



At-A-Glance Guide *from*
Empyrean Benefit Solutions

June 2020

2020 Benefit Trends Report



EMPYREAN

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INTRODUCTION

Like nearly every aspect of daily life in 2020, the business of employee benefits has been monumentally impacted by the novel coronavirus, COVID-19. Today, Human Resource professionals are facing the most challenging moments of their careers, juggling the unique impacts of the pandemic on their employees, businesses, and families.

Health and wealth benefits are critical factors in determining an employees' overall wellbeing, and especially so during this unprecedented period. While the data highlighted in this year's Benefit Trends Report was collected prior to the global emergence of COVID-19, the findings offer key insights into the structure of employee benefit programs moving into the pandemic, as well as indicators of how employers' offerings and employees' expectations may evolve in a post-COVID-19 world.

As companies look to safely reopen their businesses and welcome back their workforces, there is no doubt that the emergence of COVID-19 will have a profound and lasting impact on the care and coverage of employees moving forward.

One key theme that has resonated throughout all of this change has been the need to prepare for the unexpected. Whether it is an employee looking to select the right coverage, or an employer making sure their benefits partner is aligned with their strategy, remaining ready to tackle major changes remains paramount to ensuring long-term benefits success.



1

Core Benefits



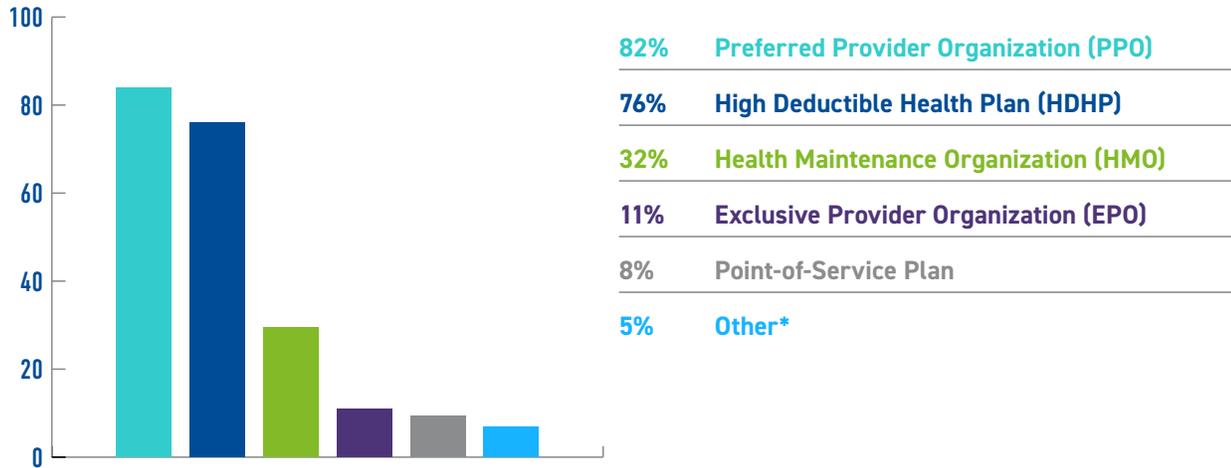
1 | CORE BENEFITS

Highlights at a Glance:

- Preferred Provider Organizations (PPOs) and High Deductible Health Plans (HDHPs) remain the most popular medical plans: **95% of employers surveyed offer at least one of these two types of plans, and 64% of employers offer both an HDHP and PPO.** This year's data has signaled that the popularity of these plans has stabilized among employers.
- Health Maintenance Organizations (HMOs) have **increased in utilization by 8%**, the first increase for this plan type in two years.
- Of the 76% of employers that offer HDHPs, **only 8% of employers utilize a full-replacement (HDHP-only) strategy**, a figure that has remained the same over the past year. While some employers have made the move to HDHP-only benefits packages, most organizations have appeared hesitant to make a similar strategic leap.
- **The manufacturing industry** remains a leading adopter of the full-replacement strategy. This year's data also highlights the popularity of HDHP-only offerings among companies in the **energy/utilities sector.**
- Approximately **one-fifth of employers** continue to pay the **full-cost of medical coverage** for their employees.
- **Nearly two-fifths of employers offer medical coverage immediately** starting on an employee's date of hire, which can be especially attractive when vying for top talent among new hires. In contrast, **only 11% of employers surveyed require a waiting period of 60 days or longer** for medical coverage.

1 | CORE BENEFITS (CONT.)

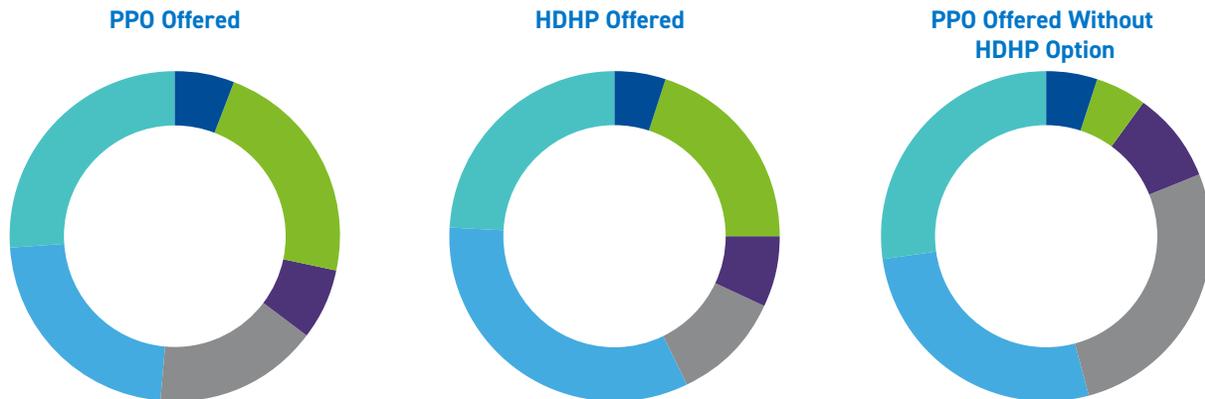
HEALTH PLAN TYPES OFFERED BY EMPLOYER†



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

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

BREAKDOWN: PPO & HDHP OFFERINGS BY INDUSTRY



Industry	PPO Offered (%)	HDHP Offered (%)	PPO Offered Without HDHP Option (%)
Education	6%	5%	5%
Energy & Utilities	22.5%	20%	5%
Government	7%	7%	9%
Healthcare	16%	11%	27%
Manufacturing/Industrial	22.5%	33%	27%
Services	26%	24%	27%

1 | CORE BENEFITS (CONT.)

The Role of Health Coverage in Managing the COVID-19 Crisis

Health coverage is one of the most important factors in ensuring the health and financial wellbeing of your employees during the COVID-19 pandemic. While free or low-cost testing for COVID-19 has been made available in many locations, managing a serious infection could prove financially devastating for employees without proper health coverage in place.

Given the highly unusual circumstances around COVID-19, some employers and health insurance providers have offered **special enrollment windows** to those employees that waived health coverage during their last Annual Enrollment.

These special enrollment periods offer uninsured employees and their families critical access to more affordable care during this uncertain time. Some employers and providers have also included voluntary benefits (such as critical illness coverage) as part of these special enrollment periods. *For more on voluntary benefits, see page 19.*

Now more than ever, it is crucial that eligible employees are not only *enrolled* in the right medical coverage, but are also equipped to most effectively utilize and meet the financial responsibilities of their selected plans.

For example, over three-fourths of employers surveyed offer a high deductible health plan (HDHP) to their employees.

With an HDHP plan, employees contribute towards their deductible when paying for doctor's office and hospital visits, procedures, prescriptions, and other eligible care costs. For a typically healthy individual, these expenses may add up over the course of the plan year. A sudden health emergency, however, may require care that adds up to a large portion – *or even the entirety* – of a participant's yearly deductible in a very short period of time.

1 | CORE BENEFITS (CONT.)

The upfront costs associated with an HDHP may come as a shock to employees who are not prepared to meet their full payment responsibilities prior to reaching their deductible. Prior to the COVID-19 pandemic, 52% of employees said they would be unable to pay more than \$1,000 for a sudden out-of-pocket health expense¹ – a figure that is *\$400 less* than the minimum deductible for individual coverage under an HDHP in 2020.*

HDHP participants can spare themselves the financial shock of sudden health expenses by regularly contributing to a health savings account (HSA). The HSA is a unique perk for HDHP participants that allows for pre-tax contributions. And unlike a flexible spending account (FSA) or a health reimbursement account (HRA), employees' HSA funds never expire – even if they change their health plan type or employer sometime in the future.

Regular contributions to an HSA or other savings account for health expenses can help ensure employees are ready to manage the costs of their care, whether planned or unplanned. *For more on HSAs, see page 25.*

*In 2020, the minimum deductible for a high deductible health plan is set at \$1,400 for individual coverage and \$2,800 for family coverage. The yearly minimum deductible for HDHP coverage is set by the IRS.

1 | CORE BENEFITS (CONT.)

EMPLOYERS UTILIZING A FULL-REPLACEMENT (HDHP-ONLY) STRATEGY

08 %
Full Replacement Strategy

92 %
Other Strategy

FULL-REPLACEMENT STRATEGY ADOPTION BY INDUSTRY



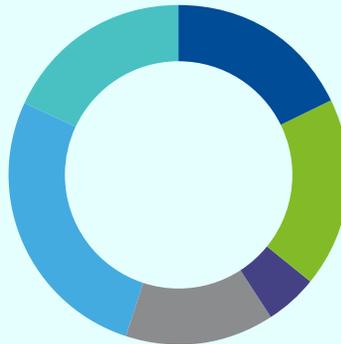
- 37% Energy & Utilities
- 12% Government
- 38% Manufacturing/Industrial
- 13% Services

EMPLOYERS PAYING 100% OF THE EMPLOYEE-ONLY COST OF MEDICAL COVERAGE

18 %
Pays Total Cost

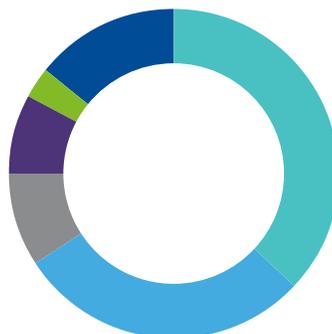
82 %
Does Not Pay Total Cost

EMPLOYERS PAYING 100% OF THE EMPLOYEE-ONLY COST OF MEDICAL COVERAGE, BY INDUSTRY



- 18% Education
- 18% Energy & Utilities
- 5% Government
- 14% Healthcare
- 27% Manufacturing/Industrial
- 18% Services

EMPLOYERS' WAITING PERIODS FOR MEDICAL COVERAGE



- 37% Coverage Effective Date of Hire
- 29% Coverage Effective First Day of the Month Following Date of Hire
- 9% 30/31-Day Waiting Period
- 8% 60-Day Waiting Period
- 3% 90-Day Waiting Period
- 14% Waiting Period Varies by Population

Is Full-Replacement the Benefits Strategy of the Future?

While 76% of employers currently offer an HDHP as part of their health benefits packages, **only 8% of those employers utilize a full-replacement strategy** – where HDHPs are the *only* health plan option offered to employees.

Full replacement strategies are especially common among employers in industries hit hardest by the COVID-19 pandemic – including the manufacturing/industrial and services industries.² Given the financial impacts seen across nearly *all* industries, however, full-replacement strategies may become even more prevalent as employers try to balance employee coverage needs with managing lost business.

As a result of the unique situation surrounding COVID-19, many employers and plan providers have opened up special enrollment periods to those employees that waived coverage during their prior Annual Enrollment. Some employers have offered limited plan choices during these special enrollment periods, including employers that have *only* offered HDHP plans to participants. This may be a possible indicator for increased interest in the full-replacement strategy among employers in the future.

Prior to the pandemic, low unemployment and high competition over top talent made enacting a full-replacement strategy a potentially controversial move – especially among employees who were accustomed to more traditional plan choices like preferred provider organizations (PPOs) and health maintenance organizations (HMOs). With unemployment rates now reaching record highs, employers may be less concerned over talent recruitment and retention and instead focused on keeping their businesses afloat. As a result, cost-sharing plans and full-replacement strategies could see more momentum as the lasting impacts of the COVID-19 pandemic continue to surface.

1 | CORE BENEFITS (CONT.)

Is a Full-Replacement Strategy Right for Your Organization?

HDHPs offer several attractive benefits for employees and employers alike, such as lower premium costs, increased consumerism, and health savings account (HSA) access. An HSA can offer exceptional long-term value to employees, especially when compared to “use-it-or-lose-it” health-related accounts, such as flexible spending accounts (FSAs).

Before you make the move, you’ll need to determine if your benefits education resources are prepared to help employees understand how to make the most of their high deductible options.

Despite their “high-deductible” name, HDHPs can potentially *save employees* more money when utilized most efficiently. And contrary to some assumptions, HDHPs aren’t just for young, healthy employees. These plans offer advantages for employees of all generations when utilized effectively.

However, without the right resources and support – *during enrollment as well as year-round* – participants may struggle to recognize the value high deductible plans can offer.

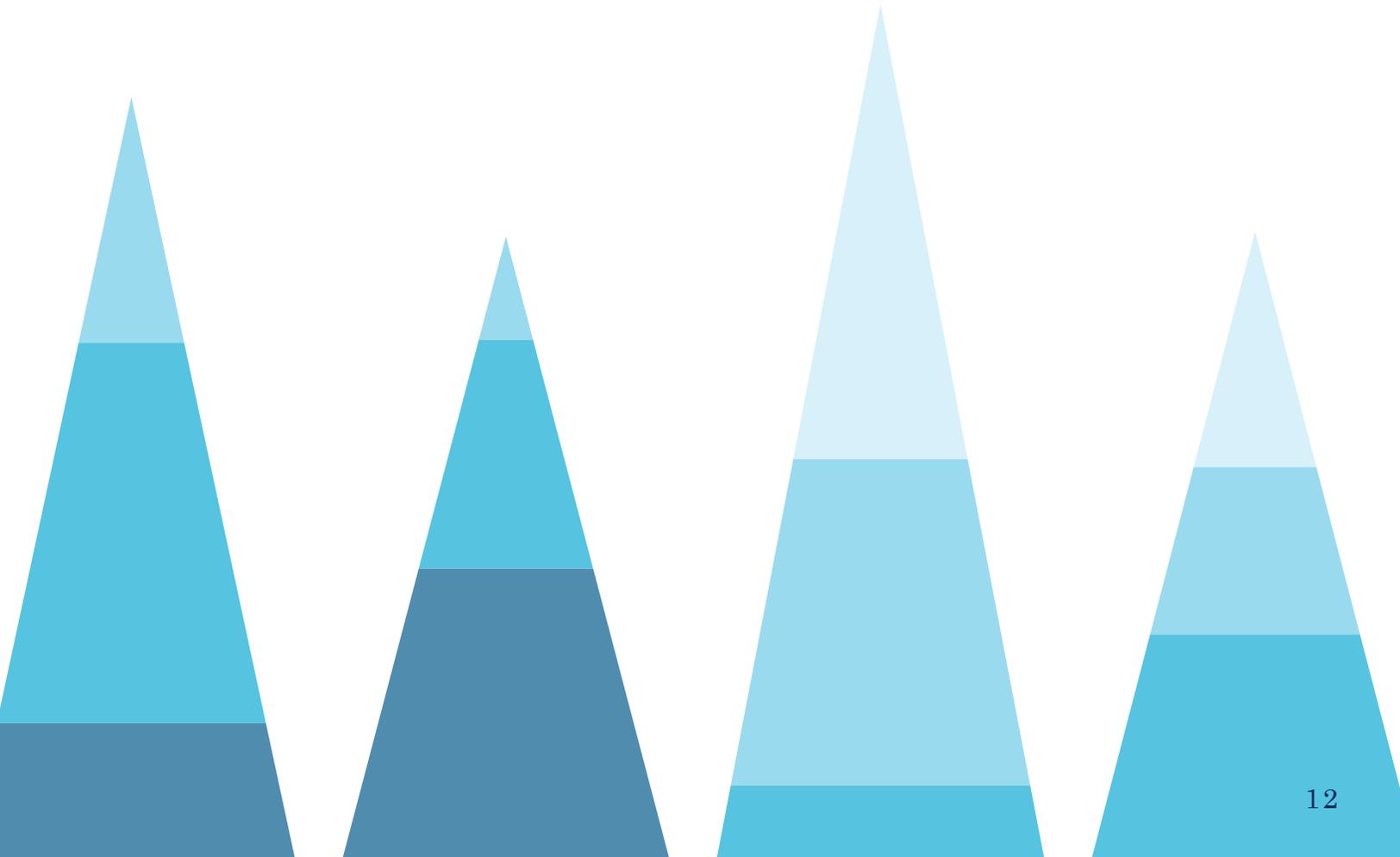
Benefit teams must help employees navigate their plans and coordinate care and cost. Employees facing a full-replacement benefits strategy (or considering an HDHP alongside other plan options) need *personalized guidance* to look beyond the upfront costs associated with an HDHP, holistically utilize their entire benefits package, and take advantage of their plan’s unique benefits.

Care planning resources, cost transparency tools, HSA contributions, and smart benefit utilization strategies can all help employees make the transition to a full-replacement strategy more advantageous for employer and employee alike.

Employers should also educate employees about cost-effective care options, like telehealth services, if available. Voluntary benefits like critical illness and accident coverage can provide additional peace of mind for HDHP participants. As always, education and the right tools are key to ensuring employees have the resources they need to make informed and holistic decisions about their health and wealth.

2

Decision Support



2 | DECISION SUPPORT

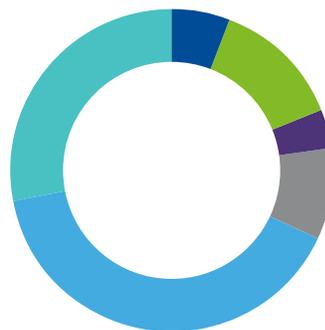
Highlights at a Glance

- **Nearly two-fifths** of organizations now have **decision support tools** available to their employees.
- **The manufacturing and services industries lead in decision support offerings**, which reflects a slight increase in availability since 2019.
- **The recommendation engine has increased in availability by 38% since last year**, and is now utilized at 89% of eligible employers surveyed – making this the most popular decision support tool today.
- **72% of employers** utilize Empyrean to provide Service Center assistance for their employees during Annual Enrollment (AE) and throughout the year.

DECISION SUPPORT AVAILABILITY



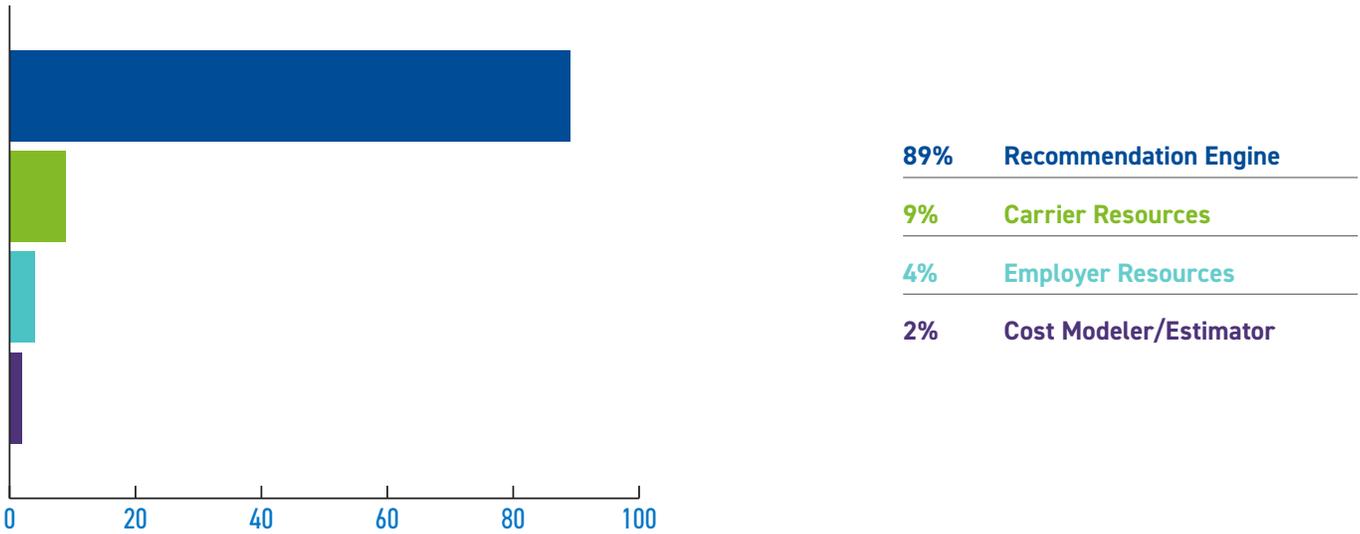
DECISION SUPPORT AVAILABILITY BY INDUSTRY



6%	Education
13%	Energy & Utilities
4%	Government
9%	Healthcare
40%	Manufacturing/Industrial
28%	Services

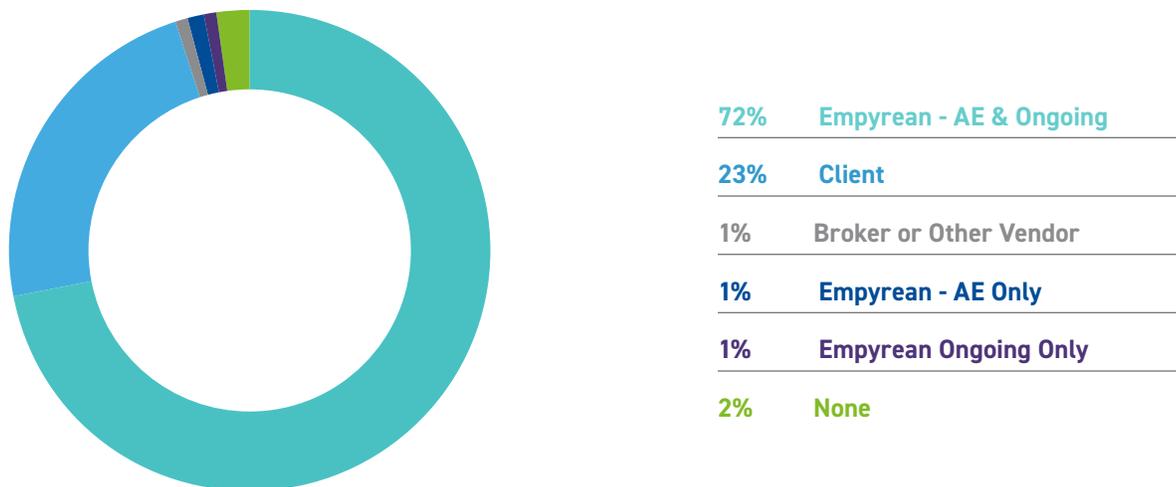
2 | DECISION SUPPORT (CONT.)

TYPES OF DECISION SUPPORT UTILIZED†



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

SERVICE CENTER SUPPORT



2 | DECISION SUPPORT (CONT.)

Guiding Your Employees Before and After Annual Enrollment

It comes as no surprise that employees require proper decision support when selecting their benefit plans during Annual Enrollment. Today, **nearly nine out of ten employers that offer decision support make a recommendation engine available to their participants** – making this the most popular type of decision support offered by far.

However, this support should not end once your enrollment window is over. Employees need help understanding and utilizing their benefits: **Just 35% of employees say they have a complete understanding of their health plan, while 53% admit they do not fully understand their health care costs under their selected plan.**¹

To gain the most value from your benefit plans, it is crucial that each employee has access to *personalized, plan-specific, and claims-specific* guidance that takes a holistic approach to managing their unique combination of care needs, coverage plans, and cost concerns.

56% of employees spent less than a half-hour researching their benefits during their previous Annual Enrollment, and 14% did no research at all. In addition, 93% still opt to select the same benefits every year – regardless of whether those benefits are the best fit for their needs.

Understandably, **over 60% of Millennials and Gen Z employees feel stressed when choosing their medical coverage.**¹

Although the majority of employees may never admit to being excited about their yearly benefits enrollment, the right guidance and support solutions can make this process decidedly easier, more effective, and less stressful. In order to select the most fitting coverage plans, employees need a data-driven solution to easily and *quickly* analyze their benefit options alongside their health and finances.

2 | DECISION SUPPORT (CONT.)

A comprehensive decision support solution will leverage an employee's own claims data and benefits information to provide them with value-conscious care and plan utilization recommendations, as well as personalized cost estimates and claims filing assistance.

Decision support tools can also help direct employees to telehealth services when appropriate – offering a potentially more convenient, cost-effective, and safe option for accessing care during the COVID-19 pandemic.

Decision support should not be limited to core benefits alone; **a proper solution will also encourage employees to take advantage of voluntary benefits** like critical illness and accident coverage when applicable. *For more on voluntary benefits, see page 19.*

When considering benefits service solutions, do not lose sight of the positive impact that **live, one-on-one customer service** can have on your participants. **98% of employers surveyed offer some form of service center assistance to their participants**, and nearly three-fourths of employers depend on Empyrean to provide this service to their clients.

Dedicated and knowledgeable service center representatives will not only provide support to employees during Annual Enrollment, but can also help answer specific questions and offer valuable benefits concierge services throughout the year.

Live service center assistance can help build increased benefit confidence for employees of nearly all generations: **In fact, nearly 90% of Millennials and Gen Z trust live service representatives – while just over 10% trust chatbots.**³ To meet this need, your benefits administration partner should offer 100% US-based, in-house, and dedicated service center teams that learn your company's unique workforce, culture, and benefits strategy to serve as an extension of your own internal benefits team.

2 | DECISION SUPPORT (CONT.)

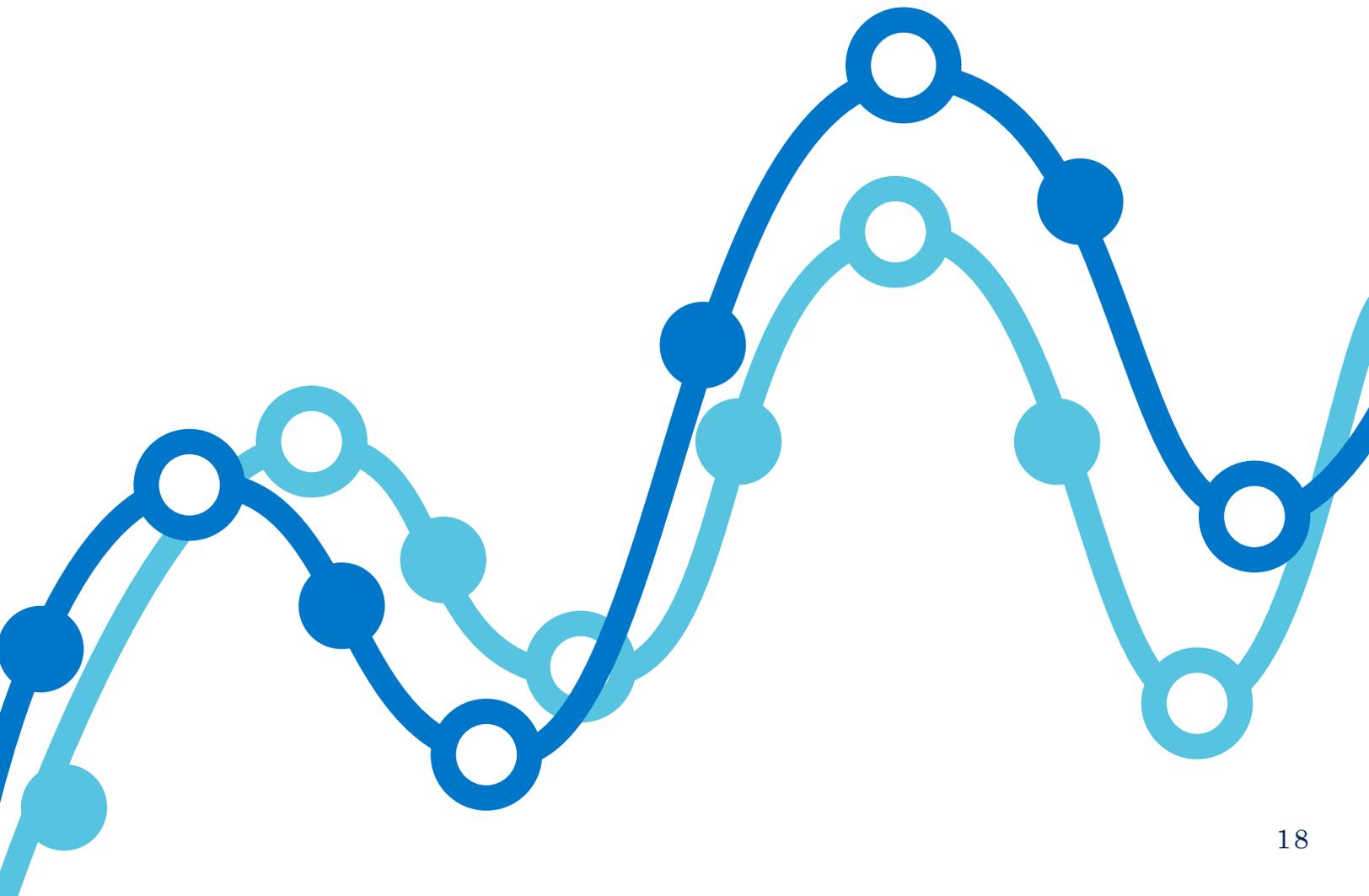
Your benefits administration provider must also maintain the technology infrastructure, security measures, and business continuity and mobility strategy to ensure your benefits service remains uninterrupted and your employees have access when they need it most – whether it be during a natural disaster, global pandemic, or other large-scale emergency.

The right benefits guidance will also work in tandem with a strong financial wellness strategy – a benefit that may serve a crucial need as employees recover from the economic effects of COVID-19.

For more on financial wellness programs, see page 24.

3

Voluntary & Supplemental Benefits



3 | VOLUNTARY & SUPPLEMENTAL BENEFITS

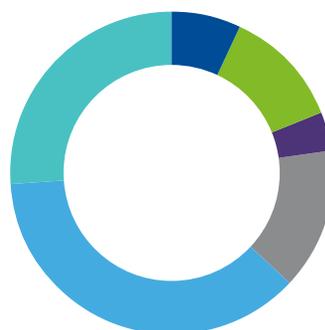
Highlights at a Glance

- **More than three-fourths** of employers offer voluntary benefits, including accident and critical illness coverage, legal insurance, and pet insurance.
- **96% of employers** surveyed offer supplemental benefits such as short-term and long-term disability and buy-up plans, and basic accidental death and dismemberment.
- **Accident and critical illness remain the most popular voluntary benefits**, and their offerings have increased by 13% over last year's data. Of employers that offer voluntary benefits, 84% of employers offer at least one of these plans, and 79% offer both types of coverage.

EMPLOYERS OFFERING VOLUNTARY BENEFITS



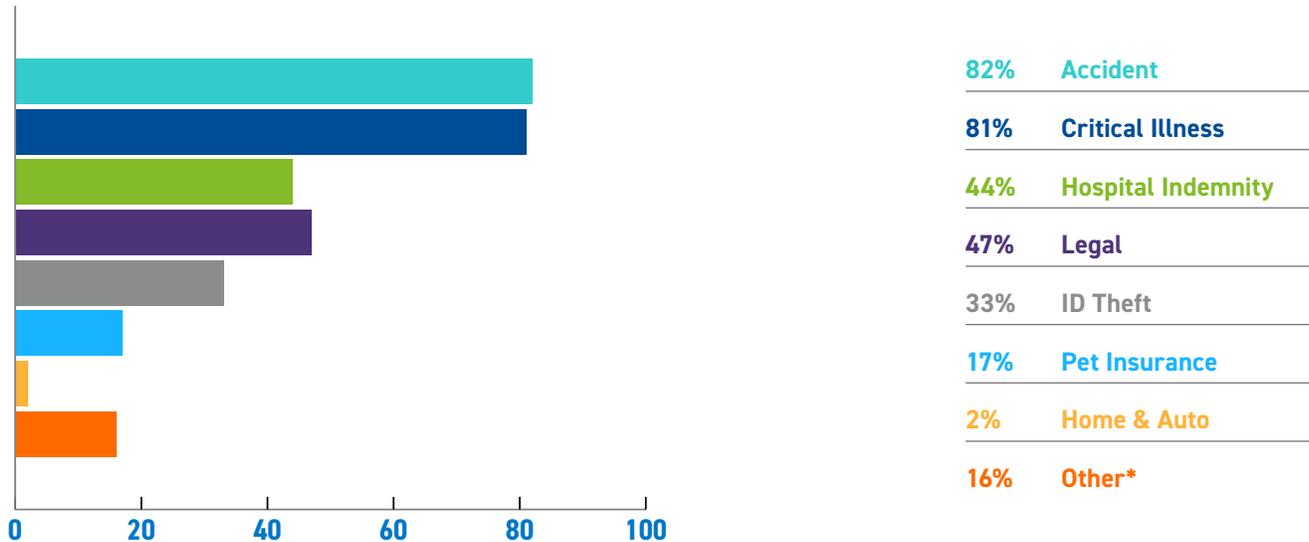
EMPLOYERS OFFERING VOLUNTARY BENEFITS BY INDUSTRY



7%	Education
12%	Energy & Utilities
4%	Government
14%	Healthcare
37%	Manufacturing/Industrial
26%	Services

3 | VOLUNTARY & SUPPLEMENTAL BENEFITS (CONT.)

VOLUNTARY BENEFITS OFFERED†



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

*Other benefits include commuter and transportation benefits, employee assistance programs (EAPs), long-term care benefits, and travel accident insurance.

Accident and Critical Illness Coverage on the Rise

Voluntary and supplemental benefits are becoming key elements of a well-rounded benefits program, and for good reason. These benefits offer access to valuable coverage that can deliver added peace-of-mind for employees across a wide variety of concerns – including major accidents, illnesses, legal needs, identity theft, and even pet care.

Accident and critical illness coverage are the two most popular voluntary benefits, and for good reason. Electing these benefits are an easy way for employees to ensure they're protected against the unexpected, and can provide valuable peace-of-mind – especially for participants enrolled in a high deductible health plan.

These plans help take some of the pressure and financial risks off of employees by bridging potential gaps in their core coverage. **In fact, 91% of employees say supplemental benefits boost their financial security.**¹ For more on financial wellness, see page 24.

3 | VOLUNTARY & SUPPLEMENTAL BENEFITS (CONT.)

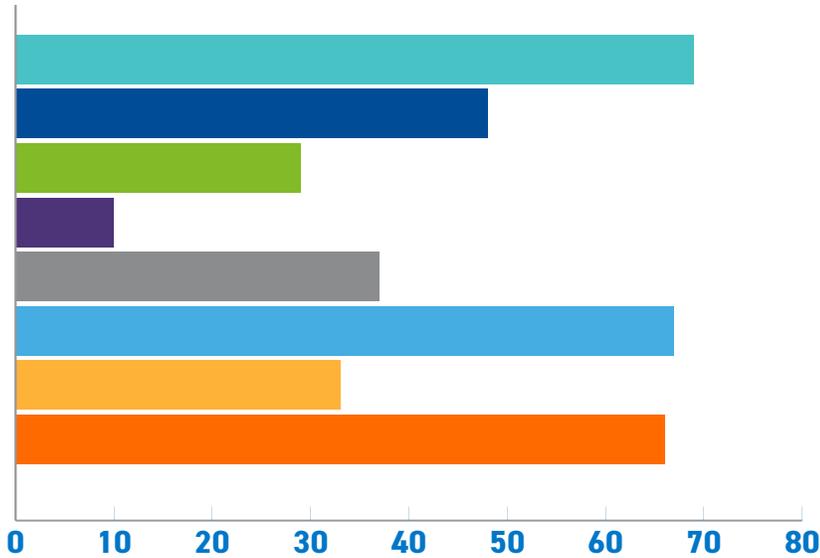
Nearly two-thirds of employers offering an HDHP also offer critical illness and accident protection to their employees. Some employers and coverage providers have even offered this coverage during special enrollment periods resulting from the COVID-19 pandemic, in addition to health plans. It is highly likely that these voluntary benefits will increase in popularity as HDHPs (and potentially full-replacement strategies) become more prevalent.

Voluntary benefits are a win-win: employees gain easy access to important benefits, often at little to no cost for employers. These cost-effective benefit options expand the value of your overall benefits package, which in turn increases the satisfaction of your workforce. However, in order to reap the full advantages of your voluntary offering, employees must understand how all of their benefits work together to deliver comprehensive coverage.

Educating employees to take a more holistic view of their benefits package can be a challenge, but adopting the right resources can make this goal much easier to accomplish.

Robust decision support tools can provide the guidance employees need to elect the right voluntary benefits alongside core coverage. Proper support will extend beyond enrollment to remind participants to utilize their voluntary coverage when appropriate throughout the plan year. *For more on decision support tools, see page 13.*

ADDITIONAL BENEFITS OFFERED BY EMPLOYERS†



69% Basic Life - Multiplied by an Increment of Pay (ex: 1x Salary, 2x Salary, Etc.)

48% Basic Life & Accidental Death & Dismemberment (AD&D) - Flat \$ Amount

29% Long Term Disability (LTD) Buy-Up Plan

10% Short Term Disability (STD) Buy-Up Plan

37% Long Term Disability (LTD) Employer Paid

67% Long Term Disability (LTD) 100% Employer Paid

33% Short Term Disability (STD) Employee Paid

66% Short Term Disability (STD) 100% Employer Paid

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

4

Wealth & Wellness



4 | WEALTH & WELLNESS

Highlights at a Glance

- **A little over one-fourth** of employers offer a Health Reimbursement Account (HRA) to their employees, in line with last year's findings.
- **Nearly all employers** who offer an HDHP plan also offer their employees a Health Savings Account (HSA). **Over four-fifths** of employers now provide an HSA contribution to eligible employees, demonstrating a slight increase in the number of organizations providing this kind of financial benefit.
- **The majority of employers** – 59% – now choose to provide employees with scheduled HSA contributions instead of an annual lump-sum amount. This is a significant shift from just a year ago, when the majority of employers opted for one-time contributions. 41% of organizations provide contributions on a per-pay-period basis, making this schedule the most popular contribution option among the companies surveyed.
- Employers' HSA contribution amounts have remained fairly stable over the past year, with **the majority of employers** continuing to offer contributions in the **\$500 to \$750** range for single employees, and the **\$1,001 to \$1,999** range for families.
- There has been **a decrease in the number of higher HSA contributions** for families (\$2,000 and up range) and an increase in the number of mid-value contributions (\$751 to \$1,000) – suggesting that some employers may be adjusting their HSA contribution strategies as HDHP plans and HSA accounts prove more and more popular.
- Wellness programs are increasing in popularity: **Half of all employers** surveyed now offering a wellness program as part of their benefits packages. **Nearly three-fourths** of these employers include biometric screenings and other health assessments as part of their wellness program strategy. **81% offer an associated incentive** to encourage continued wellness program participation, such as financial rewards or reduced medical premiums.
- Despite growing interest around financial wellness, **only 3% of employers** have implemented a formal financial wellness program as part of their larger benefits strategy.

4 | WEALTH & WELLNESS (CONT.)

EMPLOYERS OFFERING A HEALTH REIMBURSEMENT ACCOUNT (HRA)

27 %
Offered

73 %
Not Offered

EMPLOYERS OFFERING A HEALTH SAVINGS ACCOUNT (HSA) FOR HDHP PARTICIPANTS

92 %
Offered

08 %
Not Offered

EMPLOYERS OFFERING AN HSA CONTRIBUTION

83 %
Contribution

17 %
No Contribution

EMPLOYERS' EMPLOYEE-ONLY HSA CONTRIBUTIONS



16%	Less than \$500
67%	\$500 - \$750
7%	\$751 - \$1,000
10%	\$1,001 & Up

EMPLOYERS' FAMILY HSA CONTRIBUTIONS



16%	\$500 - \$750
36%	\$751 - \$1,000
38%	\$1,001 - \$1,999
10%	\$2,000 & Up

EMPLOYER HSA CONTRIBUTION SCHEDULES



5%	Monthly
9%	Quarterly
4%	Semi-Annual
41%	Per-Pay-Period
41%	One-Time

EMPLOYERS' OFFERING FINANCIAL WELLNESS PROGRAM

03 %
Offer Program

97 %
Do Not Offer

4 | WEALTH & WELLNESS (CONT.)

Supporting Employees' Physical, Mental, and Financial Wellbeing through Stressful Times

Right now, employees are facing a wide variety of stressors related to health, finances, family, and social issues – and wellness resources are needed more than ever.

While there's no way to shelter your workforce from all of the anxiety and stress they are feeling, employers can help ease some of this tension through wellness programs and solutions. Resources such as employee assistance programs (EAP), programs focused on healthy living, and reminders regarding self-care can be especially important during these tough times.

Over half of employers offer a typical health-centric wellness program – the majority of which include biometric screenings or incentives for participation. These programs are effective ways to help employees make smarter choices regarding their daily wellbeing, which can translate into happier employees and lower care costs over time.

Given the sudden and far-reaching impacts of the COVID-19 pandemic, however, there is another type of wellness program that is poised for significant growth and impact.

Currently, only 3% of employers offer a formal financial wellness program – but this number may drastically increase in the coming years as employees seek to bounce back from the economic hardships of the pandemic and develop a stronger financial “safety net” moving forward.

Prior to the pandemic, 39% of employees acknowledged that they could not go longer than a month without receiving a paycheck.¹ Today, over 40 million Americans have had their jobs impacted by COVID-19 – with unemployment rates reaching numbers not seen since the Great Depression.⁴

Financial anxiety is not limited to those experiencing furloughs, layoffs, or compensation reductions, however. Employees across nearly all industries and positions are likely experiencing some form of financial stress as the economic repercussions of the pandemic continue to be seen.

4 | WEALTH & WELLNESS (CONT.)

Unlike health-conscious wellness programs, financial wellness programs have been harder to formally define in the past. The wide variety of employees' financial goals have also made it difficult for employers to offer a central solution to adequately meet employees' widely varied needs. For instance, younger employees may have typically focused on paying down student loan debt, purchasing a home or vehicle, or saving up to start a family, while older employees may have focused on saving for retirement.

Prior to the pandemic, a strong economy and low unemployment rate offered a sense of security to employees and employers. In just a few short months, however, the massive changes due to COVID-19 have brought an intensely sharp focus and pressure back to employees' financial health.

Many employers have also been hesitant to offer a formal financial wellness program to their employees, perhaps choosing to wait and see how early adopters fared before adopting a program of their own. In reality, the concept of employer-sponsored financial wellness has been around for quite some time. For example, if your company offers employees access to a 401k, FSA, or an HSA, then you are providing some form of financial wellness.

Today, AI-powered technology and integration with benefit administration platforms have made it easier than ever to implement and offer a personalized, comprehensive, and *proven* financial wellness program to your employees, backed by powerful computing processes and data analytics. A modern financial wellness solution analyzes an employee's income level, saving and spending habits, and financial goals to deliver a step-by-step plan that will help them achieve their unique objectives.

Employees' health care choices also play a major role in determining their financial security – **but only 7% of employees recognize the holistic relationship between their health care and financial wellbeing.**⁵ Providing decision support tools that allow employees to easily make more cost-effective decisions about their care and coverage is another way to help them build greater financial security. *For more on decision support tools, see page 13.*

4 | WEALTH & WELLNESS (CONT.)

EMPLOYERS OFFERING WELLNESS PROGRAMS

50 %
Offer program

50 %
Do Not Offer

EMPLOYERS' WELLNESS PROGRAM IMPLEMENTATION



66% Within the Past Three Years or More

20% Within the Past Two Years

14% Within the Past Year

EMPLOYERS UTILIZING INCENTIVES AS PART OF THEIR WELLNESS PROGRAM

19 %
Do Not Utilize Incentives

81 %
Utilize Incentives

EMPLOYERS INCLUDING BIOMETRIC SCREENINGS AS PART OF THEIR WELLNESS STRATEGY

71 %
Included

29 %
Do Not Include

5

Verification & Surcharges



5 | VERIFICATIONS & SURCHARGES

Highlights at a Glance

- Tobacco surcharges and non-smoker discounts for medical and life insurance coverage **have remained relatively stable** over the few years.
- **92% of employers do not certify tobacco usage or spousal coverage**, relying instead on employees to willingly provide this information.
- Spousal surcharges for medical coverage are **up slightly to 28%**, up from 22% of employers last year.
- The majority of spousal surcharges for medical coverage **remain in the \$1,001 to \$1,499 range**. There has been a **24% increase** in the number employers requiring a spousal surcharge in the \$500 to \$1,000 range.
- The percentage of employers that deny medical coverage to spouses who are eligible under another employers' plan **has doubled in the past two years** – up to 18% from 9% in 2018.
- **Only 3% of employers** utilize a vendor to certify spousal medical coverage, a drop from 10% in 2018.
- **69% of employers** require dependent verification, and 46% of employers surveyed utilize Empyrean for dependent verification where required.

5 | VERIFICATION & SURCHARGE (CONT.)

EMPLOYERS ADDING TOBACCO SURCHARGE TO THE COST OF MEDICAL COVERAGE

70 %
Do Not Add Surcharge

30 %
Add Surcharge

EMPLOYERS ADDING TOBACCO SURCHARGE TO THE COST OF LIFE INSURANCE

92 %
Do Not Add Surcharge

08 %
Add Surcharge

EMPLOYERS ADDING A DISCOUNT FOR NON-TOBACCO USERS

15 %
Do Not Add Surcharge

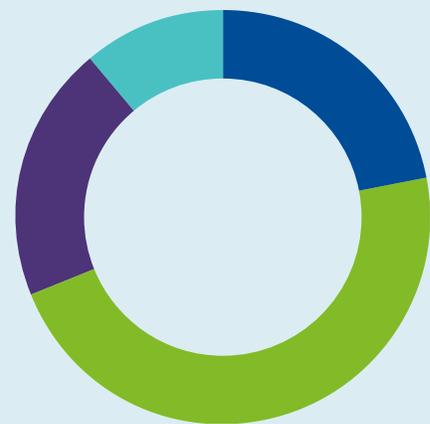
85 %
Add Surcharge

EMPLOYERS' METHOD TO CERTIFY TOBACCO USAGE

08 %
Vendor

92 %
No Vendor (Honor System)

ANNUAL TOBACCO SURCHARGE ADDED TO THE COST OF MEDICAL COVERAGE



22% Less Than \$500

47% \$500 to \$1,000

20% \$1,001 to \$1,499

11% Varies by Population

5 | VERIFICATION & SURCHARGE (CONT.)

EMPLOYERS ADDING A SPOUSAL SURCHARGE TO THE COST OF MEDICAL COVERAGE

72 %
Do Not Add Surcharge

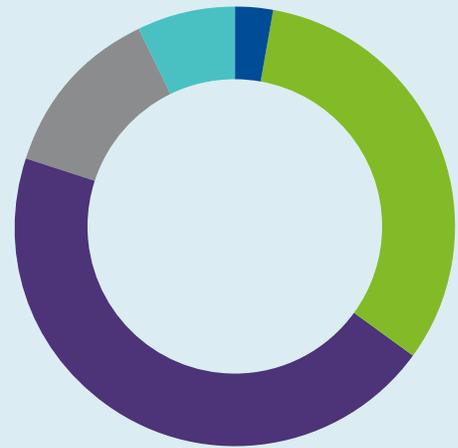
22 %
Add Surcharge

EMPLOYER METHODS TO CERTIFY SPOUSAL COVERAGE

03 %
Vendor

97 %
No Verification (Honor System)

ANNUAL SPOUSAL SURCHARGE ADDED TO THE COST OF MEDICAL COVERAGE



3% Less Than \$500

32% \$500 to \$1,000

45% \$1,001 to \$1,500

13% \$1,501 & Up

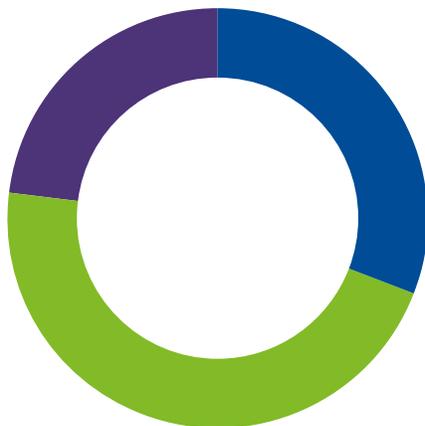
7% Varies

EMPLOYERS DENYING MEDICAL COVERAGE ELIGIBILITY TO SPOUSES THAT ARE ELIGIBLE UNDER ANOTHER EMPLOYERS' PLAN

18 %
Deny Eligibility

82 %
Do Not Deny Eligibility

EMPLOYERS REQUIRING DEPENDENT VERIFICATION



31% Dependent Verification Not Required

46% Dependent Verification Done by Empyrean

23% Dependent Verification Done by Employer

5 | VERIFICATION & SURCHARGE (CONT.)

Eligibility and Verification Processes for Spouses and Dependents During the COVID-19 Pandemic

Maintaining eligibility rules and processes is crucial for employers to control their administrative burdens, data integrity, and benefit costs. Poorly managed eligibility rules can also cause frustration and dissatisfaction should spouses and dependents be recognized as ineligible.

69% of employers require dependent verification, in line with the findings of the last few years.

Completing dependent verification and audits can be a major undertaking for benefit teams to manage on their own. Understandably, **nearly half of employers utilize Empyrean** to manage their dependent verification processes, keep their data clean, and control their benefit costs.

Some employers have made special allowances to accommodate for the unique situations

surrounding COVID-19. These allowances include extended deadlines to meet documentation requirements for dependent and event verification processes, the suspension of tobacco surcharges and extended deadlines for tobacco testing, as well as modified waiting periods for new hires.

These extensions and suspensions can lessen the pressure on employees as they work around challenges brought about by the pandemic. As employers make these concessions, it remains crucial that they maintain the support of a flexible and knowledgeable benefits administration provider that is able to swiftly implement and adapt to any necessary changes in their requirements and processes – before, during, and *after* Annual Enrollment.

CONCLUSION

In just a few short months, the COVID-19 pandemic has brought tremendous change to employee benefits and the world as a whole. Now more than ever, employees look to HR teams for leadership and guidance as we navigate today's new "normal."

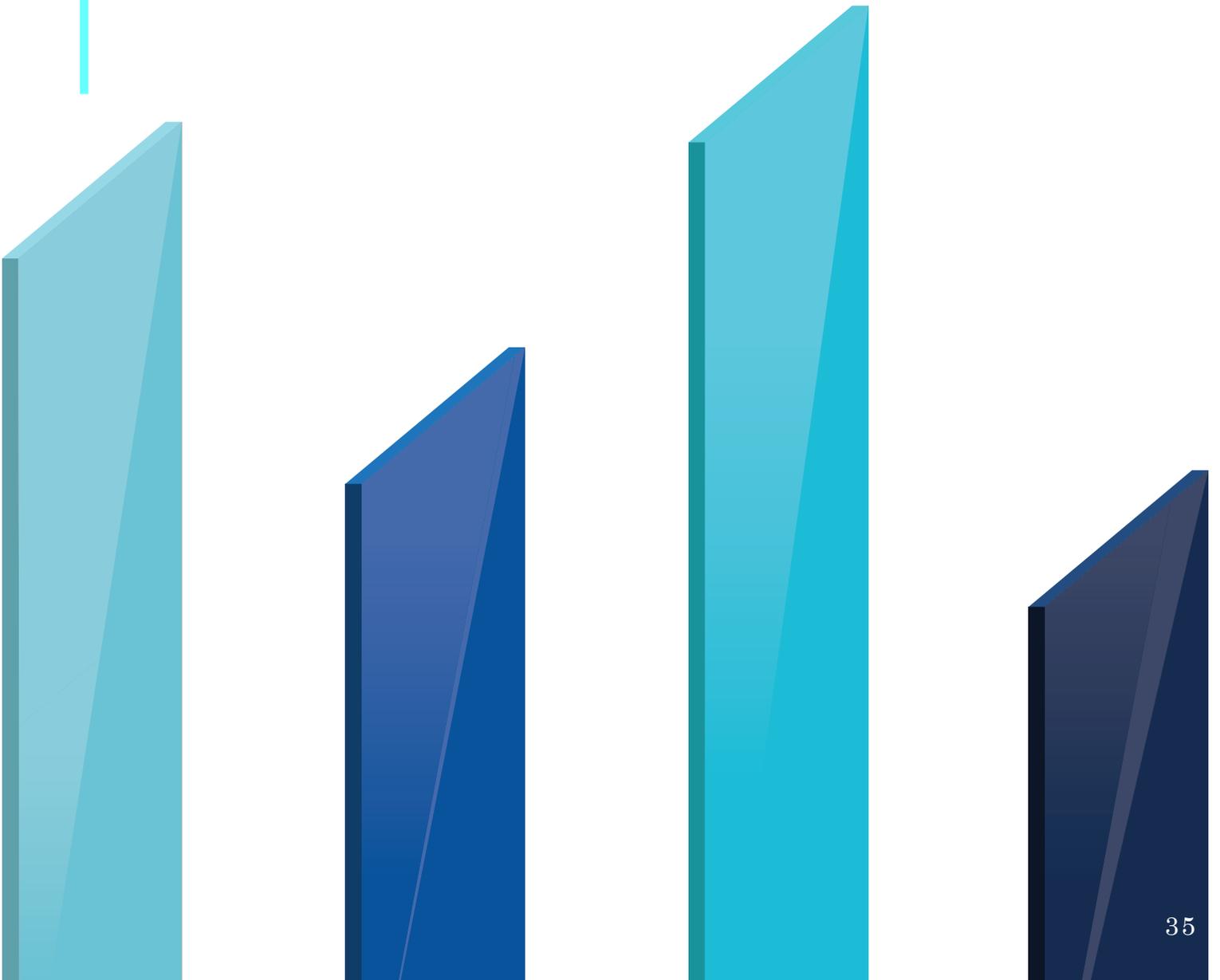
This is a stressful time for so many – but benefit professionals remain working tirelessly on the front lines to meet the needs of their employees and businesses. As communities come together to support one another, benefit teams must be able to lean on their partners for help.

Commitment, dedication, and flexibility are more important now than ever. Ensuring employees have access to the right benefits, guidance, and services is crucial to keeping families safe throughout the current crisis. Likewise, employers must be able to rely on their benefit partners and providers to tackle a growing number of process changes, compliance updates, and other evolving needs.

The sudden emergence and subsequent impacts of COVID-19 have highlighted the need for both employers and employees to prepare for the unexpected. While the immediate future remains uncertain, our HR community remains resilient and supportive throughout this difficult time.

We will continue to get through this challenge and will emerge stronger for it – as together we look forward to brighter days ahead.

About the Report



ABOUT THE REPORT

This report was compiled from data collected in January 2020 across 119 Empyrean employer clients. The breakdown of employer demographics is as follows.

EMPLOYER SIZES

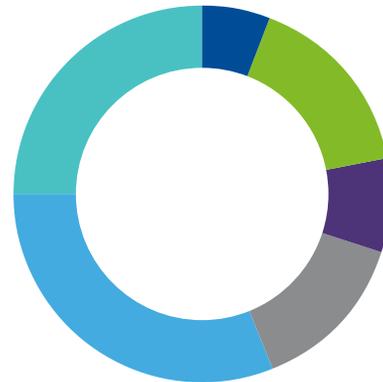


34% 500 to 1,999 Lives

49% 2,000 to 9,999 Lives

17% 10,000 Lives & Up

EMPLOYER INDUSTRIES



6% Education

16% Energy & Utilities

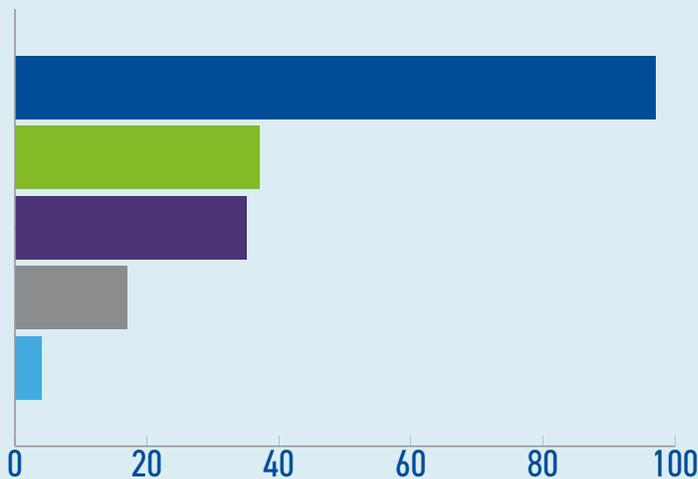
8% Government

14% Healthcare

31% Manufacturing/Industrial

25% Services

EMPLOYER POPULATIONS†



97% Active Employees

37% Retirees

35% Union

17% Expatriates

4% Other*

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

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

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