



Financial wellness at work

How voluntary benefits help employees prepare for the unexpected

When asked what they feel causes them the most stress, more employees cite financial matters than all other life stressors combined.

Financial wellness is a leading cause of stress for many of today's workers. In fact, a recent survey found that 59% of employees attributed the majority of their stress to financial matters. One third of employees reported personal finance issues being a distraction from work—and of those respondents, 49% spent three or more hours at work thinking about or dealing with their personal finances each week.¹

In today's high-deductible health plan marketplace, employees are expected to pay a growing share of out-of-pocket expenses. This can encourage individuals to be better health care consumers because they are investing more of their own dollars upfront, but workers may have to meet deductible, co-pay and coinsurance requirements before their primary insurance pays out.

For many employees, just meeting the deductible can be a challenge. According to 2019 surveys, deductibles rose 36% over the last five years,² and 53% of employees are concerned about their ability to cover health expenses.³

Health-specific expenses can be significant, yet they still represent only a portion of the costs generated by a medical event. While paying down their deductible, employees still face daily expenses from housing, child care and transportation, in addition to health care expenses not covered by their policy. Given these costs, it's not surprising that two thirds of people who file for bankruptcy cite medical issues as a key contributor to their financial struggles.⁴

Financial stress can impact an individual's health, relationships and productivity. A recent survey found that one out of five employees report that their productivity at work is impacted by financial concerns.⁵ To help lessen the impact of financial stress, it's important for employers to balance a cost-effective benefits plan with coverage that meets the needs of employees and their families. By utilizing voluntary benefits—such as disability, accident and critical illness coverage—employers can help ensure their workforce stays financially well while managing the bottom line.

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Expect the unexpected

No one knows when an accident or serious illness will strike, but having a comprehensive benefits package can help provide some peace of mind. Today's insurance carriers have a number of creative solutions to fit almost any group's needs. Coverages like the ones listed below typically pair well with high-deductible plans, providing financial support without undermining the consumerism element of the high-deductible medical plan:

- **Accident:** Can pay a fixed or expense-based benefit for eligible expenses related to an accidental injury. Typical benefit range: \$50–\$10,000.
- **Critical illness:** Usually provides benefits as a lump-sum payment upon the diagnosis of conditions like cancer, stroke or heart attack. Typical benefit range: \$5,000–\$50,000.
- **Dental:** Pays a percentage or fixed dollar amount for preventive and basic dental services. Typical benefit range: \$500–\$1,500.
- **Disability income:** Replaces a portion of lost income if an employee is unable to work due to an injury or illness. Typical benefit range: 40–60% of weekly earnings.
- **Fixed-payment inpatient hospital coverage:** Offers a set benefit amount per day for eligible services and supplies received in a hospital or other similar facility. Typical benefit range: \$200–\$400 per day. An additional hospital confinement benefit may be available for the first day in the hospital. Typical benefit range: \$1,000–\$2,000.
- **Life insurance:** Helps families stay financially secure by paying a benefit in the event of an insured's death. Typical benefit range: 1–2x annual salary or a flat amount.
- **Vision:** Pays for vision hardware at 100% up to defined maximums; may include an eye exam benefit. Typical benefit range: \$50–\$200.

When specifically designed to complement a high-deductible plan, voluntary benefits can help reduce the financial pressure employees may face during and after a serious medical event without impacting the utilization goals of the group's major medical plan.

Filling a need

Today's technological and medical advancements mean that more people are surviving illnesses and injuries that even a decade ago would have been untreatable. But these positive results often come with significant financial consequences. Even with a major medical plan, employees can still face out-of-pocket costs following an injury or illness. Lost income for employees or a caretaking spouse, child care during recovery, travel for treatment and other expenses add up fast. The good news is employees who take advantage of the valuable benefits provided by voluntary insurance products can receive some immediate financial relief. Let's look at an example:

John, an employee at ABC Company, suffers a heart attack and has to take several weeks off work. In addition to the medical benefits provided by his high-deductible health plan, John is also eligible for his company's voluntary disability, critical illness, and inpatient hospital insurance coverage. Based on the benefit amounts in those policies:

- The critical illness coverage pays an immediate benefit of \$10,000 that John can put to use right away, helping him cover child care costs and other expenses.
- The inpatient hospital coverage pays a \$600 benefit for his admission to the ICU, plus \$300 for each additional day in the hospital, up to the policy's calendar year maximum. These benefits can help defray the significant expense of hospital treatment.
- John also has disability coverage that pays an amount equal to 60% of his weekly earnings after a short waiting period. That means he can continue to receive a portion of his regular income even though he's unable to work.

Thanks to these voluntary benefits, John can focus more on his recovery than the financial burden he may otherwise face as a result of his condition.

56% of employees said whether or not they like their health coverage is a key factor in deciding to stay at their current job.⁶

Know your employee population

Employers should tailor benefits to fit their employee population. If a group has a high percentage of young families, life insurance and accident benefits may be of utmost importance. Companies with an older employee population may be drawn to critical illness and hospital coverage. And a younger, millennial workforce may favor disability and accident benefits. Employers should carefully consider the needs of their group to ensure their benefits support their employees' financial wellness needs. They should also make sure employees understand how their coverages work and when to reevaluate their insurance needs. For example, marriage, divorce and the birth or adoption of a child are typically considered qualifying events by insurance companies, giving workers an opportunity to make changes in their plans. Employees will appreciate having access to resources that can help them make informed decisions at this critical time.

Ensuring the financial wellness of the company

A comprehensive benefits package can make a difference in recruiting and retaining a quality workforce. In a recent survey of U.S. adults with employer-sponsored health benefits, 56% said whether or not they like their health coverage is a key factor in deciding to stay at their current job.⁶ The voluntary coverages we've described in this paper can help you manage health care costs while promoting financial wellness for employees and their families.

Voluntary benefits can be offered at no employer cost, and they encourage employees to participate in cost-saving high-deductible medical plans by providing benefits before the plan deductible is met. Plus, some carriers offer in-house administration for enhanced efficiency and a more consistent claims-paying experience.

Voluntary benefits and policy features vary by carrier. It's important to work with your broker to determine what's most important for your group so you can create the best financial wellness plan for your employees.

For more information about voluntary benefits, contact your group benefits representative.

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^{1,3,5} Employee Financial Wellness Survey 2019 results. <https://www.pwc.com/us/en/private-company-services/publications/assets/pwc-2019-employee-wellness-survey.pdf> – April 2020.

² 2019 Employer Health Benefits Survey. <https://www.kff.org/report-section/ehbs-2019-summary-of-findings/> – April 2020.

⁴ "This is the real reason most Americans file for bankruptcy." <https://www.cnn.com/2019/02/11/this-is-the-real-reason-most-americans-file-for-bankruptcy.html> – April 2020.

⁶ The Value of Employer-Provided Coverage. https://www.ahip.org/wp-content/uploads/2018/02/AHIP_LGP_ValueOfESIRResearch_Print_2.5.18.pdf

