



At-A-Glance Guide from
Empyrean Benefit Solutions

May 2018

2018 Benefit Trends Report *from* Empyrean

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INTRODUCTION

As the demographics of the modern workforce continues to change, companies must keep ahead of a curve that continues to increase in complexity, options, and demands — and employee benefits remain a key part of employers' success strategies.

Financial wellness is fast becoming a critical element of today's offerings, right alongside employee wellness and traditional coverage. Benefit leaders are being forced to constantly shift their thinking as employees demand a more holistic approach to best address their overall wellbeing.

Employees from each of the five generations that comprise the current workforce — Gen Z, Millennials, Gen X, Baby Boomers, and the Silent Generation¹ — require the right experiences, tools, and guidance to understand the complex dynamics of their health and wealth benefits.

Proactive employers are positioned to drive greater success by being *broader and more inclusive*, ultimately enabling participants to develop personalized paths towards security and satisfaction.

Leveraging smart technology and partnerships will be increasingly essential as HR works to examine the needs of their diverse populations and offer options to meet those different needs.

* The five generations in the workforce are traditionally defined as:¹

Generation Z - born in or after the mid-1990s

Millennials - born in the mid-1980s to early 1990s

Generation X - born in the mid-1960s to early 1980s

Baby Boomers - born in the late-1940s to early 1960s

The Silent Generation - born in the late 1920s to mid-1940s

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Empyrean Benefit Solutions**

**This At-A-Glance
examines the latest
benefit trends to help you
analyze and improve your
offering, enhance your
employee experience, and
optimize your strategy for
better benefits outcomes.**

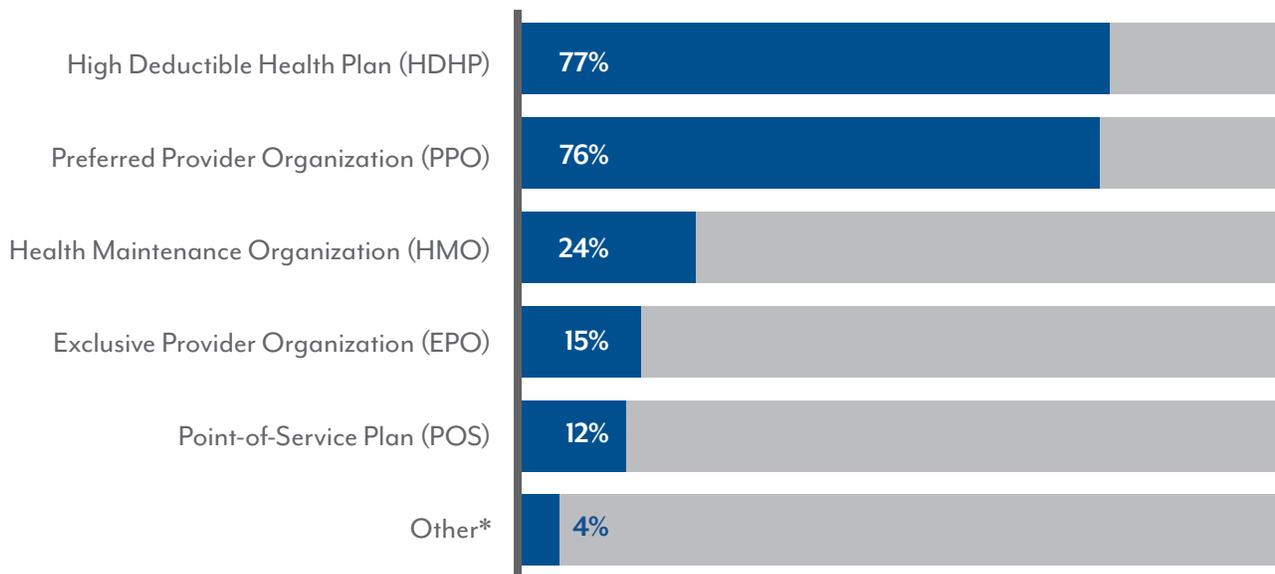


1 | Health Care Benefits

HDHPs and PPOs are the Most Popular Plan Options

High deductible health plans (HDHP) and preferred provider organization (PPO) offerings make up the vast majority of employee health coverage options, **with 99% of companies offering at least one of these types of plans.**

FIGURE 1
Health Plan Types Offered by Employer †



† Multiple responses were selected where applicable, enabling total percentages to exceed 100%.

* Includes Health Reimbursement Arrangement (HRA) plans, on-site clinic plans, Medicare supplements, and indemnity plans.

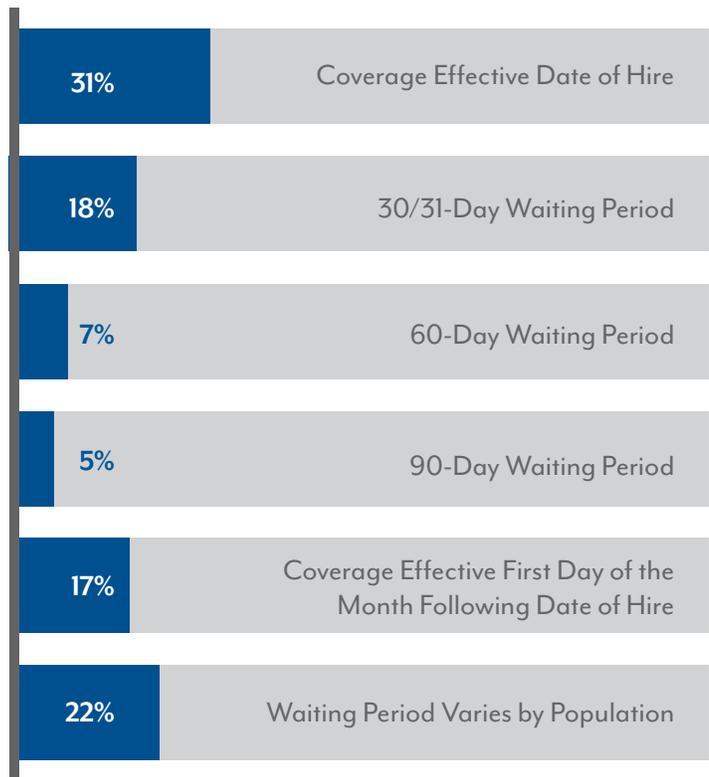
1 | Health Care Benefits, *cont'd.*

And plan costs matter: **Just 17% of employers cover the full cost of employee-only coverage.** Given the impact that costs have on both employers and employees, benefit leaders need to recognize the applications and advantages that each plan type can bring — whether they be offered together or separately.

For some, especially older participants or those that need more care, PPOs likely offer a certain level of perceived security that might not be immediately obvious when they hear the words “*high deductible health plan.*”

The upfront costs required by an HDHP before the deductible is met (doctor’s visits and prescriptions early in the plan year, for example) can be a shock to employees that do not understand how their plan works or who have not taken steps to manage their cost responsibilities. And employees already familiar with traditional plans, like a PPO, may find co-pays easier to manage in the more immediate term, which can then impact their perception of your HDHP option and contribute to negative connotations around its value.

FIGURE 2
Waiting Period for Medical Coverage



1 | Health Care Benefits, *cont'd.*

HDHPs can enable employers to lower their benefits spending and help drive consumerism and cost-awareness among employees. With more responsibility on their shoulders, HDHP participants are expected to take greater ownership of their benefits spending and utilization. Employees can do this by leveraging cost estimation and comparison tools, being mindful of when, where, and why they visit a doctor or healthcare provider, and taking advantage of options that allow them to better manage their financial risks and responsibilities (for example, contributing to a health savings account (HSA) and considering voluntary or supplemental health benefits such as critical accident or illness insurance, if offered).

Naturally, companies may find it difficult to try and meet *all* five generations of employees' needs with just one type of plan – though it isn't unheard of. Some employers have adopted *full-replacement strategies*, using HDHPs as their only coverage option. For others, offering a well-rounded mix of traditional and consumer-driven health plans may provide the variety and competitive employer edge necessary to satisfy their diverse workforce.

In fact, 62% of employers offer both an HDHP and a PPO.

Whether offering a consumer-driven plan, traditional coverage option, or a mix of the two, participants should have a thorough understanding of the choices available to them. Employees must be encouraged to look beyond the basic costs of premiums and deductibles and consider how plans will affect their and their families' *overall wellbeing*.

Full-Replacement Strategies are Far From the Norm

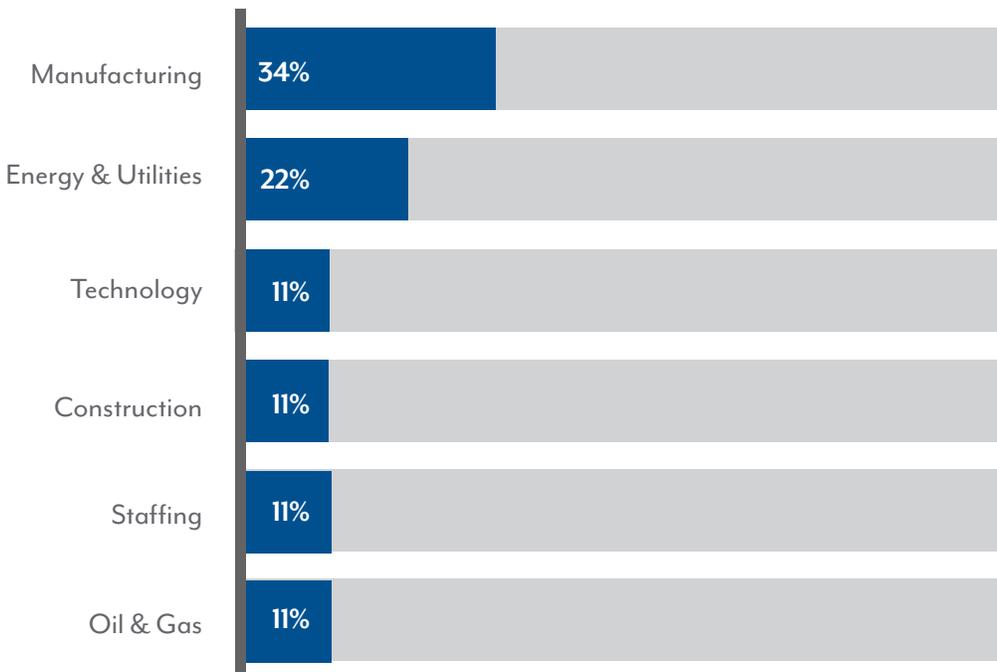
Full-replacement strategies (where employers replace a traditional assortment of plan options with HDHPs exclusively) were until recently touted as the next big revolution in employee benefits. HDHPs have certainly made a huge impact on the employee benefits landscape, and they remain popular among employers for a variety of reasons. **In fact, 77% of employers surveyed now offer an HDHP.**

Despite this plan type's popularity, however, **only 14% of those employers utilize a full-replacement HDHP strategy.**



1 | Health Care Benefits, *cont'd.*

FIGURE 3
Full-Replacement Strategy Adoption by Employer Industry



Some younger employees such as Millennials and Gen Z may have entered the workforce with an HDHP as their sole coverage option under a full-replacement strategy. Though these workers may be personally unfamiliar with traditional coverage, they still require perspective and education before fully embracing a consumer-driven plan.

An estimated 44.2 million Americans are managing over \$1.48 trillion in student debt. On average, that's over \$33,000 per person, not an insignificant amount for anyone. The issue of student debt isn't limited to just younger employees: Nearly \$81.5 billion of student loan debt is attributed to 3.4 million parent borrowers, who hold \$81.5 billion in debt for loans taken out to help their children pursue a higher education.²

1 | Health Care Benefits, *cont'd.*

Student debt is often a massive preoccupation that can overwhelm employees and draw their focus away from fully utilizing their HDHP coverage options and associated financial opportunities. With a smart, educational approach, however, you can help your employees understand the true advantages of your HDHP option and visualize how this plan could be best applied to their health and wealth needs.

If your strategy involves increasing HDHP adoption to help lower benefit costs, you'll need to educate around just what an HDHP can do for your participants. Otherwise, it can be hard for employees to see the benefits big picture, especially if they are new to the workforce, dealing with debt, or accustomed to the payment structures of other plans.

Participants may not understand that — *despite the name* — an HDHP plan may have a deductible that is comparable to that of a traditional plan.³ With an HDHP, employees gain the exclusive ability to contribute to an HSA, which provides pre-tax incentives and lets employees accumulate funds to pay for a wide variety of qualified medical expenses (including dental or vision needs), prepare for financial rainy days, or save for use in retirement. Employees can stretch the value of their HDHP election further by contributing their premium savings into an HSA (See page 10 for more on HSAs).

As employee benefits continue the shift towards responsible consumerism, your eligible workforce must understand how smarter healthcare coverage choices can help them gain greater financial freedom *at any age or life stage*. And if your company is **one of the nearly 90% that offer an HSA contribution**, your contribution can go even further to encourage potential HDHP adopters to see past their high deductible and consider your plan's advantages in more detail.

Communication is Key to Strategic Success

Employees must be able to grasp how your coverage options cater to their specific needs both from a health and wealth perspective. Employers must prioritize active education around their employee benefits — *including why certain benefits are being offered* — especially as benefits play an increasingly important role in employee satisfaction and retention.

The urgent need for comprehensive and easy-to-understand benefits communication isn't limited to companies with consumer-driven plan options. Many **self-insured companies** now choose to offer HDHPs and PPOs side-by-side. For some employers, the adoption of either plan by the majority of their employees



1 | Health Care Benefits, *cont'd.*

makes little difference to their budget. These companies' strategies allow them to offer the two options concurrently in order to meet their workforce's diverse needs with minimal effect on their bottom line. Despite this flexibility, however, it is important that companies do not lose sight of the value of education and communication, as this remains central to ensuring **employee satisfaction**.

While an employee's plan selection may make little difference to such a company's benefits budget, **that choice could have a potentially enormous impact on the individual employee**. It's no surprise that benefits often confuse employees and leave them feeling frustrated. This frustration can not only *be alleviated*, but can also be done in a way that boosts workers' *confidence, productivity, and loyalty*.

Employees need help selecting the plan that best fits their and their families' needs. Providing easy access to educational resources and decision support tools can help make this selection process easier to understand, simpler to navigate, and more successful for both your team and your employees.

Younger employees often prioritize cost savings, as many are tackling student loans or are in the early stages of establishing their financial foothold. HDHPs can enable younger (and typically healthier) employees to save money. However, older employees may also benefit from an HDHP depending on their unique financial and health circumstances and priorities. Employees from *any* generation may find electing a PPO to be more beneficial for their situation, especially if they have a chronic illness or require care more often.

Alone, employees can struggle to piece together how their health care plan will work for them. Beyond medical coverage, they must also determine how available voluntary and supplemental health benefits could work in tandem with their core options to mitigate risks and provide greater peace-of-mind.

Benefit teams are challenged to ensure their eligible workforce is educated and able to knowledgeably navigate their options: **75% of employees admit they don't fully comprehend their benefits.**⁴

Employees that do not understand your benefits cannot fully appreciate them – limiting the impact and return on one of the most expensive investments you make for your workforce.



1 | Health Care Benefits, *cont'd.*

Your team should maintain a year-round, holistic approach to benefits communication and engagement. Benefits education has traditionally been one of the most tedious and frustrating parts of the employee experience — and one that's too often rushed through right before or during enrollment. The challenge for many employers is ensuring this information does not get lost amid the noise and routine of employees' day-to-day lives.

Employees can struggle to understand the ins and outs of each of your plans. Modern benefits administration goes beyond basic enrollment and data management to deliver intuitive, informative, and robust employee experiences. Smart enrollment technology platforms should be designed to utilize machine learning and behavioral science to get smarter and provide better recommendations. For example, a “**recommendation engine**” is an enrollment tool that asks employees questions about their health and financial standings in a jargon-free, conversational tone. After answering a short series of questions, employees can view the plans and *plan bundles* that align with their and their family's unique needs, ranked by best match. Ideally, recommendation engines are directly integrated with the employee enrollment platform to provide a unified, convenient, and seamless experience.

Visual learners can learn more about their available benefits by watching easy-to-understand **benefit-specific videos**, which can quickly be embedded at the appropriate moment within the enrollment process. On the Empyrean Platform, an extensive video library illustrates a wide range of benefit topics and concepts to help employees more thoroughly understand important details as they consider their options.

Population-specific communications and messaging can also be tied to the different segments of your workforce to further tailor experiences to your various employee audiences (think diverse needs such as those of Millennials, union workers, and retirees, for example).

Year round, participants can also utilize **expert one-on-one support** via phone, email, or chat. As automated service options grow and proliferate, supporting customer service with a human connection still continues to be equally relevant: **84% of people prefer to speak with a live representative when reaching out for customer service** — and this preference has actually *increased* from 78% over the course of a year. And for one-third of callers, **the most important aspect of the customer service experience is their representative's knowledge.**⁵



1 | Health Care Benefits, *cont'd.*

The expertise offered by Empyrean's service teams empowers you to deliver on your employees' service demands for high satisfaction with fewer hassles. Empyrean offers 100% US-based, HIPAA compliant, and client-dedicated service center teams that learn the specifics of your offering, strategy, and culture.

In addition to offering *personalized* self-service, Empyrean team members serve as a true extension of your own internal team, providing knowledgeable, full-service, and resolution-focused benefits assistance to each of your employees while enabling you to focus on larger priorities. Informative and engaging resources can make it much easier for employees to deepen their benefits understanding, connection, and engagement, and eliminates common barriers to effective utilization.

Making it clear that your employees' wellbeing matters to you and your organization will demonstrate a commitment to your workforce — and ensuring employees get the help they need to build their ideal benefits portfolio is an easy way to demonstrate this commitment and boost employee satisfaction.



2 | Health Savings Accounts (HSAs)

HSAs Help Bring Health and Wealth Together

With HDHPs gaining popularity among employers, HSAs are also becoming an increasingly important element of smarter benefits consumerism and success. **88% of employers that offer an HDHP now also provide participants with access to an HSA.**

HSAs are a crucial part of optimal HDHP utilization, but it can be challenging to educate eligible participants on their use and ensure they even open an account — especially if the HSA enrollment process takes place outside of their normal benefits enrollment.

Employees often require assistance to understand the types of qualified medical expenses* that HSA funds can be used towards (for example, some employees may not realize that HSA funds can be used to pay for certain vision and dental expenses). Addressing HSA account ownership directly within the overall benefits enrollment experience builds a stronger and more tangible connection between employees' coverage choices and the subsequent financial avenues available because of those choices.

Your enrollment experience should enable participants to explore how their coverage decisions work together to address their needs. In the case of HDHP and HSA elections, employees must have access to the right guidance and proper tools to help them gain perspective on these options. This includes access to comprehensive decision support tools, educational resources, and expert assistance. Beyond these options, consider how a more seamless experience might further enhance employees' HSA use and boost better benefits consumerism overall.

Leveraging a fully integrated HSA and best-in-class benefits administration partnership can easily eliminate common barriers to HSA utilization. On the Empyrean Platform, eligible employees are automatically enrolled in an HSA account after completing the benefits selection process — making it easier than ever to reap the full benefits of their HDHP plan and employer contribution, if offered.

* The Internal Revenue Service determines the Qualified Medical Expenses that are eligible for payment using HSAs. For more information and a detailed list of eligible expenses, please see IRS Publication 502: <https://www.irs.gov/pub/irs-pdf/p502.pdf>.



2 | Health Savings Accounts (HSAs), *cont'd.*

During enrollment, employees can also schedule payroll deductions to contribute into their HSA, which they can adjust at any time during the plan year directly within their benefits portal. Account holders can log in to their portal and see real-time account balances, review and access HSA-related resources, and use single sign-on (SSO) links to navigate directly to their HSA account on their HSA provider's website.

Enrollment is a critical time when many employees take the closest look at their benefits. Including an HSA component into your enrollment process is one of the most effective options for driving smart contributions throughout the year, and builds a stronger connection between your employees' health coverage choices and their financial opportunities.

Employer Contributions Incentivize HSA Enrollment

Employers' HSA contributions can be an important selling point for employees who are either considering an HDHP or feel uneasy about adopting one. The majority of employers recognize this importance: **87% of employers that offer access to a company-sponsored HSA also provide contributions to employees' HSA accounts.** Conversely, 13% of employers offer no contribution.

An employer contribution can be a vital part of your benefits package, encourages HSA enrollment and utilization, and can help increase the attractiveness of your overall HDHP offering.

Your company's HSA contributions can also enable potential HDHP adopters to look past a plan's high deductible depending on your contribution amount and schedule. Contributions effectively lower the deductible amount that employees are *personally* responsible for, allowing some HDHP plans to more closely resemble traditional options.

For example, consider an employee with a \$1,350-deductible employee-only HDHP, who receives an annual \$500 employer contribution at the start of each plan year. Thanks to their employer's contribution, the employee is personally responsible for meeting \$850 of their deductible, which brings their portion of the deductible costs lower than that of some PPOs.³



2 | Health Savings Accounts (HSAs), *cont'd.*

FIGURE 4
Employers' Employee-Only
HSA Contributions

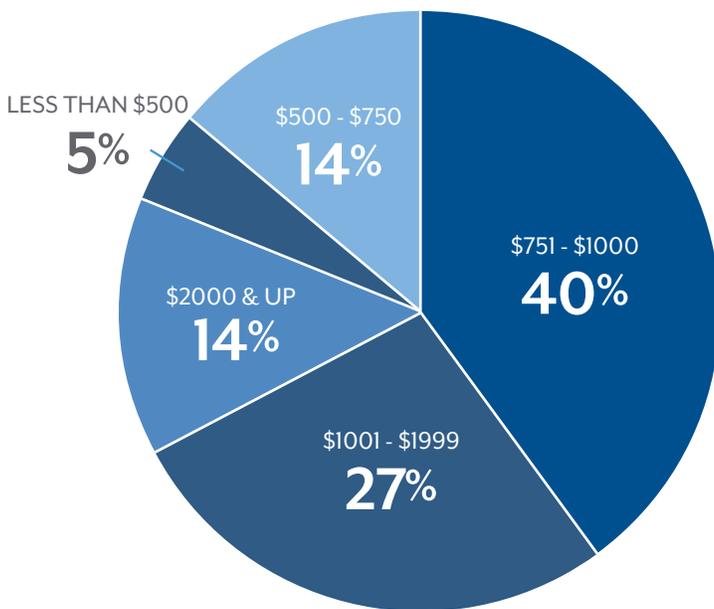
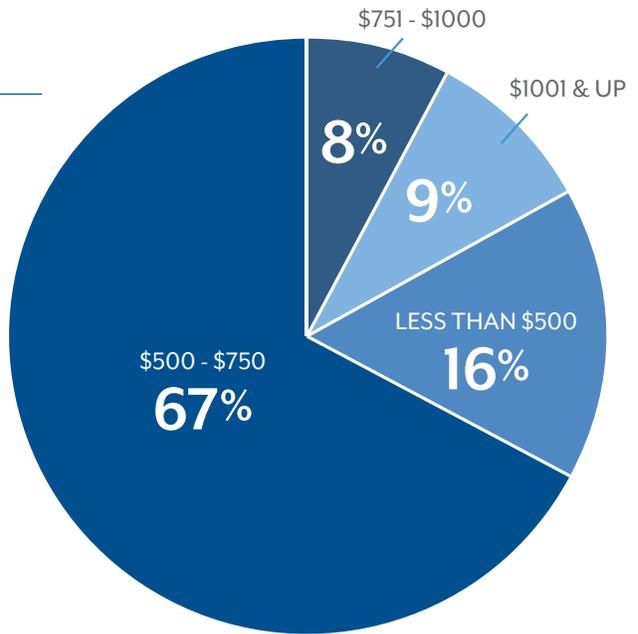


FIGURE 5
Employers' Family HSA Contributions

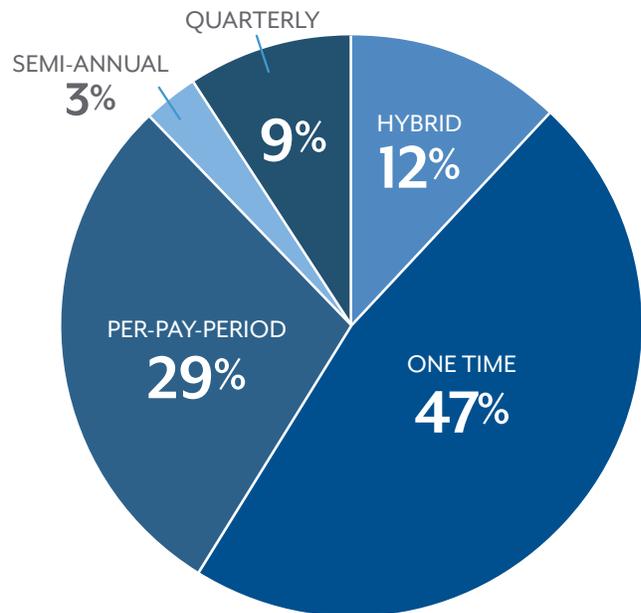
2 | Health Savings Accounts (HSAs), *cont'd.*

HSA Contribution Schedules Matter

Nearly half of all applicable employers opt to contribute a lump-sum annual contribution into their employees' HSA accounts, while others choose to stretch the contribution schedule over the course of the year.

FIGURE 6
Employers' HSA Contribution Schedules

There are advantages between both lump-sum and per-pay-period payouts. Employers that offer full lump-sum payouts provide what may arguably be the most convincing and immediate incentive for opening an HSA account (for example, it's typically much harder for people to pass up \$500 than it is for them to put off receiving \$19 every two weeks).



Lump-sum deposits can help employees feel more financially secure and help them better visualize the instant impact your HSA contribution will have on their high deductible. This is especially true of employees that need regular care, those with families and dependents, or those in full-replacement scenarios that are looking to achieve the cost stability of traditional plans. With a lump-sum contribution, employees are protected in the case of an emergency, unexpected illness, or medical procedure — and can even use your contribution to help pay for eligible vision and dental needs.

2 | Health Savings Accounts (HSAs), *cont'd.*

Lump-sum contributions carry more weight with employees and demonstrate your company's concern for the health and financial wellbeing of your workforce. An annual contribution can lessen employees' burdens and worries of "what-if" when they enroll in an HDHP. This helps boost employee satisfaction and illustrates a commitment to the culture that benefit leaders work hard to cultivate and maintain.

However, employers that opt for a lump-sum HSA contribution risk losing out on the value of these funds if an employee quits or is terminated after the payout is provided. Distributing the contribution amount over time can offset some of this financial risk depending on how often an employer chooses to contribute funds – however, this may not inspire the same immediate employee appreciation or satisfaction that a lump-sum contribution might bring.

Instead of choosing between a lump-sum or periodic contribution schedule, some employers have chosen to leverage a **hybrid contribution schedule**. With this option, companies deliver only part of their contribution as a lump sum, then spread out the remainder of the contribution amount over the course of each pay-period. A hybrid approach can help strike a better balance between employees' needs and employers' risk tolerance if providing a lump-sum HSA contribution is not a viable option.



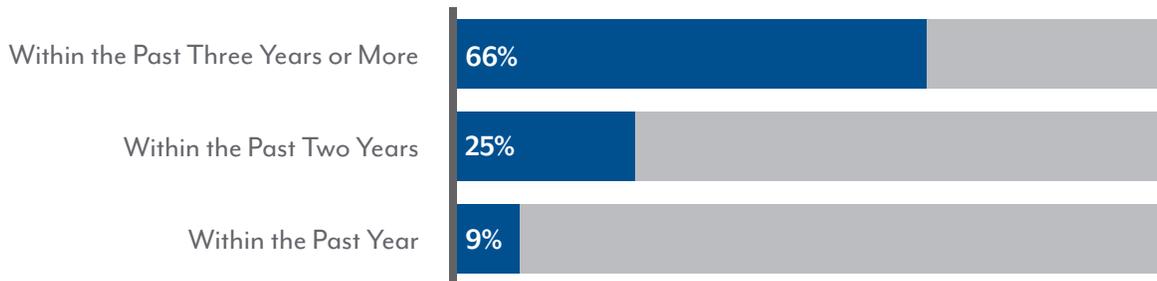
3 | Employee Wellness

Wellness Programs Remain Widely Popular

Wellness programs have become one of the most discussed and popular topics among benefits professionals. Effective wellness programs have the potential to cultivate healthier and happier employees while lowering coverage and claims costs. Numerous approaches to wellness exist to fit different company cultures and populations: **46% of employers surveyed offer a wellness program to their employees.**

Despite the recent explosion of wellness offerings on the market, **most employers surveyed have maintained a wellness program for at least three years;** just over one-third have implemented programs more recently than that.

FIGURE 7
Employers' Wellness Program
Implementation



Wellness programs can take different forms depending on an employer's workforce and culture. Solutions can include biometric screenings and online health risk assessments, company-wide health challenges with cash or prize incentives, coaching programs, premium discounts, gym membership reimbursements, and even the addition of on-site office clinics.

3 | Employee Wellness, *cont'd.*

Biometric screening programs are among the most popular program options, with 62% of applicable employers offering screenings as part of their wellness initiative. Screening opportunities can play an important role in helping busy employees keep track of key health factors like weight, blood pressure, and cholesterol over time.

Employees Need an Incentive

As many benefit teams have experienced, however, offering a wellness program to employees is often not enough. Employees require the right tools *and incentives* to keep up with a wellness program long-term.

Of employers that offer a wellness program, 80% offer an associated incentive to encourage participation.

Like most employee benefits, offering a wellness program is an investment that aims to achieve a positive return. Incentives can have a tremendous impact on the success of your wellness program, and help provide the continuous reinforcement employees need to stay on track. When program participants are rewarded for their efforts, they are actively encouraged to explore and engage with their wellness program. This can make a big difference in their program activity and commitment.

To drive program engagement among employees, benefit leaders should look to make participation *as easy and convenient as possible* — and this is where modern technology can serve a central role in enhancing your experience.

Look to Program Design and Technology to Help Tackle Your Wellness Goals

Employees are used to tech-driven integration across all aspects of their digital lives, from online shopping to fitness apps and wearables. An interactive wellness program should incorporate the kind of easy connectivity your workforce is already accustomed to (*and has come to expect*) in order to achieve real results.

For today's consumer, the hassles of logging in to multiple portals or websites can become a hindrance that quickly drains their enthusiasm or *worse* — leaves them frustrated by a tedious program experience that is too burdensome and inconvenient to be effective.



3 | Employee Wellness, *cont'd.*

Instead, consider the advantages of a wellness program that is made accessible from right within your employees' benefits portal. An integrated wellness experience within your benefits administration platform will empower employees to view activity metrics, check goal progress, and explore rewards and incentives from one familiar and convenient location. This approach also helps to solidify the combined value of your employee wellness program and greater benefits offering.

Employers have a diverse range of wellness programs and partners from which to choose. When selecting a solution for your workforce, take a closer look at the structure of the program you are considering. Does your wellness provider set *each employee* up for success? Or is the program skewed to favor those that are already active or physically fit?

For your program to have the most impact, it must maintain a **method-agnostic approach** to wellness, and focus on rewarding *participation* instead of simply rewarding physical fitness levels. **By focusing on participation**, all employees have an equal opportunity to achieve their goals, gain rewards, and most importantly *improve* — regardless of their current fitness prowess or health standings.

This is key, because employees that are out of shape, or who are just beginning their wellness journey, can be easily discouraged by programs that solely reward or give an advantage to the already health- and fitness-conscious. It is often these less healthy employees (and *not* those that are already fitness-focused) where your wellness program can make the most noticeable difference and help instill healthier habits.

In a method-agnostic approach, employees also benefit from pursuing the exercises and activity that most interests them, tracked by a wide range of activity trackers, mobile devices, and wearables. With such a diverse workforce, it's likely that your employees will have varying fitness interests: some may enjoy running or cycling, while others may choose to focus on yoga, weight training, or walking. Still others may prefer team sports and group exercises to provide motivation and accountability.

Try to offer a wellness program that gives employees the room to find the health habits that they *actually* enjoy and look forward to. Whatever their interest, they will be more likely to continue working at it in the long run if they find it fun — and are being rewarded for it along the way.



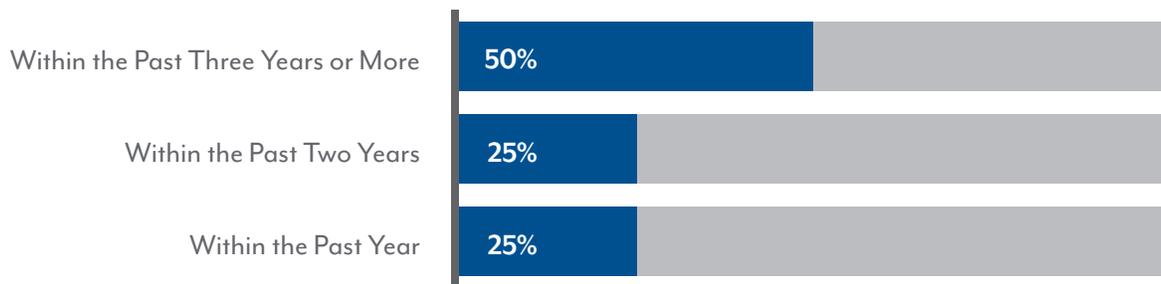
4 | Financial Wellness

Financial Wellness is a New Way to Stand Out

In a stark contrast to the availability of health-related wellness programs, only **4% of employers surveyed offer a dedicated financial wellness program**. Many of these programs include financially focused resources, financial workshops, education initiatives, and credit monitoring.

While some employers have maintained a financial wellness program for three years or longer, half the applicable employers surveyed have introduced their programs within just the past two years.

FIGURE 8
Employers' Financial Wellness Program Implementation



Though the current focus on financial wellness is still fairly recent, these programs will no doubt increase in importance and relevance as companies seek to maintain their competitive edge.

Despite economic resiliency and a healthy jobs market, employees of all generations are contending with pressing financial concerns — whether it be managing student loan repayment, saving for a large purchase like a home or car, planning for upcoming retirement, or keeping their credit and budgets in check.

4 | Financial Wellness, *cont'd.*

Employees' financial wellness can have a host of effects on their job satisfaction and productivity:

One-third of employees admit that their financial worries are a distraction at work, and employees with significant financial concerns are twice as likely to request sick time when they are not sick.⁶

For employers, the focus on financial wellness must extend beyond the traditional offer of a retirement account and matching contribution. While providing access to a retirement savings option is still extremely important for employees' future security, benefit leaders must aim to help employees address and alleviate their *current* financial concerns as well.

Employers' Financial Wellness Offering and Approach Makes the Difference

A variety of options exist for employers to enlist a more holistic benefits approach, including offering HSAs, student loan repayment programs, interactive workshops, executing communication strategies, and providing educational tools. As the emphasis on financial wellness gains momentum, employers have a unique opportunity to take a proactive stance and separate themselves from competitors through their employee experience.

Given financial wellness' increased relevance, your benefits administration partner should provide solutions that support and strengthen your financial wellness programs and goals. Your benefits portal is a key communications channel that can connect employees with the information and tools they need to develop a solid financial foundation.

Employees logged in to your portal are already in a "benefits mindset" — and your team can take advantage of this by incorporating elements of your financial wellness program into the experience. Including links or direct single sign-on (SSO) integration to financial providers and institutions (such as 401(k) vendors and student loan assistance partners, for example) is an easy way to develop this aspect of your benefits offering.

Going further, consider implementing population-specific communications across your workforce. Consider how tools and guidance requirements will differ among your younger employees, middle-aged employees, and near-retirement age employees — as well as the differences between hourly or salaried employees, as well as those at different salary levels. Your benefits administration platform should provide flexible options to target your unique populations and help each employee prepare for success. A strong financial wellness focus will allow you to gain an advantage when vying for top talent, and enable you to garner a more appreciative and productive workforce.



5 | Surcharges, Discounts, and Verification

Tobacco Surcharges and Discounts

In an effort to curb tobacco usage, **over one-fourth of employers now add a tobacco surcharge to the cost of medical coverage.** The majority of tobacco surcharges for medical coverage are between \$500 and \$1,000. A much smaller number of employers add tobacco surcharges to the cost of life insurance — just a little over 10%.

FIGURE 9
Employers Adding Tobacco Surcharge to the **Cost of Medical Coverage**



FIGURE 10
Employers Adding Tobacco Surcharge to the **Cost of Life Insurance**



FIGURE 11
Annual Tobacco Surcharge Added to the **Cost of Medical Coverage**



5 | Surcharges, Discounts, and Verification, *cont'd.*

Smoking costs aren't limited to increased medical costs. One study estimated that smokers cost employers \$3,077 per year in lost productivity due to frequent smoke breaks. The study also noted that smokers take more sick days than non-smokers and suffer from decreased productivity due to withdrawal symptoms, which can begin to affect workers in as little as 30 minutes after their last smoke break. In total, it's estimated that **smokers cost companies an additional \$5,800 per year** than their non-smoking colleagues.⁷

Instead of encouraging smoking cessation through the use of surcharges, **nearly one-fourth (21%) of companies offer a discount to employees that do not smoke.**

30% of employers that offer a discount also include a tobacco surcharge as part of their smoking cessation efforts. 10% include *both* a medical coverage surcharge, life insurance surcharge, and discount as part of their strategy. Discounts can offer employees positive reinforcement as they look to quit this unhealthy and difficult-to-break habit.

The relatively low adoption rate of tobacco surcharges and discounts may be attributed to the difficulty of verifying tobacco usage in the first place. According to employers surveyed, **only 13% of employers utilize a vendor to determine tobacco usage.** The rest rely on employees to self-identify as tobacco users.

Under increasing social and regulatory pressures, the number of smokers has declined from nearly 21% in 2005 to 15.5% in 2016. However, it is estimated that approximately 38 million Americans still smoke.⁸ It also remains to be seen how the growing popularity of electronic cigarettes and "vaping" will affect these statistics over time.

Leveraging third-party vendors to certify tobacco usage can be costly, expend administrative resources, and may pose problems for employee satisfaction and morale.⁹ Some employers have instituted no-smoking policies at the workplace, while others have chosen to avoid the issue by refusing to hire smokers altogether.



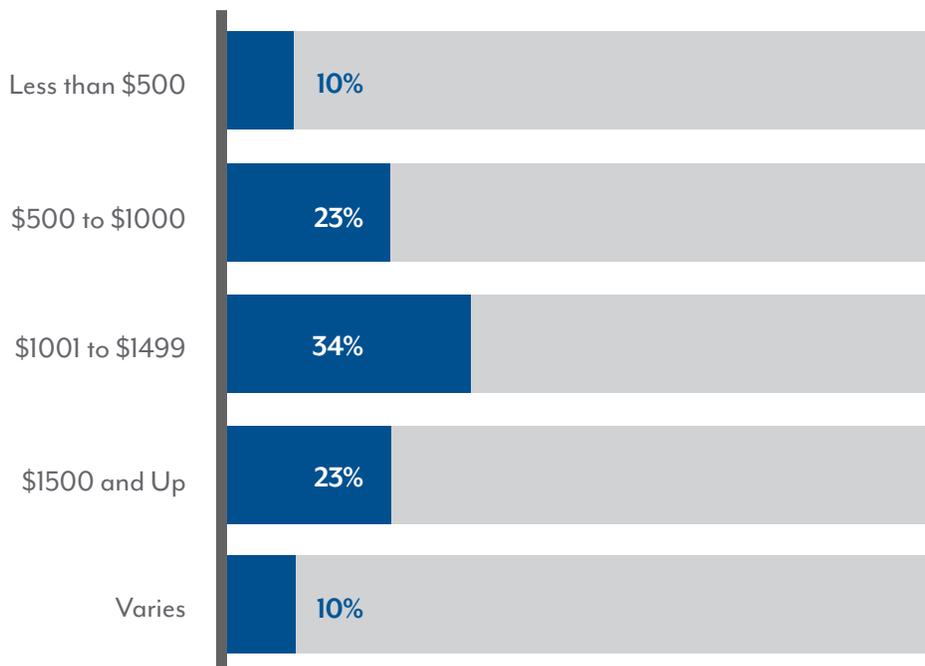
5 | Surcharges, Discounts, and Verification, *cont'd.*

Spousal Coverage

33% of employers add a spousal surcharge to the cost of medical coverage. In addition, less than 10% of employers deny eligibility to spouses that are eligible to receive coverage under another employer's plan.

FIGURE 12

Annual Spousal Surcharge Added to Medical Coverage



Significantly fewer employers (9%) choose to deny spousal eligibility rather than simply add a surcharge to the cost of spousal coverage. This is likely due to both the drop in satisfaction that outright denying coverage eligibility could bring, combined with the difficulty involved in verifying a spouse's coverage status elsewhere.

Like with tobacco usage, it can be tough for companies to independently verify if a spouse has access to coverage under another employer. In fact, **89% of employers depend on their participants to willingly provide this information.**

5 | Surcharges, Discounts, and Verification, *cont'd.*

Without participation from an employee, their spouse, or their spouse’s employer, it can prove incredibly difficult to certify if a spouse has received an offer of coverage from their employer. The only comprehensive database that tracks coverage offers is that used by the IRS to certify offers of coverage for Affordable Care Act (ACA) purposes. However, ACA data is not available for employers to compare against — leaving companies to either use a vendor or the honor system to determine spousal eligibility.

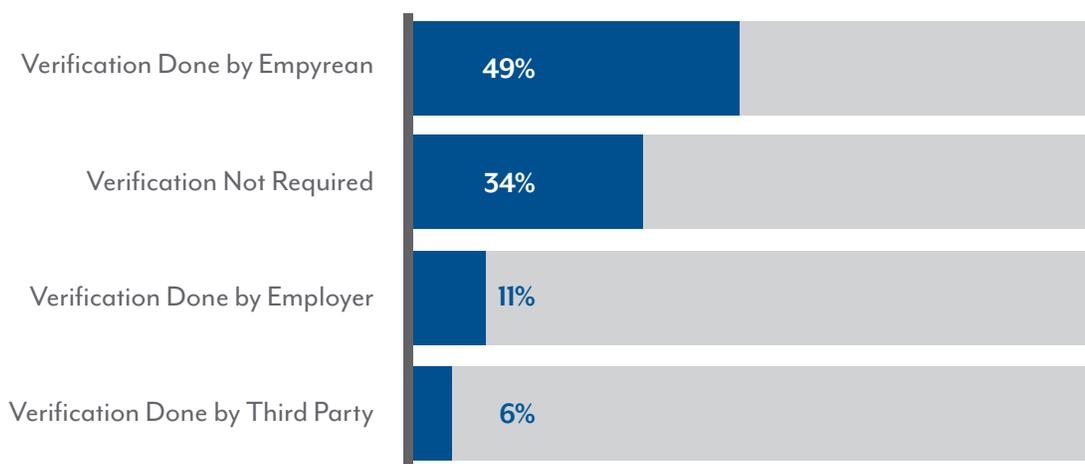
Dependent Verification

Two-thirds of employers require ongoing dependent verification, and nearly half of employers surveyed trust Empyrean to manage this verification.

Dependent verification is an important step in curbing the unnecessary costs and burdens of ineligible dependents and helps to keep your data accurate. However, a subpar dependent verification process can negatively impact employees’ satisfaction levels and does little to maintain accurate records. Keeping the dependent verification process as efficient and employee-friendly as possible will ensure a smooth enrollment experience for your team, your employees, and their families, and enable eligible dependents to receive coverage in a timely manner.

FIGURE 13

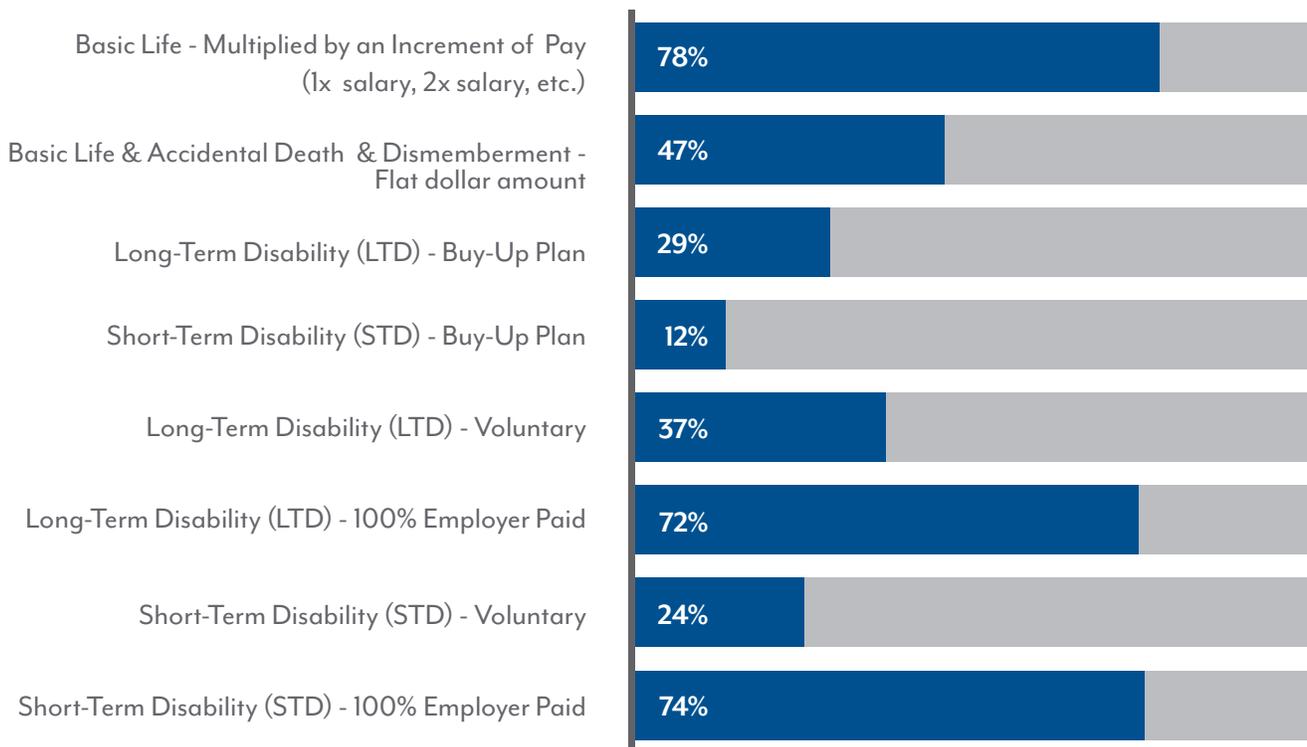
Employers Requiring Dependent Verification



6 | Additional Benefits

The majority of employers continue to offer 100% employer-paid benefits such as basic life insurance and disability coverage. In addition to these benefits, some also offer voluntary enhancements such as buy-up and multiplier options. Less than half offer short-term and long-term disability coverage as a voluntary option. This data demonstrates the priority that these benefits continue to command for employers seeking to remain competitive.

FIGURE 14
Additional Benefits Offered by Employers*



* Multiple responses were selected where applicable, enabling total percentages to exceed 100%.

Conclusion

Employee benefits and expectations continue to move at a rapid pace, fueled by the needs of younger and digitally-savvy workers, evolving technology, and an ever-changing regulatory landscape. Benefit leaders are now tasked with a unique challenge: bridging technological innovation with the undeniably human elements of HR in order to deliver the best outcomes for both businesses and their employees.

Simply offering a benefits package alone is not enough to provide for employees' diverse needs or stay competitive in the current market. Employees need engaging, informative, *and* easy experiences to foster satisfaction and confidence around their coverage decisions — but this can be difficult to achieve without the right support and platform. With a strong benefits administration partner, however, you can deliver the comprehensive resources and user-friendly benefits experience that will empower your employees to gain more from your offering, and you'll get more from your workforce in return.

At Empyrean, we understand the complex and quick changes that modern HR teams are facing, and our team leverages this knowledge to connect benefits and enrich lives every day. Empyrean's client-adaptive platform goes beyond basic benefits administration to offer a complete suite of products and services designed for year-round benefits engagement, enrollment, and administrative success.

The Empyrean Platform brings employees into an intuitive enrollment experience that includes a powerfully fast recommendation engine that uses machine learning to get smarter and provide precise guidance, population-specific communications capabilities, a wealth of benefits-specific educational materials, virtually unlimited integration possibilities, and more. Employees can also receive expert, one-on-one support from a dedicated team of 100% US-based benefits experts who assist with enrollment, coverage questions, and bring peace-of-mind to your participants. Employers can take advantage of Empyrean's pre-established partnerships with leading carriers and providers to further enhance their offerings while saving time and bottom line costs.

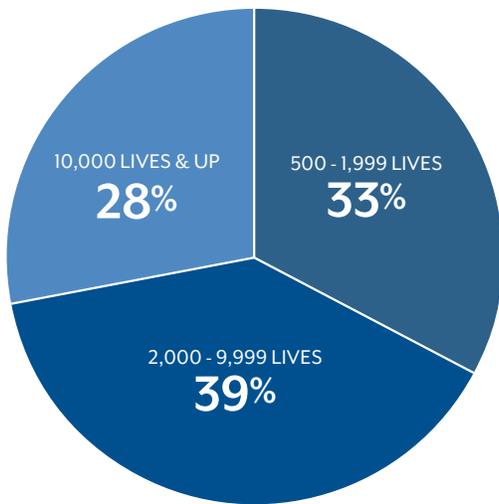
As today's trends progress into tomorrow, competitive employers must maintain the delicate balance between internal priorities, cost efficiency, and the requirements of their industries and workforces. Smart partnerships serve as an essential foundation for keeping this balance, and will only increase in importance as employers seek the most efficient and effective means of protecting their people and productivity.



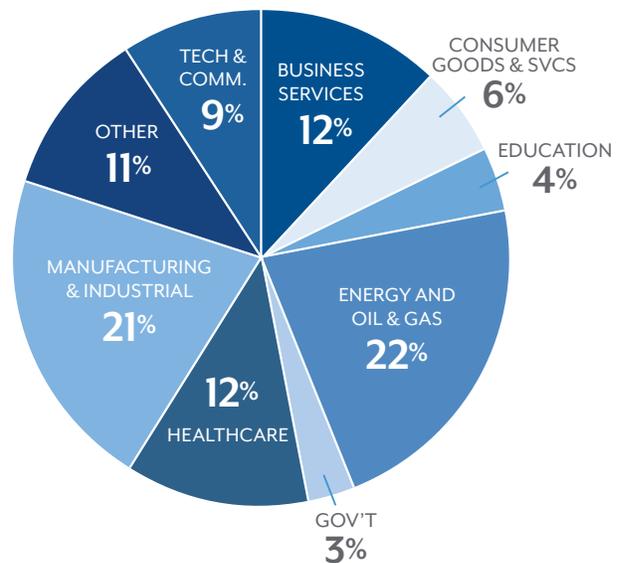
About the Study

This report was compiled from data collected in February 2018 across 95 Empyrean employer clients. The breakdown of employer demographics is as follows.

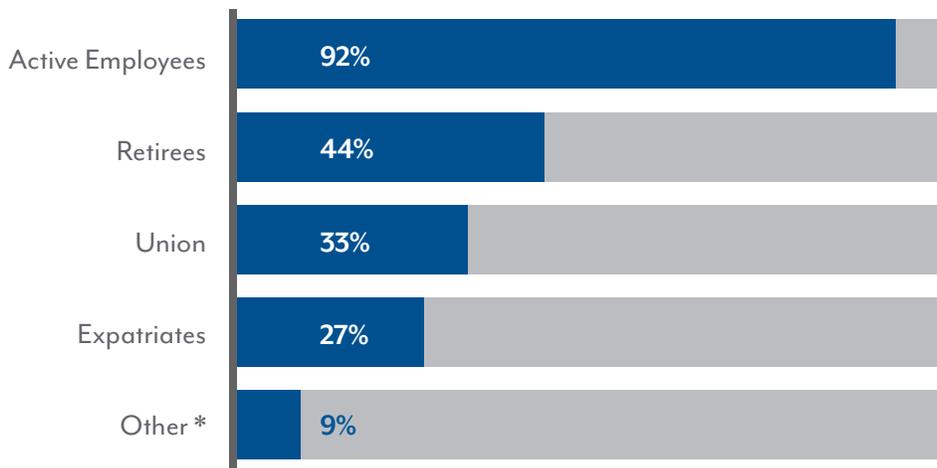
Employer Sizes



Employer Industries



Employer Populations[†]



[†] Multiple responses were selected where applicable, enabling total percentages to exceed 100%.

* Includes seasonal hires, interns, part-time and temporary employees, survivors, COBRA recipients, and employees on disability or leave.



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About Empyrean

Empyrean Benefit Solutions manages employee health and welfare benefits programs, combining the industry's most modern, client-adaptive, and configurable benefits technology platform with expert, responsive service to deliver Hi-Touch Benefits Administration.

Empyrean provides market-leading enrollment, eligibility management, ACA reporting, and other plan administration services that empower employers, insurance brokers, and healthcare exchanges to meet ever-evolving benefit challenges. Founded in 2006, Empyrean's integrated platform serves over three million annual participants across a wide spectrum of sizes, industries, and complexities.

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