed in the chart, voluntary benefits also include programs designed to fill the gaps in employer health plans. These include:

- ✱ Accident, or accidental death and dismemberment (AD&D) policies, which pay benefits when an insured suffers a covered injury accident
- ✱ Cancer and critical illness policies, which pay benefits when an insured receives a diagnosis of cancer or other critical illness listed in the policy
- ✱ Hospital confinement indemnity plans, which pay a specified per diem amount when an insured is admitted to a hospital
- ✱ Intensive care plans, which pay a benefit for each day an insured is confined to intensive care.

Most supplemental health plans have no deductible, and many are compatible with health savings accounts. Offering these benefits can increase employee acceptance of high-deductible health plans and boost employee satisfaction with their benefits...at no cost to the employer.

For more information on using voluntary benefits to drive employee loyalty and retention, please contact us. ■

## Employee Access to Benefits, by Employer Size

	1-99 EMPLOYEES	100-499 EMPLOYEES	500+ EMPLOYEES
<b>Medical</b>	56%	81%	89%
<b>Dental</b>	29%	56%	73%
<b>Life</b>	41%	70%	86%
<b>STD*</b>	28%	44%	61%
<b>LTD**</b>	20%	36%	59%

Source: U.S. Bureau of Labor Statistics. National Compensation Survey, March 2011 \*Short-term disability: Defined as plans that provide benefits for non-work-related illnesses or accidents on a per-disability basis, typically for a 6-month to 12-month period. \*\*Long-term disability: Defined as plans with waiting period of 3 to 6 months, or until sick leave or STD benefits end. LTD benefits generally continue until retirement or a specified age.

# Dental Benefits Bring Better Health

Dental health plays a surprisingly important role in an individual's overall health. Read on for more information on how voluntary dental benefits can help improve your employees' health.

**T**he U.S. Bureau of Labor Statistics found that in 2011, only 29 percent of businesses with 99 or fewer employees offered dental insurance, and 56 percent with 100-499 employees did so compared to 73 percent of those with 500 or more employees. This occurs despite the fact that 55 percent of employees at small businesses want dental benefits, even if they have to pay for them!

This means that many employers, particularly small businesses, might be missing an opportunity to boost employee satisfaction and loyalty at no cost — while improving employee health.

## The Health Benefits of Dental Coverage

Every employer wants a healthy, stable workforce. As it turns out, good dental health correlates to good overall health. A study by Aetna Insurance Co. and Columbia University College of Dental Medicine found that people who received regular periodontal (gum) care had fewer problems with diabetes, strokes and coronary artery disease. Evidence also shows that oral cancer, bulimia and other conditions, such as lung disease and low birth weight, are linked to oral health and are often first detected at the dental office. And the American Dental Association says more than 90 percent of medical illnesses, including cancer and HIV, show in the mouth. This means regular dental visits can lead to an earlier diagnosis of disease and perhaps a decrease in treatment costs.

For these reasons, employers should be as concerned with their employees' dental health as with their medical health. Having dental benefits encourages employees to take care of their oral health. In a study by Delta Dental underwriters, employees with dental benefits that cover preventive care use more diagnostic and preventive services than employees who lack this coverage.

According to the National Association of Dental Plans (NADP), about 20 percent of dental plan enrollees are covered by a voluntary plan. In voluntary plans, participating employees pay all premiums, rather than the employer. Voluntary dental insurance plans allow companies to offer benefits at group rates, along with the convenience of payroll deduction premium payments. With the addition of a premium conversion cafeteria plan, employees can enjoy a 25-40 percent tax savings on their premium.

## Coverage Options

Fee-for-service plans typically allow an insured to see any dentist of his/her choice. This is the "traditional" insurance plan common in the past but less common today. The plan pays for each service rendered according to the fees established by the dentist, usually up to 80 percent, after the insured meets the annual deductible.

Preferred provider organization (PPO) plans are insured managed care plans. Like all managed care plans, PPOs have mechanisms to control costs, usually limiting provider choice, limiting types and frequency of services covered, and limiting reimbursements to providers. A PPO plan allows patients to select a dentist from a network of providers who have agreed by contract to discount their fees. If patients go outside the network they may face higher deductibles and co-payments. PPOs are usually less expensive than comparable fee-



for-service plans and are regulated under the appropriate state insurance statutes.

Dental health maintenance organizations (DHMOs) are another form of insured managed care plan, which operates on a “capitation” basis. These plans pay contracted dentists a fixed amount (usually on a monthly basis) per enrolled family or individual, regardless of how much dental care they provide. In return, the dentists agree to provide specific types of treatment—usually preventive care and basic restorations—to members at no charge. For other treatments, the patient has a co-payment. Theoretically, the DHMO rewards dentists who keep patients in good health, thereby keeping costs low. DHMO models often offer the least expensive insured dental plans.

Dental discount plans typically provide participants with dis-

counted rates for dental care in exchange for an annual fee. An individual may pay about \$75-100 annually to save 15 to 50 percent off average costs for a variety of dental services, such as fillings, braces, exams and routine cleanings. Plans often include discounts on cosmetic procedures that most dental insurance plans exclude. Employees must go to a participating dentist who has agreed to offer services at a discounted price. Discount plans are generally available on a payroll deduction basis to groups with 51 or more workers, as well as retirees and individuals. Plans are not insurance and, in most states, are not regulated. Before offering employees a discount plan, check whether the benefits are worth the enrollment fee.

Employers that offer dental coverage have found it to be very popular. For information, please contact us. ■

## Dental Health Facts

**A** high number of American adults have dental problems or do not see the dentist regularly. Voluntary dental benefits can encourage better dental health—and better overall health as well. Consider the following facts from the National Center for Health Statistics (2010 data, unless otherwise noted).

- \* Percent of children aged 2-17 years who had unmet dental need because their families could not afford care: 7%
- \* Percent of children uninsured for dental care: 26%
- \* Uninsured children (26%) were more than six times as likely to have unmet dental need as children with private health insurance (4%).
- \* Thirty-three percent of uninsured children had no dental contact for more than two years (including those who never had a contact), compared with 12% of children with private health insurance.

- \* Percent of adults ages 20-64 years with untreated dental caries: 23% (2005-2008)
- \* Percent of adults ages 18-64 with a dental visit in the past year: 62% (2009)
- \* Percent of adults in the U.S. who have lost all their natural teeth: 8%

Only 43% of adults aged 18 years and over last visited a dentist or other dental health professional within the previous 6 months; 17% more than six months ago, but not more than one year ago; 13% more than one year ago, but not more than two years ago; 13% more than two years ago, but not more than five years ago; and 13% last visited a dentist or other dental health professional more than five years ago. One percent of adults had never visited a dentist or other dental health professional. ■

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