

Most Frequently Asked Questions About Flexible Benefits

by Dennis R. Ackley

A political candidate's ill-prepared response to an unexpected question can severely damage an otherwise promising campaign. That is why campaign staffers put a lot of effort into preparing for the unexpected. Organizations should do the same for a new flexible benefits campaign.

Better control of benefits costs may be the driving force in introducing a flexible benefits program, but enhancing employee relations should also be a key goal. Otherwise, why make the effort? To cut costs, employers can reduce benefits or increase employee contributions.

Organizations introducing flexible benefits enhance employee relations by providing employees with more benefits choices along with a benefits

education. Employers offer this education through a variety of instructional materials — booklets, videos, meetings, software programs, telephone enrollment systems, and a host of other techniques designed to help each employee make the “right choice.”

The benefits education turns employees into more sophisticated benefits consumers. Just like smart consumers, some employees will ask more, better, and, in some cases, quite detailed questions, and will expect ready access to the answers and information. This requires

employers to anticipate the questions — especially the complicated and sensitive ones — and to develop appropriate responses to them.

“Right Answers” Prevent Miscommunication

Employers on the road to flexible benefits should identify the potential potholes created by unexpected employee questions, concerns, or reactions. By knowing where these potholes

may exist, employers can smooth the route to flexible benefits. The specific actions they take to fill in or avoid the potholes must be based on the provisions of the new flexible benefits program and the employer's objectives, values, and culture.

A variety of sources exist to help develop a list of “right answers” to likely questions, such as books and articles on flexible benefits, as well as

flexible benefits consultants and benefits staff members at organizations that have “gone flex.” But some of the best “right answers” come from the people in the organization who are studying and planning the implementation of the flexible program — the benefits design and communication teams.

Employers should expect some of the questions that employees ask initially to have a bit of a harsh tone. In most cases, this is simply the reaction some employees will have as they are

“Just like smart consumers, some employees will ask more, better, and, in some cases, quite detailed questions, and will expect ready access to the answers and information.”

transformed from being passive recipients of benefits to active consumers. **Unfortunately, it takes only a few employees who believe they are not getting the answers they need — or are not satisfied with answers — to detract from what should be a positive employee relations effort.**

Because every flexible benefits plan is unique, there is no universal list of questions and answers. Each organization needs to develop its own list by identifying the questions employees are likely to ask. The following questions provide a starting point.

Seen One — Seen Them All

“Isn’t flex going to be terrible? The benefits choices my husband has in flex where he works are much worse than the coverage I have now, plus I’m going to have to pay a lot more.”

Or...

“Isn’t flex going to be terrific? The flex coverage my wife has from her company is much better than what I have now — especially the medical plan. And the company provides all the flex credits she needs to buy the best coverage offered.”

No two flexible benefits plans are the same. Organizations can try to avoid giving employees the wrong initial impression — either overly negative or overly positive — simply by giving the program a distinctive name. This helps employees understand that “flex” is not a universal program, but a framework for benefits. And within the framework, employers can design rich, modest, or even inadequate benefits choices and flexible credits. **Flexible benefits plans are not necessarily good or bad; the outcome depends on how employers have designed and funded the plans.**

Flex Will Make Us Rich

“When I heard we were getting flex benefits, I pulled out my benefits statement to see

how much I’m going to get paid for not taking the medical plan. It showed that almost \$4,000 was added to my total compensation for medical. I’ll enroll in my wife’s medical coverage from her company and use that \$4,000 as a down payment on a new car. How soon can I get the money?”

Or...

“My husband and I are in our fifties, so we don’t need maternity coverage. So why don’t you let me trade it in for something I need—like more vacation?”

No flexible benefits plan will meet these expectations. But employees will be disappointed unless the reasons are made clear as to why there are no big payouts. Employees need to learn that health care plan costs are directly related to the amount paid out in claims. People who have no claims generate no significant cost to the plan. If payouts are made for not taking coverage and those payouts exceed what the claims would have been, the overall cost of benefits goes up, which is probably not the employer’s goal.

Compare Choices to Needs

“That flex booklet you sent was fine. I understand all the coverage options. But you never gave me any information about how to figure out what I need. How should I decide if I need one-times pay life insurance, five-times pay, or more? Should I take the \$400 or \$600 deductible medical plan? How do I make the right choice if I don’t know what I need?”

Another goal for flexible benefits should be to achieve a high level of employee satisfaction with their choices — not simply did employees enroll, but did they believe that they made the best choices in light of their needs?

Organizations must go far beyond traditional benefits communication, which focuses on explaining the benefits coverage. **Flexible benefits communication should contain an education component that helps employees**

determine how much money they would need in case of serious illness, disability, death, and perhaps even retirement. Employees need help in thinking about the sources of money that already exist and how to evaluate risks before they can best decide which benefits option they need.

Straight Forward and Honest

“Isn’t this flex stuff just smoke the company’s blowing to hide the fact that it’s passing costs on to us?”

Organizations that only want to cut costs can do so by increasing employee contributions or reducing the benefits. They do not need to introduce flexible benefits to accomplish that goal. On the other hand, if the new flexible benefits program greatly increases the employees’ costs, the perceived value of making choices under flexible benefits is not likely to outweigh the employees’ pain in the pocket books. Consequently, employers should not tell them it will.

Actuaries vs. Accountants — The Numbers Don’t Add Up

“Your prices are wrong. On my form, you show that I can keep the \$500 deductible medical plan at no cost to me. It also shows I can pay 275 flex credits if I want to go down \$300 to buy the \$200 deductible plan. But if I’m willing to go up \$300 to take the \$800 deductible plan, you’ll give me only 75 flex credits. How can this be right?”

Explaining actuarial pricing of benefits options is a major challenge. Some employees are likely to ask questions about how the prices and credits were determined. Flexible benefits communicators should work with a group insurance actuary to develop an explanation of prices and credits. **Although the price-setting concepts are similar to those used in automobile insurance, the emotional concerns employees have regarding health care often overshadow the logical issues.**

One 10 lb. Bag, or Ten 1-lb. Bags or Twenty Pounds Altogether

“Why are you teasing us by sending out these little newsletters every other week? Are you holding back the bad news? Why don’t you give us the whole story?”

Or...

“Why did you send out a forty-eight-page booklet on the new flex plan? You know people don’t read any more. Give it to us in bite-sized pieces.”

Or...

“First you sent these bulletins. I read every one of them, but a lot of people didn’t. Now you send out this booklet. Did I waste my time reading the bulletins?”

There is no perfect solution. But an important consideration is the “I-didn’t-get-that-information” syndrome, which can occur when only separate bulletins are used. **Whichever approach is used—all at once, bits and pieces, or some combination — the employees should be told as part of the initial announcement what types of communication materials to expect and when they will receive them.**

Employees need to be told early in the introduction of flexible benefits that in order to make the choices that are best for them, they must learn about the choices. This process will require a major investment of time to study the benefits materials — something most employees have never done.

Predict the Future

“Just give me a “yes” or “no” answer—will the company give us enough credits next year to buy the same benefits as this year?”

Organizations that do not have flexible benefits programs are rarely asked if they will keep their contribution rate at the same level in the future. However, it is a common question from employees in new flexible benefits programs, and organizations should have a clearly stated answer — whatever it is.

Ask or Don't Ask, but Consider the Consequences

“If this new flex program is supposed to be something special for us, why didn't we have a say in how it was designed?”

“I heard the company held focus group meetings with employees but didn't use all the ideas. Some people who were in the focus groups said the new plan isn't what they said they wanted. Why didn't you use their ideas?”

Or...

“I filled out the benefits survey and even wrote in my comments saying I didn't want any cuts in the medical plan. But the company cut back the medical plan under flex anyway. Why?”

Before involving employees in the design process, organizations must carefully consider what information to provide to which employees, what questions to ask them, and what the organization intends to do with the information it receives from employees. Whether the organization decides to involve employees or not, employees deserve to hear the explanation.

Wasn't "One Size Fits All" Beautifully Simple?

“This benefits stuff is too complicated. It seems to me that if the benefits department was doing its job, it would boil this down to a couple of pages and a few charts. Why make us do all the work?”

Or...

“Why won't you just give us the straight answers — which benefits choices are the best?”

Or...

“Why do I have to fill out the form? Just let me check one box and get the same coverage I've got now.”

Or...

“I'm sure you can develop a spreadsheet program that will give us the bottom-line cost versus benefits analysis. It gets very complicated when I start comparing prices and credits with my wife's coverage. The coordination of benefits rules are hard to figure out — especially with health maintenance organizations and plans that have nonduplication of benefits rules. And I haven't even tried to figure out if buying life insurance through the plan and paying imputed income is a better deal than buying the coverage from an independent agent on an after-tax basis. Why don't you provide us with some computer program?”

In situations where employees have never before needed to understand their benefits to make enrollment choices, they may expect benefits to be a simple topic. Yet when employees start studying how to spend their flex dollars, some employees will want every last detail. Naturally, others will be satisfied with only a simple summary. **That's why some organizations develop multilevels of detailed materials. This way employees can select as much or as little detail as they believe they need — just like consumers.**

Who Pays for Past "Sins?"

“It's been unfair for so long. I'm single, and I know the married employees have been getting a better deal from the company. Now the company is giving more flex credits to employees who have dependents than to those of us who are single. How can this be fair or even legal?”

It is a challenge to defend and explain the historical, paternalistic roots of this common practice that provides more flex credits (thus more total compensation) to employees who have dependents. The reality of the marketplace is that many other employers competing for talented employees will continue to provide substantial subsidies to employees with dependents. As a result, organizations

introducing flexible benefits may need to continue the practice in order to compete adequately for and retain qualified employees who happen to have families.

A, B, or C May Be Too Simple

“For the last several evenings, my wife and I have been studying the three medical options you call A, B, and C. But each morning, I can’t remember whether A is higher or lower coverage than C. Why don’t you give the options names that reflect what the coverage is?”

Take a lesson from "Madison Avenue" and use simple mnemonic hints to help employees cut through the jargon and technobabble of benefits. Using names such as “high option” or “safety net plan,” rather than letters or numbers, will help employees remember during enrollment and throughout the year which options they selected.

Change When Your Needs Change — Maybe

“The booklet cover says I can change my flex elections as my needs change. But inside it says that next year I can’t change my dental election for two years, and I can’t change my mind and add dependents midyear. And if I don’t take medical coverage and my job ends or something else happens, I can’t have Consolidated Omnibus Budget Reconciliation Act coverage. Why do you call this flexibility?”

Don't let Madison Avenue-style hype or jargon slip into the description of the flexible benefits program — changes are limited. Even the name “flex” gives the impression that changes can be made readily. That was true several years ago. But more recently, many legal and technical changes have taken much of the flexibility out of flex.

Careful Preparation Eases the Change

In light of the general direction of benefits changes over the last few years, employees are bound to be somewhat skeptical of any new benefits program. This skepticism can grow as employees take on a new consumer-oriented role when evaluating their best choices in a flexible benefits program. But by developing communication techniques and materials that thoroughly and clearly address the expected questions and concerns, organizations can avoid most of the potential misunderstanding—smoothing out the path to flexible benefits and making the introduction of the new program a positive employee relations event.



This article first appeared in the May-June 1993 issue of *Journal of Compensation and Benefits*.

Copyright © 1993 by Dennis Ackley

Dennis Ackley

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.

For more articles about how to improve employee communication and retirement education, search the Internet for “Dennis Ackley communication.”