



Successful CDHPs: Presentation with Voluntary Benefits Means Everything

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Consumer-driven health plans are now the second most common health plan offered by employers, surpassing HMO plans by 20%.¹ With the ever-rising cost of healthcare and looming effects of healthcare reform, employers are continuously finding CDHPs appealing as a cost-efficient form of health insurance. Even with their low premiums, CDHPs still face some criticisms for high deductibles and employee out-of-pocket expenses.

Overcoming the critics and selling a successful consumer-driven health plan means that presentation is everything—that is, presenting your CDHP with other lines of coverage. Offering clients consumer-driven plans combined with voluntary benefits can provide the elements for a positive CDHP enrollment. Supplemental benefits and an effective employee-education strategy will help ensure a favorable outcome by contributing to these four key areas: employee communications and engagement, gap coverage, client satisfaction and retention, and your agency's revenue.

Increase Communication Opportunities and Employee Engagement

Employees often require extensive communication and education when introducing CDHPs, just to understand how the plans work, especially when used with a HSA or HRA. Understanding CDHP benefits is essential for employees to take an active role in making their healthcare decisions and controlling their healthcare costs.

Supplemental benefits will typically streamline the education process by following a logical order and adding to the overall explanation of the CDHP, compared to isolated information on several lines of coverage pushed toward employees. During enrollment, benefit professionals can elaborate on how voluntary products can protect an individual financially while improving employees' comprehensive understanding of a CDHP and its benefits.

Provide Gap Coverage

The majority of CDHP offerings are accompanied by either a HSA or a HRA to help balance employees' out-of-pocket cost from high annual deductibles and out-of-pocket maximums. Compared to traditional health plans, however, CDHPs do not always provide robust coverage for some serious or critical medical events, leaving employees responsible for large medical bills.²

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Voluntary benefits, such as accident, critical illness, cancer and disability plans, can provide gap coverage for serious medical conditions that could leave employees financially vulnerable, if covered by CDHPs alone. A 2011 Benefits and Behavior study revealed that 57% of employees would enroll in a CDHP if additional coverage for serious medical conditions and illnesses were offered. Accident, critical illness and similar coverages are especially attractive and complementary to CDHPs, providing lump-sum cash payouts for unexpected yet serious accidental injuries and covered medical conditions.

It is important to note that a variety of voluntary benefits may enhance a CDHP, however, not all employees will consider the entire supplemental package. For example, a 20-something-year-old employee may not find critical illness and cancer coverage as useful as a 40-something-year-old employee does. However, if the younger employee has a family history of cancer, he or she may opt for the additional benefits.

Increase Product Satisfaction and Client Retention

A solid benefit offering can increase an employee's job satisfaction and the company's productivity. Based on the same general principle, a CDHP plan bundled with supporting voluntary benefits can increase your clients' satisfaction and keep them returning to you for renewal time after time. According to an Aon Hewitt survey, 26% of employers responded that offering supplemental or voluntary benefits and establishing a communication strategy contributed to their CDHP enrollment success. Client and product satisfaction also increased among CDHP offerings accompanied by voluntary benefits.

Replace Loss Revenue

Healthcare reforms are directly reducing commission rates for brokers. Forbes reported that agencies have already started downsizing staff to compensate for lack of cash flow to cover their overhead costs.³ At first glance, CDHPs may not seem to be an answer for replacing lost revenue. After all, low premiums do not promise a high commission percentage. But a CDHP package featuring voluntary benefits will return a healthier commission.

The outlook is even rosier when you consider current market conditions: Only six percent of employers offering consumer-driven plans also offer voluntary benefits. However, 42% of employers offering consumer-driven plans are considering supplementing within the next few years, according to Aon Hewitt. Some brokers and agents have already recognized this demand and are adjusting to the environment. LIMRA reported 44% of agents and brokers surveyed anticipate an increase in offering multiple products to their clients within the next year.⁴

In keeping with the spirit of consumer-driven plans and the law of supply and demand, there is a clear demand for voluntary benefits as the market for CDHPs expands. Embrace the opportunity and supply it. **HIU**

1 Aon Hewitt (2012). 2012 Health Care Survey.

2 Song G. Yi, (2010). *Consumer-Driven Health Care: What Is It and What Does It Mean for Employees and Employers?* Compensation and Working Conditions. Bureau of Labor Statics. October 25, 2010.

3 Nigam Arora, (2012). Insurance Agents Lose Job Security with Obamacare Ruling, Forbes. June 29, 2012.

4 Mary A. Boyce, FLMI (2012). Cross-Selling Practices (2012 Panel Report), LIMRA. September 11, 2012.