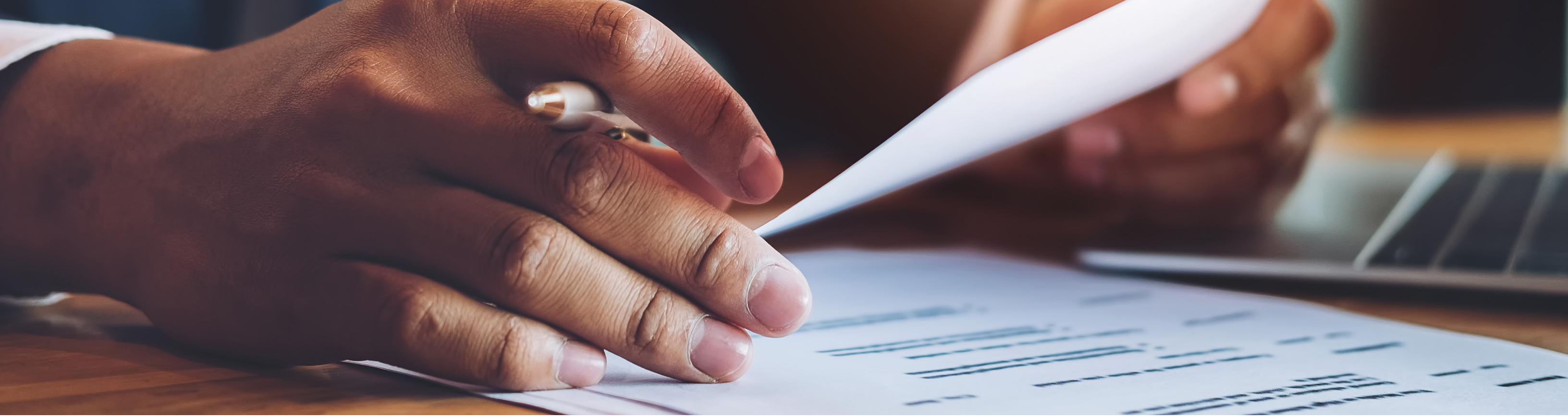
Brown & Brown

WHITE PAPER

The Evolution of Voluntary Benefits:

What's Next?



The voluntary benefits menu has significantly expanded, and these plans are in high demand. In fact, employees expect to see them in their employer's benefit offerings. A growing number of group carriers are offering these plans, providing more financial transparency. Claim integration with core plans is becoming more prevalent.

This evolution brings the following questions:

- What is the future state of voluntary benefits? What should it be?
- Will there ever be full transparency?
- Will alternative funding arrangements have more market share in the future?
- What impact will AI bring?

The Evolution of Voluntary Benefits

In the 1990s, voluntary benefits were considered a low value offering or an afterthought. Limited carriers offered these benefits, which primarily covered a handful of specific accidents and conditions. Products were also individually underwritten.

Voluntary benefits gained popularity in the 2000s and were viewed as a "nice to have" benefit. More carriers entered the market, and available products offered some incremental plan enhancements, with new types of coverage entering the payroll deduction space. However, the loss ratios were mainly in the carrier's favor. Some exceptions were cancer plans and long-term care insurance, many with no policy maximums for treatment and care. These plan types experienced extraordinary rate instability, sending many carriers into a spiral.

1990s

- Low value
- Afterthought
- Limited carriers & product
- Specified disease policies
- Individual plans

2000s

- Secondary perk
- Nice to have
- Plan design enhancements
- More carrier options in market
- Rate instability
- Loss ratios in favor of carriers

2020s

- High demand
- Group carriers enter space
- More transparency
- Claim integration options

Future State

- Integral part of benefit strategy
- Connected claim experience
- Higher utilization
- Full transparency
- Alternative funding arrangements

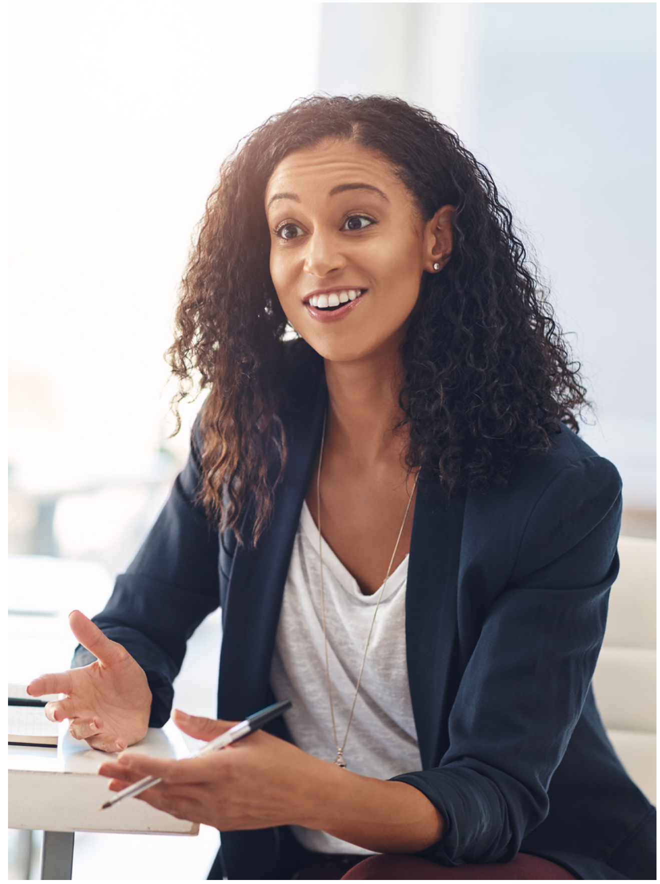
Establishing Mutual Value

What are your priorities when considering voluntary plans? Some employers want to provide the most robust plan at the lowest cost with ongoing program management, allowing for enhancements and/or premium decreases as warranted. Other employers believe connecting voluntary benefits with core plans, such as disability and medical, will simplify their employees' claim experiences and thereby increase value.

Another concept for deliberation is alternative funding arrangements, such as Participating Plans or Captives for voluntary plans. These relatively newer solutions can drive funds to other ERISA benefits when there is a surplus that can be shared back with the employer.

Where does employee satisfaction rest, and how is it best achieved? Perhaps by offering a large menu of benefits that meet the employees' life stage needs.

Finally, how are the benefits delivered? Are they best supported on/off-ballot, year-round or during annual open enrollment? Will it be passive or active?



Plan Provisions & Cost

- Carrier Negotiations
  - » Program management allows for ongoing benefit enhancements/premium decreases as warranted

Connected Benefits

- Claim Integration
  - » Simplified claim payouts vs employee responsibility

Alternative Funding Arrangements

- Par/Captives
  - » Surplus, if any returned to employer to support ERISA programs

Employee Satisfaction

- Greater Choice
  - » Large menu of benefits that meet the employees' life stage needs

Enrollment Strategy

- Benefit Delivery
  - » On/Off Ballot, Evergreen/AOE, Active/Passive

Claim Integration

Historically, claims for voluntary benefits have been a challenge. Is that changing with claim integration?

In the past, these plans offered a disconnected, separate claim filing experience. Carriers began conducting cross-policy checks within their own suite of products to allow a person who had an accident claim and a hospital indemnity claim to review and process claims on both plans.

Voluntary benefits are becoming more integrated with medical, disability and leave. This results in reminders to the insured that they may be eligible for benefits and how they can take action to assist in filing for benefits. Some carriers have expanded to full auto-payments, allowing voluntary benefit claims to be paid without employee involvement.

What will the future bring? Is the end goal to be fully integrated with core plans, providing 100% claim payout? If so, how will this impact premium, experience and, ultimately, employee satisfaction? What concerns are there with sharing medical and disability claims data?

Past, Present and Future of Claim Integration

Past

Disconnected benefits, separate claim filing experience – cross policy checks within own suite

Present

Becoming more integrated with medical, disability and leave. Reminders vs auto pay

Future

Is end goal to be fully integrated, 100% claim payout? What impact will this have on premium and employee satisfaction?

When considering claim integration, whether connecting to medical, leave or disability plan experience, there are a few key factors that should be weighed. Timely data, the cadence of file delivery and how data is shared for submitted or settled core claims can be critical in generating the most positive outcomes. For example, if data is not shared until the original claim is settled, it could, in fact, delay the voluntary claim.

If nudges or notifications are utilized, ensuring the information within the messaging is meaningful and informative is very important. To have an impact, notifications should include a date of service and provider name to resonate with the insured, thus allowing them to connect the event to their voluntary coverage.

Timely data, the cadence of file delivery and how data is shared for submitted or settled core claims can be critical in generating the most positive outcomes.

Another consideration is that when there is integration with disability, only the employees will experience the lift, not their dependents.

Finally, making sure the integration is compliant is critical. Some carriers and employers use a HIPAA agreement and require nothing of the employee. Others feel employee opt-in/opt-out at the time of enrollment is necessary. If a customer chooses an employee action, there needs to be a determination around how often the capture is required—once at the time of initial enrollment only, at the time of claim, every six months or annually.

On average, based on our customer experience when claim integration is utilized versus a traditional method, we see an uptick of paid claims with approximately 16 times higher accident benefits, nearly 2.5 times higher critical illness and a little over 8 times higher hospital indemnity claims paid.

Auto-adjudication or auto-submission is proving 81 times higher incidence than when no integration is in play.

Funding Arrangements

Alternative funding arrangements have grown in popularity over the last few years to help maximize a plan's value by combating historically low utilization of voluntary benefit plans.

We polled carrier partners and found that 99% of all supplemental medical plans are fully insured while Captives and Participating Plans make up less than 1% of their collective books of business.

In order for Captives and Participating Plans to be successful, the participation and premium flowing into the plans must be higher than average and that usually means enrolled alongside core medical at annual open enrollment.

Fully Insured Plans

Traditional, carrier administered voluntary products – all risk to carrier

Participating Plans

Transparent, targeted loss ratio – risk shared between employer and carrier

Captive Arrangement

Targeted loss ratio. Pooled or single employer cells – carrier assumes risk

Vision

Vision is often the most overlooked voluntary plan in the benefits menu. Many new strategies are available to help employees manage out-of-pocket expenses, and offering digital solutions is gaining popularity with employers.

Traditional vision insurance is still the most prevalent benefit. However, with the rising cost of materials and screenings, some employers are finding the digital solution a very attractive addition. Offering the two side by side can provide greater choice and allow employees to lower their overall spending on vision materials. Finally, employees with 20/20 vision can elect a digital, materials-only plan for sunglasses, computer glasses, etc.

Regardless of the solutions currently offered, we recommend program evaluation on a regular cadence to ensure it is performing optimally.

About the Author

Susan Elder, *Senior Director of Voluntary Benefits*

Susan is a product leader and subject matter expert for Voluntary Benefits & Technology Solutions. She and her team are responsible for identifying, assessing, and implementing effective VB programs that help employers attract and retain employees.

Susan joined Brown & Brown, SNS in 2021. Prior to joining our team, Susan served as the VB Operations & Enrollment Leader at Willis Towers Watson. Previously she held various leadership roles with several "A" rated insurance carriers such as Voya, Transamerica, Humana and Allstate, providing oversight of VB sales, account management, case implementation and enrollment solutions. Susan has over 20 years of experience in employee benefits with a primary focus on voluntary benefits.

Susan holds a Life and Health license as well as a Property and Casualty license in the state of Florida and is an active volunteer in her community.

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