

Communication: The Key to Putting ‘Benefit’ Back in Benefits

By Dennis Ackley

Benefits were “fringes” a couple decades ago – and a minor part of employers’ payroll costs. Even just a few years ago, employees generally viewed benefits as positive rewards.

Today, the soaring cost of benefits has exceeded 42 percent of payroll according to the U.S. Chamber of Commerce. On average, that’s more than \$18,000 per employee,

If employers gave employees an \$18,000 new car, the response would be undoubtedly be, “Wow! What a great reward!”

Remarkably, only 36 percent of employees are satisfied with their employer-provided benefits, according to a recent MetLife survey. For perspective, the typical satisfaction score for new cars that people buy is around 85 percent.

Benefits will never generate as much excitement and satisfaction as a new car. But benefits should not be expensive ‘dissatisfiers’ – an impediment to building and retaining a committed workforce.

It’s human nature not to appreciate what’s not understood. So to increase the return on the investment, shouldn’t employers increase their employees’ understanding of the coverage and value of their benefits? There’s enormous room for improvement.

Organizations that pursue Six Sigma quality strive to create products that near perfection – fewer than four failures per million. In measuring the performance of benefit plans, because people rather than just products are involved, that bar may be way too high. Yet by any measure, the failure rates associated with employee benefits are atrocious.

For example, out of 100 employees...

- 66 fail to understand that the employer has a financial stake in the health care plan. (Towers Perrin)
- 80 fail to believe there’s anything they can do to help save health plan costs (Hewitt) – yet for non-emergency and many other expenses, they are the plan’s “purchasing agents.”
- 55 who are “graduating” from the U.S. retirement education system (employees age 64 and older) fail to have any idea how much their retirement will cost (Roper/Quicken). Yet it’s the largest purchase

they’ll ever make. Most employees cannot even offer a guess, such as, “To have retirement income of \$40,000 a year, a couple retiring at age 60 and living to 85 (25 years of retirement) will spend 25 times \$40,000...that’s \$1 million. By the way, more than one million Baby Boomers will reach age 100. (National Institute on Aging)

- 26 fail to participate in the 401(k) – losing forever the opportunity for longer-term compound earnings. (Plan Sponsor Magazine)
- 69 fail to view their employer-provided benefit communication as effective. (MetLife)

To improve “benefit ROI” and move in the direction of Six Sigma, employers need to establish high expectations for dramatically reducing these and other “failure rates” through better benefit communication.

1. Set measures that matter. Is your benefit program doing what it’s intended to do? If your organization wants to recruit, reward, and retain committed, high-performing employees, do you know how well your benefits are contributing to that? Or are you measuring only the costs – ignoring the return on the investment in benefits?

It’s a business principle – costs that have no measurable return are prime candidates to be cut.

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The best way to find out what your high-performing employees think of your benefits is to ask them. Put them in selected focus groups or send them coded surveys. Another valuable measure can be obtained by asking your managers and recruiters for their assessment.

In any survey, avoid the “Do you think you know what you think you know” or “Are you satisfied compared to what you’d like” questions. For example, asking “Do you know how much life insurance the company provides you?” measures only how many employees think they know. To get a true measure of knowledge, ask for facts and figures. Asking employees, “Are you satisfied with the company health plan?” implies that the plan is intended to satisfy them based on what they believe would be satisfying – such as a health plan that covers everything and costs them nothing.

To be useful, measures of employees’ benefit satisfaction should be tied to what the benefits are designed to do – not on what employees dream to have. To do that, state the plan’s purpose and then ask employees how well they believe the plan achieves its purpose.

2. Communicate the purpose of the plans.

Curiously, employees are rarely told *why* the plans are provided or offered. For example, the main intent of a health plan is to help pay the sizable expenses stemming from a major illness or accident. Too often, health plan communication ignores that point and emphasizes deductibles and co-pays (an unfortunate design feature that makes doctor’s visits cheaper than haircuts). To employees, this misplaced emphasis can seem to imply that the plan is intended to cover nearly all medical expenses.

Ongoing benefit communication should remind employees of the purpose of each benefit and provide examples and stories of how the benefits are achieving that purpose. Naturally, discretion is needed to protect employees’ confidentiality.

3. Explain the fundamentals of the benefit plan financing. Overall, the cost of a benefit plan equals the amount paid out in benefit claims plus the administration expense. In health care and several other plans, the money to pay these costs comes from the employer and employees...ultimately, it all comes from customers. It’s not some insurance company’s money. This simple message has not gotten through to employees.

In general, a self-funded (self-insured) plan is simply an account that a claims payer uses to pay plan benefits. The more paid out, the more that must go in. Even in insured plans, the amount expected to be paid out is, to a great extent, the basis for determining how much money the employer and employees pay for the coverage.

Well-intentioned employees who reuse paper clips to save money for the company cannot save enough of them during a long career to pay for one unnecessary trip to the emergency room. The same source of company money that pays for the clips also pays the health claims.

Speaking of emergency rooms, why are people *with health coverage* the fastest growing group of ER services users? (Agency for Healthcare Research and Quality). Do they think employers want them to spend the plan’s money? Could they get this odd idea from their benefit communication?

Millions of employees – most of whom do not understand the basics of health plan financing – been told that their employer is paying \$5,000 or more for their health *insurance* (even when it’s actually a self-funded plan). Showing them the average cost may create unintended consequences. More than half of enrolled employees will likely have less than \$1,000 in plan expenses in a year. Could these employees believe they *should* find ways to increase their medical expenses so the insurance company won’t keep the extra money for profits?

Allowing benefit plan financing to remain a mystery to employees may be increasing the costs of benefits.

4. Communicate the *real value* of benefits – not just the cost. The real value of a health plan, for example, is the financial safeguard it provides through the out-of-pocket protection and enormous lifetime benefit coverage. Telling employees, “Our Health Plan provides up to *\$5 million* in health benefits for each enrolled person” is a more powerful message than telling them the employer’s average per-employee cost. Plus, value-oriented, “what’s in it for me” messages add to their knowledge of the plan, which builds appreciation and reduces their emotional concerns. Showing the cost does little to do that. If emphasizing the cost of things we don’t understand were an effective way to generate appreciation, then putting price tags on museum artwork would make us art connoisseurs in one visit.

Showing costs isn't necessarily a bad thing. But if employees do not know what the benefits can do for them, and how basic benefits financing works, the overemphasis of per-person coverage costs can create unintended consequences and little appreciation.

Moreover, many employees fear not being able to pay health costs. Ask a few employees, "What's the most you might have to pay out of your pocket in a year if you had \$500,000 in covered expenses?" Many employees will probably say it's \$10,000 or \$20,000 or much more. This is another example of the failure to communicate the value of what matters – the plan's out-of-pocket expense protection. In nearly every plan, the most an employee would pay for covered expenses is limited to around \$3,000 to \$4,000 in a year.

Only when employees understand the real financial protection of their plans will they begin to appreciate them more.

5. Eliminate jargon. If you want employees to view your benefits as rewards, communicate them that way. Who knows what an "Open Point of Service Plan" is...or what the "Member's Responsibility plus Bridge Amount" is about? These and hundreds of other unnecessary chunks of jargon infest what should be easy-to-understand descriptions of benefits (which should be rewards).

Conduct your own test. Take printed copies of your benefit communication to the factory floor or into the employees' break area. Ask some employees to circle words and phrases in materials that they think need to be better explained. Show the results to your benefit communication provider. Ask them to bring back simple and accurate descriptions that portray the benefits as rewards – and generate far fewer circles in the next test. Fire any communicator who suggests adding a definition section in a highlights brochure. Did you ever see a rewards brochure with definitions? Rewards aren't rewards unless they are easily understood.

6. Provide a "compared to what you might need" perspective. Numbers are just numbers until they're put into context. A 401(k) balance of \$50,000 can seem like a sizable sum. But when it's compared to how much retirement can cost, employees gain a much different, more meaningful view. For example, by saying, "If you intend to end your full-time working career at age 65, and plan to draw on your account to age 85 (that's 20 years), a \$50,000 account

balance would provide roughly \$2,500 worth of income a year, assuming the rates of investment performance and cost of living were the same." This type of perspective can be added to all benefits. It's not advice and not judgmental. It's somewhat like the government-required "nutrition facts" that are on nearly all our foods. These stickers show how the foods compare to general needs.

Shouldn't employees see the "financial facts" to help them make better decisions about how they use and supplement their employer-provided benefits?

7. Eliminate the illusion of planning precision.

Don't let your communication lead employees to believe they'll be told the "exact answer" to their benefit needs. The future cannot be precisely predicted. Therefore, there's no precise answer to, "How much money will I need to retire?" or "Which medical plan choice is best for me?" Financial protection benefits (health, disability, death and retirement) are, by definition, designed to help deal with the uncertainties of life.

For example, the answer to employees' "How much to retire?" question spans from "around nothing," if they're run over by the bus at their retirement party, to "more money than they made in their entire working career," if they stop working at 60 and live to 102. The same goes for medical options. If they stay healthy all year (like most people) they could have very few, possibly no, medical expenses. Yet if they have an unexpected catastrophic illness or accident, the health plan can pay millions for covered lifetime benefits after the employee pays up to out-of-pocket maximum for the eligible expenses each year.

The objective of all financial-protection planning isn't precision – it's awareness of the risks and the choices employees have to help them prepare.

8. Use communicators who have both deep benefit knowledge and terrific employee communication skills.

Even the greatest wordsmiths cannot create a clear explanation of what they don't understand. And benefit communication is more than making big words smaller and long sentences shorter. It's about translating complicated content into simple, accurate, and employee-oriented messages that are easy to understand, highlight the personal value of the benefits, and support the organization's business strategy. These are things content experts who are not stellar employee communicators are also unlikely to accomplish.

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Before you choose benefit communicators, test them. Ask them to provide an example of how they would communicate some of your technical content. If you cannot find the benefit communication skills you need in one person, try a team consisting of your employee communicators and technical content experts. But describe to the team members the high expectations you have for their work.

9. Require proof of improvement in employee appreciation. The benefit communicators you use should improve the employees’ appreciation of their benefits. Make sure the communicators have clearly outlined the measures they will use to prove their work added value by achieving that goal.

10. Show how your benefits “walk” the culture and brand “talk.” Read aloud your organization’s intended people strategies and values. Then look through the provisions of your benefit program to find what your benefits do to reinforce what your values say. For example, if your company says it values employee loyalty, the communication should highlight how your benefits reward and support loyalty. If your benefits are not aligned with the values – the say one thing (people strategy) and do another (benefit provisions) syndrome – you could be creating more employee cynicism than trust and appreciation. Communication cannot overcome a misaligned plan design.

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Paying more for rewards and getting less employee appreciation for them is an unacceptable business practice.

Much time and energy are being spent on controlling the rising benefit costs. But too little is being done to stem the rising employee dissatisfaction with their benefits. Communication tools are available to improve the situation – it’s up to benefits professionals to use them.



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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.

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