Five ways voluntary benefits can support employee financial wellness

By Tom Chalfant—Voluntary Sales Executive

Voluntary benefits, like accident and critical illness insurance, are designed to help employees cover expenses in the event of a qualifying medical condition.

When people think of employee benefits, they often separate them into medical (insurance) or financial (401(k)s and pensions). But in reality, they go together—they're all designed to protect employees financially.

Today's voluntary benefit plans are no different. Benefits paid under these coverages can be used for out-of-pocket medical costs or even everyday expenses such as transportation and child care.

For employers who are considering adding voluntary insurance to their overall benefits package, it helps to understand how they can help reduce the financial burden of an accident, illness or other medical event. Here are five key ways:

1. Covering the gaps

If an employer currently offers a high-deductible health plan, employees can be on the hook for significant medical expenses until they reach their deductible. Even when it's finally met, they're typically responsible for copays and/or coinsurance costs—sometimes thousands of dollars' worth—before the medical plan starts paying 100% of costs. Benefits from voluntary coverage can help employees cover these costs.

Employers implementing a high-deductible plan may often see cost-savings when elected by employees. But for many employees, taking on these new additional up-front costs can be challenging, and they may choose not to make the change. Aligning a new high-deductible plan with one or more voluntary benefit plans can help ease the transition by helping employees cover the initial costs when an

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A recent survey found half of adults would not be able to pay an unexpected $500 medical bill in full.[1]

accident, illness or hospitalization occurs. As an added incentive to switch to a lower-cost medical plan, employers should consider paying all or a portion of these additional plans' premiums for those choosing a high-deductible plan.

2. Preserving savings

Unexpected accidents and illnesses generally lead to unexpected costs for employees. Voluntary insurance products quickly put money in their hands so they can rely less on current income or savings. They can also avoid dipping into their health savings accounts (HSAs), which can allow those funds to continue growing for future use.

HSAs are valuable investment vehicles because contributions are made pre-tax, they grow tax-free, and withdrawals aren't taxed as long as the funds are used for medical purposes. The savings in an HSA may become even more essential as employees get older and their medical costs generally increase. If an employee contributes consistently to an HSA without accessing it for medical expenses, their balance later in life will be much more significant—at a time when health care costs are likely to increase. No other investment option offers this level of tax savings, and employees may not understand its long-term value.

Employees facing high-cost medical expenses may also be tempted to take withdrawals from their 401(k)s or rely on credit cards, both of which may cause financial challenges down the road. Voluntary benefit payouts can help employees avoid or delay using funds from these sources.

3. Offering customization

Voluntary insurance coverage can be customized by the employer to meet the unique needs of their business or industry, and they give employees options to customize their safety net to meet their own specific needs. They can choose their amount of coverage or no coverage at all.

For example, an employee's needs may change over time based on their life stage—a child, mortgage or college tuition may compel them to increase their coverage for added financial protection. And as they get older, employees may become more concerned about serious health conditions such as cancer, heart attacks or strokes.

Employees within the same company may also have significantly different needs. Partners in a law firm will not feel the same financial effect of a health crisis as their paralegals or assistants. Executives at a manufacturer face less physical risk than employees on their assembly line. Coverage such as critical illness and accident insurance offer the flexibility to customize benefits to all income brackets and life stages. Offering several coverage options allows employees to choose what's right for them.

4. Makes benefits easy to use

Benefits from voluntary plans are often paid regardless of preexisting conditions and without regard to any other insurance employees have. As long as the condition is covered by the policy, the employee receives the benefit. There are no waiting

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periods for benefits, benefits are payable right away, and the process for submitting claims is simple.

Making benefits easy to understand and easy to utilize makes employees much more likely to enroll in and use them. And explaining how the benefits integrate with their other coverage will highlight the value of the broader benefits package you're offering.

Your benefits broker and the issuing carrier can help you create benefits packages that are straightforward, are relevant to your employees' needs, and are backed by communication that makes employees comfortable with what they sign up for.

5. Providing options

Voluntary benefits are evolving to cover more medical conditions with broader definitions. For example, mental illness and complications of pregnancy and childbirth are now being covered under some critical illness policies. This additional flexibility can provide employees more confidence that medical costs won't eat into their savings and their coverage is relevant to where they are in life.

Instead of an all-or-nothing approach, voluntary benefits can help employees feel better about the coverage they buy because it can be tailored to their needs. Seeing the variety of conditions that they're insured against makes it easier for them to justify the additional monthly premium in exchange for protection from life's sudden turns.

Voluntary benefits can present a low-cost opportunity for employers to offer appreciated financial protection to their employees. In a competitive hiring environment, they can help your benefits package stand out from other companies offering more traditional benefits.

To learn more, contact your benefits broker.

In New York, critical illness coverage is called specified disease.

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[1] KFF Health Care Debt Survey, https://www.kff.org/report-section/kff-health-care-debt-survey-main-findings/. Accessed August 24, 2022.

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