

## Employee Benefits Are Disappearing Before Your Eyes

Written by Jorge Aguilar  
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*The following was written by Ellen Chang and appeared on MSN Money*

Employers are slashing major medical plan options even more and shifting costs to employees, who must find alternatives such as opening health savings accounts.

Changes in benefits are occurring because 49 percent of companies said that controlling costs is their top business issue, compared with only 28 percent in 2011, according to a recent survey from Aflac, a Columbus, Ga., provider of voluntary insurance. The study surveyed 1,856 employers and 5,209 employees at small, medium and large U.S. companies and sheds light on how companies are dealing with health care costs and how it affects workers.

Employees found that they were paying a higher rate for health insurance with 14 percent of businesses that reduced the number of major medical plan options, 56 percent that increased employees' co-payments and/or employees' share of premiums in 2013 and 19 percent of companies that implemented a major medical plan with a high deductible (over \$1,000) and a HSA as an alternative to a traditional medical plan.

"For four consecutive years, we have witnessed this growing trend and can foresee the possible ramifications for the U.S. workforce," said Teresa White, chief operating officer of Aflac Columbus. "When businesses make changes like delaying pay raises and increasing major medical deductibles and out-of-pocket costs, they can further destabilize the precarious financial position of many employees."

Companies are not only cutting back on medical plans, but also reducing other benefits with 32 percent of businesses who eliminated or delayed raises, 22 percent who eliminated or cut back on benefits and 21 percent who changed some full-time workers to part-time workers.

One option for employees is to purchase voluntary insurance policies such as accident, critical illness, hospital and disability for added protection, said Matthew Owenby, vice president of human resources for Aflac. Voluntary policies are designed to help pay for out-of-pocket expenses that can be associated with the rising cost of health care. "The cash benefits of voluntary insurance can be used for rent, gas, groceries, child care or other out-of-pocket

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expenses," he said.

Since the trend of shifting health care costs to employees is not on track to slow down, employees need to be "accountable," said Owenby. Workers need to be more involved in managing their health care by making the steps necessary to start saving and reducing debt more, determine how health care costs and spending fits into an overall financial plan and meeting with an insurance provider to ensure all aspects of the policies chosen are understood, he said.

"Many employees will face benefits decisions later this year," he said. "Before they sit down and rush through the process, they first have to take a step back and do their homework."

Many employees are not prepared to pay for an out-of-pocket expense stemming from an unexpected serious illness or accident with 42 percent who say they are not at all/not very prepared to pay for those expenses. A majority of people cannot pay for a major expense with 49 percent who can pay less than \$1,000 and 27 percent who can pay less than \$500. Only 26 percent have enough savings to pay for out of pocket expenses ranging from \$1,000 to \$5,000 and 25 percent who can pay over \$5,000.

In event of an unexpected serious illness or accident today, 56 percent of workers would pay for expenses from savings while 32 percent would rely on credit cards, 39 percent would borrow from their 401k or friends and 14 percent who are not sure.

Workers who do not have significant savings probably should not choose the benefit options with the highest deductible, Owenby said.

"It may make better sense to choose a slightly higher premium that is paid over time rather than a large, unmanageable lump sum," he said.

Cost-shifting to employees will continue with the number of workers covered by high-deductible health plans quadrupling from 5 percent in 2007 to 20 percent in 2014, according to the Kaiser Family Foundation.

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Employees should check with their HR department to see which options are available since the company may provide its own private exchange or portal for employees to explore health insurance options, including accident, disability, dental and vision, said Carrie McLean, director of customer care at eHealth.com, an online health insurance exchange based in Mountain View, Calif.

If the employee share of the premium is increasing, your employer may be offering a HSA plan since those often have lower premiums.

"For younger, healthier employees, this may be a good option as you contribute money pre-tax into your HSA," she said. "Some employers may also match contributions to a certain limit. By building up funds in your HSA, you can cover that high deductible in case of an emergency or even everyday out of pocket medical expenses such as office visits, co-pays and prescription drugs."

The advantage of HSAs is that the unused funds roll over each year and any remaining money can be used for retirement after the age of 65. People who buy coverage on the public health insurance exchanges are especially good candidates, since most of the purchased plans (including silver and bronze plans under the Affordable Care Act) are high-deductible plans. A high deductible is defined as at least \$1,250 for an individual and at least \$2,500 for a family.

With the new healthcare reform, there are many free preventative services that consumers can take advantage of such as screenings, annual exams and vaccines, said Kim Davis, senior vice president at NFP HR Service, an Austin, Texas benefits solutions company.

Before signing up for a surgery, employees should research the procedure, medications, physicians, and even which hospitals should be used since it can "potentially save you thousands of dollars," she said.

"Just accepting what your physician says, you should do means you could be giving away money saving options," Davis said. "Things like X-rays or MRIs, knee replacements, and brand/generic drugs can cost you substantially less if you take the time to shop for the best deal

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