Introduction to Supplemental Benefits

LEVERAGING PRACTICAL AND COST EFFECTIVE MEASURES TO ATTRACT, MOTIVATE AND RETAIN EMPLOYEES
Welcome!

Thanks for joining us today!

I am excited to announce we have 2 special guests joining us for this webinar. They are experts in supplemental benefits and will participate in discussing various supplemental benefits as well as being available after to discuss them further.

Please welcome Oscar Fregoso and Chrissy Weston!
The Employment Landscape

Attracting, motivating and retaining employees is difficult enough for employers.

With the Affordable Care Act, extraordinary increases in minimum wage, mandatory paid time off laws, and other increasing costs of doing business, employers are forced to find creative methods to find and keep employees…without adding to the costs.
The Research

According to a study conducted by Guardian, 4 out of 5 employees say that benefits are the deciding factor when it comes to accepting a job and staying in their current company.

This means that employers have to rethink how they will approach workplace benefits.
The Impact of the ACA “Obamacare”

Employers and employees have felt the sting of the impact of the ACA. ALEs are required to offer healthcare benefits…covering costs for premiums for anything about 9.56% of the employees wages.

This is forcing many to offer Bronze plans to soften the blow of the costs. Non-ALEs offering healthcare reimbursements now receive penalties after July 2015 if they continue the practice.

 Employees with Bronze and even some Silver plans are facing more out of pocket expenses than ever.
2015 Average Premium Cost

The 2015 average cost for an employee’s group health insurance:

Employee Only $6,251 per year / $521 per month

Family $17,545 per year / $1,462 per month
Estimating the Costs

Employee works 30 hours per week at $10.00 per hour.
Annual wages = $20,800
Employer Taxes, WC = $2,500
Paid Sick Leave = $240
Average Annual Premium = $6,251
Max Employee Cost = $1,988
Employer Cost = $4,263
Cost Per Employee = $27,803

Annual Employer Healthcare Costs
- 10 Employees ~ $42,630
- 25 Employees ~ $106,575
- 50 Employees ~ $213,150
- 100 Employees ~ $426,300
The Alternative

So…what if there was an option for employers that:
Was no cost to the employer…
Added tremendous benefits and value to employees…
…and even had the chance to lower employer tax liability.

There is one…supplemental benefits
Supplemental Benefits

Also known as “voluntary benefits”.

Provide employees with a financial safety net in areas such as accidents, disability, hospitalization, critical illness, dental, vision and retirement.

Provide protection against lost income.

Provide financial security.

Reduce out of pocket expenses.

….create peace of mind.
Benefits of Supplemental Plans

No cost to the employer.

Cost effective for the employee.

Average savings of 7-8% of the FICA taxes.

Pre-tax plan savings for employees with many benefit plans.

Helps cover such aspects as out-of-pocket expenses, deductibles, copayments, coinsurance, and lost wages.

Most plans can be offered with or without corresponding medical plans.

Potentially reduces workers’ compensation abuse and absenteeism.

Increase employee satisfaction and loyalty.
## Example of Employer Savings

<table>
<thead>
<tr>
<th>NO CAFETERIA PLAN</th>
<th>WITH CAFETERIA PLAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>$500K annual payroll</td>
<td>$500K annual payroll</td>
</tr>
<tr>
<td>- $0 employee contributions</td>
<td>- $30K employee contributions</td>
</tr>
<tr>
<td>= $500K taxable payroll</td>
<td>= $470K taxable payroll</td>
</tr>
<tr>
<td>FICA 7.65%</td>
<td>FICA 7.65%</td>
</tr>
<tr>
<td>= $38.2K employer tax</td>
<td>= $35.9K employer tax</td>
</tr>
</tbody>
</table>

$2,295 Employer FICA Tax Savings
## Example of Employee Savings

<table>
<thead>
<tr>
<th>NO CAFETERIA PLAN</th>
<th>WITH CAFETERIA PLAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,000 gross pay</td>
<td>$1,000 gross pay</td>
</tr>
<tr>
<td>-$250 taxes</td>
<td>-$100 insurance premium</td>
</tr>
<tr>
<td>= $750 paycheck</td>
<td>= $900 adjusted gross income</td>
</tr>
<tr>
<td>-$100 insurance premiums</td>
<td>-$225 taxes</td>
</tr>
<tr>
<td>= $650 net spending</td>
<td>= $675 net spending</td>
</tr>
</tbody>
</table>

$25 Employee FICA Tax Savings
Important Notes About Supplemental Benefits

Supplemental benefits are not ACA compliant on their own…they help fill in the gaps.

They do not replace primary health, vision and dental plans…they supplement them.

They are not intended to be comprehensive coverage…they help reduce the costs of out-of-pocket expenses and certain losses.
Introduction to Different Types of Supplemental Insurance Plans
Accident Insurance Benefits

Provides benefits for:
- Emergency treatment
- Specific-sum injuries
- Accidental death
- Initial hospitalization
- Hospital confinement
Short-Term Disability Benefits

Selection of:
◦ Monthly benefit amount
◦ Elimination period
◦ Benefit period

Guaranteed renewable to age 75
Benefits paid directly to covered individual
Benefits paid regardless of any other insurance
Hospital Insurance Benefits

Benefits provided for:
- Hospital confinement
- Emergency room
- Doctor visits
- Surgical
Critical Illness Insurance Benefits

Pays a lump sum benefit up to $30K for a critical illness event such as heart attack, stroke, coma, paralysis, major human organ transplant, end-stage renal failure.

Pays a benefit for a recurrence of the same critical illness event or an occurrence of a different critical illness event with no lifetime maximum.
Cancer/Specific Disease Insurance Benefits

Benefits provided include:

- Initial diagnosis
- Hospital confinement
- Radiation and chemotherapy
- Surgery and anesthesia
- Ambulance, transportation and lodging
- Cancer wellness
Life Insurance Benefits

Can provide up to $250K of whole life or term life insurance
Waiver of premium benefit
Accelerated death payment
Optional spouse and child term life insurance riders
Optional accidental death benefit rider
Vision Insurance Benefits

Benefits include:
- Eye examinations
- Vision correction
- Specific eye diseases
- Eye surgery

No network restrictions
Dental Insurance Benefits

No network restrictions
Portable
Guaranteed renewable
Easy to understand
Pays regardless of any other insurance
No deductible
A Couple Important Things to Keep In Mind

Health insurance costs continue to rise and employers are being forced to implement Minimum Essential Plans that result in significant costs to employees.

Employees are realizing that with the ACA changes to healthcare coverage, they are experiencing higher deductibles and co-pays…thus looking and needing ways to cover the gaps created by those increases.

To address this growing challenge, it is estimated that 48% of small businesses will be making supplemental benefits available to their employees through a payroll deduction within the next 24 months.
QUESTIONS
Thanks for Attending

For a copy of today’s presentation or to listen to our webinar again, please visit www.bpscllc.com (Webinars tab, Past Webinars subtab).

If you would like to have one of our trusted partners from AFLAC contact you to set up a 15 minutes overview of supplemental benefit options and value, please visit www.bpscllc.com/supplemental-benefits.html or chat your name, company name, email and phone number.

You can also reach Chrissy Weston directly at 818-359-4995 or Christine_Weston@us.aflac.com.

For your HR, employment law and compliance needs, please feel free to contact our experts at 661-621-3662 or 1-844-322-300 OR email us at services@bpscllc.com.