

Employers Offer Simpler Alternative To More Complex Cafeteria Plans

San Diego Business Journal

Among midsized employers, the old-school cafeteria approach to benefits - a bundle of pre-tax dollars that workers can use for health, life and disability insurance, child care, retirement plans and even cash - is pretty much a thing of the past, according to top local benefits plans brokers.

"I don't have a single employer offering a cafeteria plan," said Linda Keller, executive vice president for consulting and account management at the Sorrento Valley-based Intercare Insurance Solutions LLC. "They fell out of favor because of the complexities and extra cost to administer."

Instead, employers have combined what's called defined contribution benefits plans with online registration and management - often provided for free - to control costs while still allowing their employees some choices.

"Defined contribution is more specific than the old-school cafeteria plans. The employer says, 'I'll give you \$300 a month towards health care and you pick the benefits,'" said James Morrison of Carlsbad-based James M. Morrison Insurance Services. "It allows the employer to know what its exposure is, for example, a maximum of \$300 per employee for 20 employees each month that the employer can plan for."

The cafeteria plans became incredibly complicated for human resources departments, payroll and the brokers to handle as employees shopped vigorously, changed programs and uses for the money when they felt like it and occasionally simply cashed out, creating a taxable income for payroll to deal with.

"If you have an employee who has insurance through a spouse, they can buy supplemental, pay into retirement or even cash out, and suddenly the benefits have turned into a paperwork nightmare," Morrison said. "The cafeteria plans reminded people that benefits are an efficient option while payroll is not."

Favorable to Younger Workers

Defined contribution benefits do tend to work better for younger workers - that \$300 goes much farther in health care benefits for a 28-year-old single person than a 45-year-old single parent whose insuring two teenagers, Morrison points out. But that 45-year-old is also more likely to end up with life insurance and disability insurance as additional defined contribution benefits instead of using all those benefits dollars to buy a Cadillac health insurance program.

"The employer and employee become educated consumers of health care,"

Morrison said.

Defined contribution benefits aren't just done in dollars, according to Sallie Giblin, senior vice president at Lockton Insurance Brokers LLC, which serves mostly larger employers from its La Jolla offices.

"It can be a universal number or it can be a buy-up - I will provide the basic HMO plan and you can buy up to lower co-pays and more services," Giblin said. "The employer will offer to pay 90 percent of the basic HMO, for example."

That's making employers and employees truly involved consumers of health care, she said.

"We are seeing employees being more decisive about how they use their health care plans. "Am I better off paying more out of pocket or will I want lower co-pays and am I willing to pay for that?" she said. "More employees are choosing the high deductible plans than I've ever seen before," Giblin added, noting that all of Lockton's 2,500 employees nationwide went to high deductible plans last year.

Online Enrollment

Many employers have simplified administering insurance by working with online enrollment companies that manage the process of enrolling employees into insurance programs.

The employer sets the boundaries and picks the options, and then the enrollment company takes over. The enrollment companies already have relationships with the health, dental, vision, disability, life and accident insurance companies so the forms, rules and information are already in place.

"There's no doubt that companies want to use online services for enrollment," Keller said. "Both employers and employees like it since it becomes employee self-service. They can work on it when they have time; they don't have to make the calls and trips to HR that benefits used to mean."

Online enrollment reduces errors from miscommunication as information used to be passed around.

And the Web site becomes the go-to destination for answers.

"The systems load benefit plans, carrier contact information, particular vendors like the pharmacy, claim forms and records so it becomes a one-stop location for employees to manage their plans," Keller said. "HR doesn't have to manage the huge paper flow and spend time sorting out forms. My clients that implement online enrollment really like it. It's a matter of actually getting started and making it happen."

Many employers simply retain one of the companies to handle the enrollment - there are dozens offering their services online.

Employers Offer Simpler Alternative To More Complex Cafeteria Plans

Published on Medical Design Technology (<http://www.mdtmag.com>)

But they can also get online enrollment from a fresh crop of enrollment services that offer their services for free in exchange for being able to try to sell the enrolling employees their supplemental insurance programs and benefits.

"Many voluntary benefits companies have partnered with online enrollment firms so voluntary benefits are offered with core benefits of medical, dental and vision insurance," Keller said. "Voluntary benefits can include critical illness benefits, accident benefits, additional life and disability insurance."

Which companies benefit the most from online benefits enrollments?

"The multi-site companies really do well at this," Keller said. "Businesses with far-flung sales staff or several locations and one human resources office save a lot of time and confusion because they don't have to shuffle paper around or drive around to different locations to get things done well."

Marty Graham is a freelance writer for the San Diego Business Journal.

[SOURCE](#) [1]

Source URL (retrieved on 06/19/2013 - 9:46pm):

http://www.mdtmag.com/news/2011/04/employers-offer-simpler-alternative-more-complex-cafeteria-plans?qt-recent_content=0

Links:

[1] <http://www.sdbj.com/news/2011/apr/04/employers-offer-simpler-alternative-more-complex-c/>