



Benefits Briefing VOLUME 23

Perspectives on Benefits Offered to Retirees, Group Disability Claims Processing, and Group Accident & Health Insurance from a Survey of Employers & Brokers
(Q2, 2014)

National Employee Benefits Advisory Forum (NEBAF)

Background & Methodology

The National Employee Benefits Advisory Forum (NEBAF) conducted an online information exchange in July 2014 to understand its participants' interest and experience regarding important employee benefits and some new approaches to the kinds of choices employers and employees may have in the near future.

The information in this report is based on an online survey taken by more than 600 group employee specialists (302 employers and 308 brokers).

The following pages include findings from brokers and employers regarding their perspectives on all or some of the following:

- Benefits Offered to Retirees,
- Group Disability Claims Processing, and
- Group Accident & Health Insurance Benefits.

Executive Summary

In this Briefing, brokers and employers share their opinions of and experiences with non-medical, non-pension benefits offered to retirees.

- In general, brokers say that the majority of their clients are not currently offering non-medical, non-pension benefits to existing or new retirees. Employers reinforce brokers' responses; the majority report that they currently do not offer benefits to existing or new retirees.
- Among those who have clients offering retiree benefits, most brokers say that the majority of their clients do not cover the costs of retiree benefits. Comparably, we find that one in three employers do not cover any costs for existing retirees, and more than two in five don't cover any costs for new retirees.
- Brokers and employers agree that the following medical and non-medical benefits are most important to be offered to retirees on an employer-paid basis: Medicare-gap insurance, life insurance, and dental insurance. When we ask about retiree benefits offered on a 100% voluntary basis, both groups most commonly name Medicare-gap insurance as most important, but beyond that, their answers differ.
- We asked brokers and employers about several scenarios with regard to moving retirees and other employees to exchanges in the next three years. Most brokers are at least somewhat likely to say they would recommend these actions, but employers say they are unlikely to consider any of them.
- When we presented both brokers and employers with two approaches for offering non-medical, non-pension retiree insurance benefits, most brokers indicated a preference for an option with stand-alone services for retirees, while many employers tend to say don't know or neither.

Brokers and employers also provided feedback and insights on Group Disability claims processing.

- About three-quarters of brokers and two-thirds of employers report being at least somewhat familiar with the overall claims process for Group Disability.
- Those brokers at least somewhat familiar with the claims process most commonly mention Unum, Guardian and Lincoln Financial as best overall for claims service. Employers at least somewhat familiar with the process cite Unum, MetLife and Hartford as the best.
- Both brokers and employers identified similar reasons for naming a carrier as best in claims service: accuracy, ease of administration, website access, good customer service, lack of problems, responsiveness, and timely/fast.



Executive Summary (cont.)

- We asked *employers only* which carriers they have personally worked with to help a plan participant file or process a Group Disability claim in the past five years. Their top mentions are the same as those named for best service: Unum, MetLife, and Hartford.

This Briefing also delves into brokers' and employers' use of and interest in Group Accident & Health Insurance Benefits, such as Critical Illness, Cancer, Accident, and Hospital Indemnity plans.

- Brokers report a low incidence of use of Group Accident & Health Insurance Benefits among their clients. Yet, nearly two in three employers say they currently offer Accident Insurance, and close to half offer Critical Illness Insurance.
- Most brokers indicate that their clients have moderate interest in Group Accident & Health Insurance Benefits. But, the majority of employers who are not currently offering these products show little interest in offering them.
- We presented survey participants with three possible enhancements to Group Accident & Health Insurance Benefits and asked them which, if any, would make their clients/them more interested in offering Group Accident & Health Insurance Benefits. A Personal Health Advisor feature was named most commonly by both groups as most influencing their interest.

Benefits Offered to Retirees

We asked both brokers and employers various questions about their experiences with and views on non-medical, non-pension benefits offered to retirees.

Currently Retiree Benefits Offerings

We asked brokers whether their clients currently offer non-medical, non-pension insurance benefits to existing and/or new retirees. We asked them to answer separately for their clients with less than 1,000 employees and for their clients with 1,000+ employees.

Results are fairly similar for the two sizes of clients. **Brokers indicate that the majority of their clients – both those with less than 1000 employees and those with 1000+ employees – do not currently offer retiree benefits to existing or new employees.** Yet, some brokers, about a third, say more than half of their clients offer benefits to existing retirees, compared to far fewer for new retirees, about one in ten say more than half of their clients offer benefits to new retirees.

We also asked employers whether they currently offer non-medical, non-pension insurance benefits to existing and/or new retirees.

Employers report similar results. **The majority of employers report that they currently do not offer non-medical, non-pension benefits to existing or new retirees.** Only one in three say they currently offer benefits to existing retirees, while fewer, about one in five, say they are currently offering benefits to new retirees. Those who indicated that they currently offer non-medical, non-pension benefits to existing and/or new retirees reported on eligibility, see left sidebar.

Both brokers and employers report that offering benefits to existing retirees is more common than offering them to new retirees. This is probably not surprising given the rising cost of benefits.

Who Pays for Retiree Benefits

We asked brokers (those who indicated that at least some percentage of their clients currently offer non-medical, non-pension insurance benefits to existing and/or new retirees) what percent of their clients cover the costs of these benefits either partially or in total. Again, we asked them to answer separately for their clients with less than 1,000 employees and for their clients with 1,000+ employees.

In general, brokers report that the majority of their clients do not cover the costs for these benefits. About a quarter say none of their clients cover the costs. We don't see any substantial differences by size of client.

We also asked employers (who indicated that they currently offer non-medical, non-pension benefits to existing and/or new retirees) what percentage of the premium do new or existing retirees pay for these benefits.

Eligibility for Retiree Benefits

We asked employers only (who indicated that they currently offer non-medical, non-pension benefits to existing and/or new retirees) what percentage of those retirees are eligible for these benefits.

Employers report a range in eligibility for both existing and new retirees. More than half of employers offering benefits to new retirees say all new retirees are eligible, while roughly one in three employers offering benefits to existing retirees say that all of their existing retirees are eligible.

So, we find that while the number of employers offering retiree benefits to new retirees is lower than the number offering retiree benefits to existing retirees, those employers who are offering benefits to new retirees are more likely to say all new retirees are eligible.

Who Pays for Retiree Benefits (cont.)

We see a range of responses. About one in three employers say existing retirees pay all of the costs, but nearly as many, one in five, say existing retirees pay none of the costs. More employers say new retirees pay all of the costs, more than two-fifths, and fewer say new retirees pay none of the premium, about one in ten.

Most Important Retiree Benefits

We asked both brokers and employers how important it is to their clients/them to offer various medical and non-medical benefits to retirees on an employer-paid basis, either partially or in total.

We find that brokers and employers respond similarly. Both groups rate the same three benefits as most important to their clients/them to offer retirees on an employer-paid basis.

The top-rated benefits in order of importance by both groups are:

1. Medicare-gap insurance
2. Life insurance
3. Dental insurance

We also asked both brokers and employers how important it is to their clients/them to offer various medical and non-medical benefits to retirees on an voluntary basis, 100% retiree-paid.

Here we find differences between brokers and employers. Brokers name the same top three benefits, as above, as most important:

1. Medicare-gap insurance
2. Life insurance
3. Dental insurance

But, the employers name the following as most important:

1. Medicare-gap insurance
2. Dental insurance
3. Vision insurance

Results shows that brokers have a good understanding of which benefits are most important to their clients to be offered as employer-paid, but there is a disconnect between the two groups when it comes to voluntary benefits for retirees. This suggests a possible need for more communication in the area of voluntary benefits for retirees and also, a potential opportunity for brokers in the area of vision insurance.

Use of Exchanges for Retirees & Other Employees

We asked brokers and employers how likely they would be to recommend / consider implementing the following actions over the next three years:

Brokers talking about their preferred approach for retiree benefits...

Here are brokers talking about the reasons for their preferred approach:

"So the retirees can access same benefits as when they were working."

"Most Retiree eligible members at small employers are the owners or partners, they typically do not want to be excluded from the group policy. Most owners in my market will cancel all benefits before they exclude themselves."

"It is best to remove the retirees from the group plans for better rates for the group. Plus the retirees don't necessarily need the same type of benefits as an active employee. Better to keep them separate."

"Because of contractual obligations there may be unique stipulations and it is easier to carve it out."

Employers talking about their preferred approach for retiree benefits...

Here are employers talking about the reasons for their preferred approach:

"The idea of offering retirees a bundled set of benefits that may be more tailored to their needs (which may likely be different from active employees' needs and benefits) sounds like an interesting idea."

"Rates are calculated differently for aging population that could negatively affect active employee costs."

"Keeping active and retiree plans separate is prudent from an actuarial standpoint. We wouldn't want to have our rates increased substantially for our active population due to retiree's expected additional health expenses."

"It should be seen as a continuance of benefits, not as a separate deal for retirees, and should be funded by all participants who may someday become eligible."

Use of Exchanges for Retirees & Other Employees (cont.)

- ✓ Transition Medicare-eligible retirees to private exchanges for major medical
- ✓ Transition non-Medicare-eligible (i.e., early retirees) to private exchanges for major medical
- ✓ Transition retirees to private exchanges for non-medical, non-pension benefits
- ✓ Transition retirees to public exchanges for non-medical, non-pension benefits
- ✓ Transition active employees to public or private exchanges

The majority of brokers are at least somewhat likely to say they would recommend these actions to their clients. **Yet, conversely, most employers indicate say that they are unlikely** to consider implementing any of these in the next three years.

This suggests a need for more education among employers on these options, as well as the need for brokers to really understand what their clients need and want, and why.

Approaches for Retiree Benefits

Next, we presented both brokers and employers with two approaches for offering non-medical, non-pension retiree insurance benefits, see options below, and we asked them which they prefer.

Offer 1 – A bundled set of services specifically for retirees fully or partially paid by the employer. This retiree offering is stand-alone from the benefits offered to active employees and not part of the group policy.

Offer 2 - The option for an Employer to extend its benefits to retirees is embedded in the benefits they offer active employees.

We see substantial differences between brokers' and employers' responses. Offer 1 is more popular among brokers, with nearly three in five brokers saying that they prefer Offer 1 for their clients. Among employers, we see no clear preference; employers name Offer 1 and Offer 2 fairly equally. Additionally, nearly half of employers say either 'don't know' or 'neither'.

See left sidebar for brokers and employers talking about reasons for their preferences.

Group Disability Claims

We asked both brokers and employers about their experiences in working with Group Disability carriers on the processing Group Disability claims.

Brokers talking about Group Disability claims processing...

Here are brokers talking about the reasons why carriers are best-in-class for Group Disability claims processing:

"Claims are paid accurately but without a lot of hassle to the claimant."

"Fast local service. Customer and claim representatives are easy to get in touch with. Respond fast to questions or service issues."

"Great success with all our current clients. No complaints."

"They respond quickly to the employer and employee and are very 'hands on' through out the process."

"Their customer service, turnaround time for processing and paying claims and ease of online updates."

Employers talking about Group Disability claims processing...

Here are employers talking about the reasons why carriers are best-in-class for Group Disability claims processing:

"Good customer service, prompt claims payment and ability to check payment status online."

"Responsive customer service. Excellent web site. Ability to start claims using different media. Timely claims adjudication."

"They have a quick turnaround; employees have been pleased with the service."

"Experience was seamless and not overly burdensome with paperwork and a lot of back and forth."

"We have never had a problem or issue. They answer any and all questions in a timely manner, are very polite, and detailed with their answers and help. Payments are made quickly and in a timely manner too."

Familiarity with the Group Disability Claims Process

We asked both groups how familiar they are with the overall claims process for Group Disability.

More brokers indicate being familiar with the claims process than employers do. Roughly three in four brokers say they are at least somewhat familiar with the overall claims process for Group Disability. This compares to nearly two-thirds of employers saying they are at least somewhat familiar with the process. It's not surprising to find that brokers are more familiar with the process, given their wider experiences with multiple clients.

Top Carriers for Group Disability Claims Service

We asked those brokers and employers who are at least somewhat familiar with the Group Disability claims process which carriers, from a list of carriers, provide the best overall Group Disability claims service.

Brokers name the following carriers as best in Group Disability claims service:

1. Unum
2. Guardian
3. Lincoln Financial

The following are **employers' most common mentions as best in Group Disability claims service:**

1. Unum
2. MetLife
3. Hartford

Both groups have high perceptions of Unum's claims service. Beyond that, brokers and employers differ in their answers.

Reasons for Top Carrier Choice

We also asked both groups why they named the provider they did as best for Group Disability claims service.

Both brokers and employers tend to name similar reasons. The most common mentions are (see left sidebar for representative comments):

- Accuracy in claims processing, payment, etc.
- Ease of administration/easy to work with
- Easy online access, website
- Good customer support, helpful to employees
- Lack of problems, complaints
- Responsiveness
- Timely/fast turnaround

It's clear that these are factors that brokers and employers should consider when selecting a carrier for Group Disability.

Experience with Group Disability Claims

We asked employers only (those who indicated they are at least somewhat familiar with the Group Disability claims process) how many plan participants they have helped to file or process a Group Disability claim(s) in the past five years.

The employers who participated in the study and answered the questions about claims processing had quite a bit of experience with this topic – more than half indicate they have helped more than 10 plan participants file disability claims in the last five years.

Carriers Worked with for Group Disability Claims

We also asked employers only (those who indicated they are at least somewhat familiar with the Group Disability claims process) which carriers they have personally worked with to help a plan participant file or process a Group Disability claim in the past five years.

The three most commonly worked with carriers are (* tie for first):

1. Unum*
1. MetLife*
2. Hartford

Not surprisingly, the list of most commonly worked with carriers matches employers' list of carriers who they think of as best in claims processing, suggesting that employers tend use or stay with carriers they have had good experiences with.

Group Accident & Health Insurance Benefits

In this section, we asked both brokers and employers about Group Accident & Health Insurance Benefits such as Critical Illness, Cancer, Accident, and Hospital Indemnity plans.

Current Offerings

We asked brokers and employers about current offerings of Group Accident & Health Insurance Benefits such as Critical Illness, Cancer, Accident, and Hospital Indemnity plans.

The majority of brokers say that few of their clients offer Critical Illness, Cancer, Accident, and Hospital Indemnity plans. Among the four offerings, Accident Insurance is the most popular, followed by Cancer Insurance.

Nearly two-thirds of employers say they currently offer Accident Insurance; this is the most common among employers. Critical Illness Insurance is the second most popular, being offered by nearly half of employers.

Enhancements for Group Accident & Health Insurance Offerings

We asked survey participants about the following enhancements for Group Accident & Health Insurance Offerings:

- *Online Second Opinion* for medical diagnoses: This program enables insurance members to request an online second opinion from a nationally-recognized clinic.
- *Personal Health Advisor*: This service provides solutions to healthcare challenges by guiding individuals toward the best possible care and treatment for serious and complex conditions, with services such as: Diagnosis confirmation, Expert 2nd opinion, collection of medical records, physician referrals and facilitated appointments to top specialists and Centers of Excellence locally, regionally, or nationally.
- *Will Preparation Services*: Access to a local attorney to execute a personal Will, powers of attorney and provide assistance with estate resolution.

Interest in Offering

We asked brokers how interested their clients are in offering Group Accident & Health Insurance Benefits such as Critical Illness, Cancer, Accident, and Hospital Indemnity plans. We also asked employers (those who do not currently offer these products) how interested their business is in offering these benefits to employees.

Overall, most brokers report that their clients show moderate interest in Group Accident & Health Insurance Benefits.

Brokers feel that employers show the most interest in Accident Insurance. **Employers who are not currently offering these products tend to show little interest in wanting to offer them.**

These results suggest that employers may need additional education in this area and they may not be aware of the benefits of offering such products.

Enhancements to Group Accident & Health Insurance Offerings

We presented both brokers and employers with three enhancements or features that could be included with Group Accident & Health Insurance benefits as part of a standard offering. We asked both groups which enhancements would make their clients/them more interested in offering Group Accident & Health Insurance benefits, specifically, Critical Illness, Cancer, Accident, and Hospital Indemnity plans. The enhancements asked about are (see left sidebar for detailed descriptions): Online Second Opinion, Personal Health Advisor, and Will Preparation Services.

Brokers and Employers respond similarly. For each Group Accident & Health Insurance benefit asked about, **both groups cited the Personal Health Advisor most commonly as the enhancement that would most influence interest.** Roughly two-fifths of brokers and employers identified the Personal Health Advisor as having the most influence in interest in offering Critical Illness, Cancer, Accident, and Hospital Indemnity plans. Both groups indicated that Will Preparation Services would have the least influence.

This demonstrates that brokers have a good understanding of their clients' interests and needs in this area. These results may also indicate which features are seen as most helpful to employees, and also most helpful in getting back to or keeping them at work.



National Employee Benefits Advisory Forum
Sponsored by Center for Strategy Research, Inc.
101 Federal Street, Suite 1900
Boston, MA 02110
(617) 451-9500
nebaf@csr-bos.com

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