

# BENEFIT

## *Plan Developments*



A report covering plan design and legislative changes

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## Work-Life Programs Help Companies Attract And Retain Talent

Human resources professionals are increasingly reporting that work-life programs, such as flex-time, telecommuting, and dependent care assistance, are influencing employees' decisions about whether to take a job or remain with an employer, according to a survey on the prevalence and perceptions of benefit programs conducted by WorldatWork, a non-profit association of benefits professionals.

The survey of 649 U.S.-based members of WorldatWork showed that, of the 62% of respondents who indicated that their organization has a telecommuting program, 85% believe that this benefit has a high or moderate impact on retention, and 76% believe that offering the telecommuting option has a high or moderate impact on attraction. Of the 82% of respondents whose

companies offer flex-time, 92% consider this program to have a high or moderate impact on retention, and 84% believe the availability of flex-time has a high or moderate impact on attraction.

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In addition, a majority of the benefits professionals surveyed whose companies offered compressed workweeks and part-time schedules agreed that these benefits have a high or moderate impact on both retention and attraction. Meanwhile, a majority of respondents representing organizations offering job sharing and phased retirement rated these programs as having moderate or high impact on retention, but not on attraction.

Compared with work-life programs, providing dependent care services has a less significant, but still noticeable, impact on attraction and retention, the survey showed. Of those respondents whose organizations offered dependent care programs, on-site childcare was rated as having the most positive influence on attraction and retention, followed by emergency back-up dependent care, dependent



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care referral and resource services, and mother's privacy and lactation rooms. Moreover, around three-quarters of those respondents representing employers that offer maternity leave, as well as about half of those whose companies offer paternity leave, thought these benefits have an impact on retention and attraction.

"Most organizations offer a wide array of benefit and work-life programs to attract and retain employees," the report's authors noted. "Many of these programs are highly valued by employees. The perceived value by employees is essential for a total rewards strategy to be successful."

While observing that paid vacation time and medical plans topped the list of benefits rated as having a high impact on attraction and retention, researchers pointed out that defined benefit plans, flex-time, and telecommuting were also considered to be high impact programs by benefits professionals. "In today's workforce," the authors asserted, "many attraction and retention programs can be the differentiator that gives an organization the advantage in the war for talent."

## Employees Place High Value On Workplace Health Care Benefits As Costs Escalate

Amid growing concerns about the rising cost of health care and the potential barriers to obtaining insurance coverage, workers with access to employment-based health plans appear to value medical benefits above the actual dollar amount that employers contribute to the plans, an annual survey on health confidence conducted by the Employee Benefit Research Institute (EBRI) revealed.

The survey of 1,000 Americans ages 21 and older showed that, of those respondents with employer-provided

health care benefits, 76% would choose \$7,500 in employer-provided health benefits over an additional \$7,500 in taxable income. When the respondents who told researchers they preferred health benefits to additional income were asked how much taxable income they would need to be offered before they would be willing to give up coverage, the median response was \$12,000.

Of those survey participants who currently have employer-provided coverage, 54% said they are not confident that they would be able to obtain insurance coverage if their employer stopped offering a health plan, but instead gave them the money the company currently contributes to the workplace plan to purchase their own insurance policy on the individual market.

When asked if they would wish to continue to receive their current level of health insurance coverage from their employer, even if a portion of the premium were taxed, 62% of respondents with employment-based insurance said they would choose no cut in benefits, while 27% of this group indicated they would prefer to reduce the level of coverage.

Among all the adults surveyed, 91% expressed support for a legal mandate that all larger employers provide and contribute to health care benefits for employees. Some 42% of respondents said they believe that all employers, regardless of size, should sponsor and contribute to an insurance plan. An additional 18% of respondents said they support requiring employers with 30 or more workers to provide health benefits, 12% agreed that employers with at least 50 workers should be required to sponsor a plan, and 10% indicated they support a mandate that all companies with at least 100 workers provide coverage.

Results of the survey further showed that 63% of respondents with health care coverage experienced an increase in the size of their insurance contributions over the past year. Of those respondents who have seen their health care costs rise, 81% said that increased costs have motivated

them to take better care of themselves, 78% said they choose generic drugs more often, 66% reported talking to their doctors more carefully about treatment options and costs, 64% indicated they go to the doctor only for treatment of more serious conditions or symptoms, 50% reported delaying visits to the doctor, and 28% said they have not filled prescription medications or skipped doses of prescription medications.

When asked for their views on the costs associated with health insurance, 18% of the adults surveyed indicated they are very or extremely satisfied with the costs, 28% said they are somewhat satisfied with the costs, and 48% said they are dissatisfied with the costs. When asked whether they believe the American health care system should be reformed, 47% agreed that some major changes are needed, 24% said only minor changes are required, another 24% told researchers the system should be completely overhauled, and just 3% said no changes are needed.

“These results show the impact of rising health care costs is widespread and growing,” said Dallas Salisbury, EBRI president. “Previous surveys showed rising health care costs were affecting the household finances of many Americans. This year we learned that costs also are influencing how much individuals use the health care system, even to the point of delaying care when that could be harmful. Thus, it should be no surprise that the overwhelming majority of Americans are not satisfied with the costs of health insurance.”

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## 401(k) Plan Sponsors Adding Automated Features

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As the trend among employers toward automatically enrolling employees in 401(k) plans gathers momentum, many retirement plan sponsors are also adopting additional automated features de-

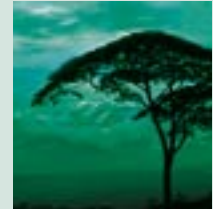
signed to help workers prepare more effectively for retirement, a study released by human resources consultancy Hewitt Associates concluded.

The biennial survey of more than 300 mid- to large-sized companies offering 401(k) plans found that 34% of the 2007 sample are automatically enrolling employees, up from 19% in 2005. Of those respondents using automatic enrollment, 77% reported that 401(k) plan participants are defaulted into a diversified portfolio that includes target maturity or balanced funds, up from 39% in 2005.

The survey also found that 83% of employers with default features set the default contribution rate at 3% or higher in 2007, compared with 66% in 2005. Results further indicated that 28% of 401(k) plan sponsors used contribution escalation in conjunction with automatic enrollment in 2007, with more than 40% of these companies escalating participants to target rates of between 8% and 15%.

Meanwhile, just 25% of the 401(k) plan sponsors surveyed told pollsters they view a high participation rate as the primary measure of the success of retirement plans, down from 43% in 2005. According to researchers, this finding suggests that many employers no longer judge the success of their retirement plans by participation rates alone, but also by the plan's ability to facilitate the building of retirement wealth.

“It's obvious that today's employers understand that the majority of their employees take a back seat in managing their retirement,” said Pamela Hess, director of retirement research at Hewitt Associates. “As a result, they are shifting their priorities from basic enrollment to quality enrollment. Employers are helping their employees obtain sufficient retirement income by picking more appropriate default contribution rates and investment funds, and coupling automatic enrollment with other automated tools that force employees to save and invest more wisely.”




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## Paying For Testing In Advance Encourages Preventive Care

A health care plan in which members pay in advance for preventive tests may be more effective in encouraging positive behavior than standard health care plans or plans that pay the insured for attending screenings, according to researchers Dan Ariely and Janet Schwartz of Princeton University's Institute for Advanced Studies.

In an online survey conducted by Survey Sampling International (SSI), 1,000 participants were randomly assigned to two groups. Half were asked to review a "prepay" plan, in which the insured pays a monthly fee of \$85, but also prepays the co-pays for routine tests and screenings. For example, the insured might prepay \$15 for a routine physical, \$25 for routine blood and urinalysis tests, \$15 for a mammogram, and \$10 for life-saving or life-extending medications. Under the prepay plan, participants are reimbursed if they go to their scheduled appointments but forfeit the prepayments if they miss the appointments.

The second group was asked to consider a "payback" plan, in which the insured pays a monthly fee of \$125 and the insurance company pays the insured to take important health tests and screenings. The insurance provider may, for example, pay the insured \$50 for attending a routine physical, \$50 for taking routine blood and urinalysis test, \$100 for attending a mammogram screening, and \$10 per medication for filling prescriptions for life-saving or life-extending drugs.

Both groups were asked to compare the attractiveness of the plans with that

of a standard insurance plan, under which the insured pays a monthly fee of \$85, as well as co-pays for tests, screenings, prescriptions, and doctors' visits.

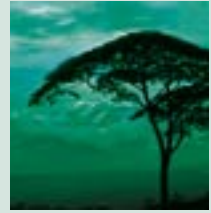
Among the study's objectives, Ariely explained, was to find out whether people would be willing to sacrifice money to gain control over their lives. "Would they be willing to pre-pay \$250 for a colonoscopy and get the money back if they show up on time for the procedure? They are risking losing the money by pre-paying. We wondered if pre-paying could motivate people to get the preventive care."

Results of the survey showed that, of those who were offered the choice of a standard plan or a payback plan, 58% preferred the standard plan and 42% preferred the payback plan. But, of those who were asked to choose between a standard plan or a prepay plan, 56% selected the prepay plan, while 44% preferred the standard plan.

Commenting on the survey results, Schwartz said, "This suggests to us that people like the element of self-control. Payback is nice and reduces some of the negative emotion produced by having to pay for things that are unpleasant, but it's not really enough to make the plan more attractive than the standard plan."

By contrast, Schwartz noted, "pre-payment confronts two issues: one, that people shouldn't have to add the 'pain' of financial loss to the discomfort of having tests; and two, that the prepay plan addresses the issue of self-control. 'If I don't go for my mammogram, I lose \$50.'"

The finding that people tend to prefer the prepay plan to the payback plan, Schwartz said, "suggests that people are more attracted to plans that will motivate behavioral change and self-control than to pure economic incentives to engage in routine preventive care."



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