

A Free Car Would Make Employees Happy, So Why Don't Their Benefits?

By Dennis Ackley

The employee communication function exists to build employee commitment...which strengthens customer commitment...which increases returns for stakeholders. Committed employees are intellectually and emotionally attached to their work and their employers. For high-performing organizations, this is more than a strategy – employee commitment is a business principle.

Unfortunately, an important element of employee communication – benefit communication – may be doing more to destruct employee commitment than to build it.

If employers rewarded employees with a new car or vacation worth \$18,000, employees would say “Wow! Thank you!” According to the U.S. Chamber of Commerce, \$18,000 is the average annual amount employers are paying to provide each employee’s benefits.

The employee communication regarding \$18,000 worth of benefits should create a positive employee reaction. But apparently, it doesn’t. More than two-thirds of employees in a 2003 MetLife survey were not satisfied with their benefits – declining in satisfaction by nearly 10 percent from the previous year.

Benefits may never be as exciting as a new car or vacation. But benefits shouldn’t contribute to employees’ dissatisfaction – a deterrent in building a committed workforce.

As a business partner, employee communicators have the responsibility and skills to increase the employer’s return on the investments in benefits by making them a more positive reward for employees.

Of all the benefits that deserve greater employee appreciation, health plans present the biggest communication challenge.

Health Plan Costs Soar – Employee Appreciation Falls

For nearly every employer, health plans are the fastest rising business expense – zooming by double-digit increases for the past several years. According to The Kaiser Family Foundation, in 2004 employers’ costs for each enrolled employee reached \$7,289 for family coverage and \$3,137 for employee-only coverage.

Yet roughly two-thirds of employees in a recent Towers Perrin study say the employers’ *health plan costs do not or may not impact their employer*. They do not view health plan costs as their employers’ business expense. And nearly half of the employees say they do not believe what their employers tell them about health plan costs.

The seemingly countless, well-intentioned, “health care costs are rising” messages sent out by

employers have failed to explain to employees the business economic reality of health plans.

A recent a Medco Health Solutions study may have pinpointed the problem. Three-quarters of the health plan participants surveyed believe that when they have benefit claims they’re spending some insurance company’s money – not their employer’s. Even worse, many employees believe they *should* spend the health plan’s money so the insurance company cannot keep it for profits.

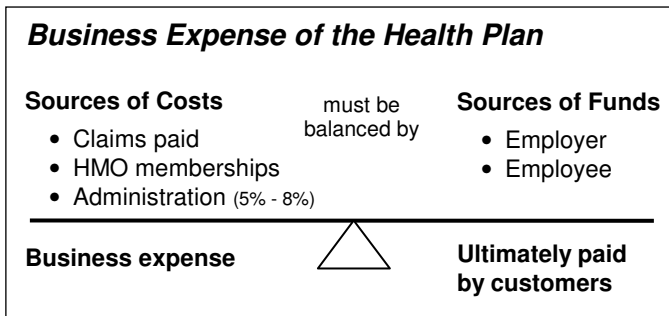
The “I’ve spending the insurance company’s money” misconception may be the root of employees’ dissatisfaction with health plans. In the Towers Perrin study, 85 percent of employees did not agree that it’s appropriate for their employer to cut health plan benefits, and 62 percent did not believe it’s appropriate to increase how much employees pay for coverage. Health plan design experts say these are the most practical means employers have in controlling their health plan costs.

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Health Plan Costs Are an Easy-to-Calculate Business Expenses

The business expense of a health plan equals the amount paid out for the claims, plus HMO memberships, and the administrative costs. There are only two sources to pay the costs – the employer and the employees. All the money that pays for the plan ultimately comes from customers. Period.



The self-funded – “employer as its own insurance company” – approach is used by virtually all mid- and large-sized employers because it’s less expensive than buying insurance. In self-funded plans, the insurance companies process the paperwork, manage certain administrative aspects of the health care system, and write the checks for the eligible expenses using money the employer and employees contribute. But it’s not the insurance company’s money.

The employer’s money used in the health plan is the same money that would otherwise pay the rent, supplies, salaries, and other business expenses. That’s why companies are concerned about health plan costs. Employees should be concerned as well. But first they must understand the financial reality of the health plan. There is no health plan fairy or rich insurance company providing the money to pay medical benefit claims.

It’s a serious and expensive employee communication failure. Test it yourself. Ask some of your organization’s employees where they believe the money comes from to pay their health claims.

Employees Expect What the Plan Isn’t Intended to Do

The overall purpose of every health plan is to provide financial protection from the enormous medical costs of a catastrophic illness or injury. But that’s rarely mentioned in health plan communication. Rather, the most-often highlighted aspects of the plan are the typical small expenses – the deductibles and the

copays. (Copays, in hindsight, are an ill-conceived plan feature that makes going to the doctor less expensive than a haircut.)

By emphasizing the small costs and ignoring the purpose of the plan, the communication seems to encourage employees to infer that the plan is intended to pay virtually every health expense.

So, nearly every year when copays and deductibles are increased, it’s little wonder that employees believe the health plan is failing to meet its purpose of covering all the health expenses. This may explain why only 40 percent of employees in the Towers Perrin study say the health plan meets their needs – down from 61 percent in 2001.

When life insurance benefits are communicated to employees, the focus is on the individual’s coverage – such as, “your life insurance coverage equals two-times your annual pay.” When health benefits are mentioned, the focus is on how much employees pay before the plan’s coverage begins – such as “you have a \$500 deductible Medical Plan.” Shouldn’t the medical plan communication highlight the individuals’ coverage – the several million dollars in lifetime medical coverage?

Medical benefits are the most emotionally sensitive of all employee benefits. No one wants to pay more for coverage, have benefits reduced, or fear being unable to have coverage for family members. But good benefit communication can explain the business issues of health plan funding and the limited choices that exist in controlling the escalating plan costs. This essential – but too often missing – part of benefit communication can take some of the heat out of the employees’ reactions. And just as important, it is needed to help build the foundation for more employee involvement in making cost-effective choices when they buy non-emergency health care. After all, employees are, in a real sense, the employer’s purchasing agents for the medical plan. Clearly, most employees are not aware of this responsibility. And many employees have not acquired the knowledge and skills to make wise purchasing decisions. Another challenge for employee communicators.

The Health Plan Communication Imperative

There are three key things employee communication professionals can do to replace employees' naivety about health plans with knowledge.

It's not someone else's money

First, shatter the "it's the insurance company's money" illusion. Eliminate all the insurance jargon from your communication that inadvertently reinforces the "it's insurance" message. For example:

- The *Monolithic Insurance Company Plan* pays – remove the insurance company's name...make your company's name part of the plan name and refer to it as "our plan"
- Your *premiums* are – change to "your enrollment cost is"
- Your *co-insurance* or *copay* is – use "you pay"
- The treatment the *insurance pays* – change to "treatment you buy"

By reviewing your plan's claims data, you'll likely find that more than half the participants have less than \$1,000 in annual medical claims. Often 10 percent to 15 percent of employees have no medical claims in a year. What do these employees think when they are told their employer is paying over \$6,000 for their medical 'insurance' plan? Could they believe they are wasting more than \$5,000 by letting the insurance company keep the money? Could this help explain why, according to the Center for Studying Health System Change, the fastest rising group using emergency rooms is people *with* medical coverage – twice as fast as those without coverage?

The health plan is not intended to be an investment – to get more money paid back than was paid in. Certainly, employees would not intentionally run their cars into poles to get their money's worth out of their car insurance. They know a claim on their car insurance could cause their premiums go up. Yet for health plans, that logic seems to be missing.

Rather than focusing attention on how much the employer is paying for the health plan on an individual employee basis (a hypothetical amount based on averages), change to the message to reflect the overall business expense of the plan.

"Last year, our ABCorp Health Plan paid \$XX million in medical claims for our Plan's participants – plus it cost \$XXX, XXX to operate the Plan. Every dollar of these expenses was paid with money the company and enrolled employees contributed to our self-funded Plan. Of this, \$XX million was paid by ABCorp and \$X million came from enrolled employees. You can help control the Plan's cost by maintaining healthy behaviors and becoming more involved in making sure our Plan's money is spent wisely for non-emergency care.

The financial protection is substantial – yet often overlooked

Second, communicators can explain, demonstrate, and reinforce the real purpose of the plan:

"The purpose of our Health Plan is to protect enrolled employees from the potentially enormous costs of a catastrophic illness or injury by providing up to \$XX million in financial protection during the lifetime of each enrolled person." (insert your plan's lifetime limit.)

Use statistics and stories to show the protection the plan provides:

"Our Health Plan has protected our employees by paying: (be sure to maintain privacy by using disguised examples or average costs)

- \$ 960,000 for a premature baby
- \$ 44,000 for a knee replacement
- \$ 55,000 for a heart attack
- \$ 360,000 for a kidney transplant"

Employees can help control these business expenses

Third, communicators can help make sure employees know they have an opportunity – and the responsibility – to help control the business expense of the plan.

If the organization's cost for electricity was soaring 10 percent to 20 percent a year, employee communicators would help senior leaders explain the business issue and provide information the employees could use to better control the use of electricity.

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What if "health plan" replaced "electricity" in this message to employees?

From senior leadership to all employees:

Our company's cost for *electricity* is out of control – skyrocketing five times faster than any other business expense! Every dollar we spend for *electricity* that is unnecessary or inefficient is a dollar we do not have for other business expenses such as production, marketing, or salaries. These are dollars that we must add to the prices our customers pay...and that is making us less competitive and hurting our sales. We need all employees to become more involved in holding down our cost for *electricity*.

Most employees would react to this communication by turning out unnecessary lights, reducing heating and cooling costs, and acting in many other ways to help cut the employer's cost of electricity. The same source of money that the company uses to pay for electricity also pays for the health plan.

The things employees can do to help control the health plan costs are not complicated:

1. Be healthy and stay safe...eat well, wear seatbelts, exercise, don't use tobacco, and avoid unsafe activities. The best way to hold down health plan expenses is to avoid accidents and behavior-related health problems.

2. Use effective services and treatments that have lower costs...when you need non-emergency medical care, spend the money wisely. Don't use emergency rooms for non-emergencies. Ask if generic or non-prescription drugs might work as well for your condition as a higher-priced, brand-name prescription. Take advantage of the price discounts offered by 'network' doctors, hospitals, and pharmacies. And show your interest by asking, 'How much would this cost if I paid the full price myself?' Knowing the price is a key element of being a smart shopper.

3. Don't ignore health problems...get checkups and attend to health issues before they become more expensive to correct...if your cholesterol is high, your weight needs to be lower, or if you find something suspicious, take action now.

4. Help your doctor get it right the first time...when you receive medical attention, help avoid a misdiagnosis by clearly describing past illnesses, medicines and supplements you are taking, and your current symptoms. When you're given new medicine, ask what foods, liquids, or other medicines you should or should not take with it.

5. Act like a customer...learn about your condition – use the Internet or library to find out what other health care professionals have to say about it and what's being done to correct it. Become your own advocate, but not your own physician. And if you aren't satisfied with the service or treatment, tell the health care professionals that your expectations are not being met. Be sure the treatment is working and it's worth the price you and the company are paying.

Communicate the Health Plan the Same Way as Other Business Issues

Employee communication professionals can help fix the health plan communication problem by using the same approach they use in all other communication intended to help build a more committed workforce. Communicators can ensure the communication includes:

- **shared values** – providing stories of how the employer and employees are working together to reduce unnecessary health plan expenses,
- **trust** – explaining the business reality of the health plan in simple, straightforward terms, using highly credible messengers,
- **respect** – communicating with employees in a way that treats them as adults and valued members of the company's committed workforce – people who deserve to know about the financial aspects of the plan as well as what they can do to help control the plan's costs, and
- **recognition** – showing the real value of the health plan and all other benefits provide them as a reward for their contributions to the organization's success.

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Dennis Ackley is a nationally recognized leader in benefit communication and retirement education. His innovative, award-winning communication programs have reached more than three million employees on topics such as retirement planning, investing, health care, benefit choices, pay, and incentive plans. Dennis has created communication campaigns for hundreds of the country's largest employers. He has written more than four dozen articles for such publications as *HR Magazine*, *Benefits Quarterly*, *Employee Benefits News*, and *Communication World*. He is a featured speaker at scores of conferences including the International Foundation of Employee Benefit Plans, Profit Sharing/401(k) Council, the PBGC, The Conference Board, Pensions & Investments, and Benefits Management Forum and Expo.