



Start: Mark Evans

Why you need benefits for your employees

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As companies look to reduce costs, more employees are being hired as freelancers or on contract.

The upside is that it provides businesses with flexibility and they can avoid offering costly benefits. For employees, however, the lack of benefits can be a major issue because they're a form of compensation beyond hourly wages or salaries.

So how do small businesses provide them without taking on too much of a financial burden? I reached out to Chris Gory, president of Insurance Portfolio Inc., a family owned, independent insurance brokerage that specializes in employee benefits coverage for small businesses.

Q: What are the challenges of offering benefits to employees of these companies?

A: The first would be deciding what type of coverage they want to introduce:

- A traditional, fully insured employee benefits plan?
- An administrative services only (ASO) plan (some of the coverage is self-insured)?
- A health-care spending account (also known as an HSA or HCSA)?
- A combination of a traditional benefits plan or an ASO plan, and an HSA?

The next challenge would be education. This can include educating staff on the included coverage, submitting claims, accessing the insurance company's website, etc. But more frequently, it involves educating staff on

being smart with the plan – claims, dispensing fees, co-insurance, etc. The more the employees know, the less likely the chance of claims abuse and frivolous claims, which translates to higher premiums. Keep your employees engaged in the plan.

Q: How important are benefits in terms of attracting and keeping employees?

A: Next to salary, employee benefits coverage is the most important tool in attracting and retaining key staff. The 2011 Sanofi-aventis Healthcare Survey polled 1,598 people who currently have employee benefits coverage. When asked if they would rather keep their benefits coverage or receive \$10,000, 59 per cent said that they would rather keep their benefits coverage. And when asked if they would rather keep their benefits coverage or receive \$20,000, 48 per cent said they would rather keep their benefits coverage. One of the reasons is that 45 per cent of the plan members surveyed said they take at least one medication to manage a chronic disease such as diabetes or hypertension.

Many employers who currently have employee benefits coverage in place for their staff are looking for new ways to stand out from other potential competitors. Many now offer:

- Group critical illness (an employee diagnosed with one of the listed medical conditions receives a lump sum, regardless of ability or inability to work).
- Medical access insurance.
- Employee assistance programs (typical cost: \$3.50 to \$5 a month per employee, depending on the size of the company).

Q: The perception is that offering benefits is expensive for a small business. Is that true?

A: An employer cannot afford *not* to offer employee benefits coverage. If you don't, your competitor will.

A health care spending account (HSA) operates like a bank account. A pre-determined allotment is put in the HSA for each employee, and they cannot exceed their allotment. An HSA can even be set up with different classes of coverage, each with different annual maximums. Any employer contributions revert back to the employer if not used by the employee after two years. HSAs also have a longer list of eligible medical expenses than a traditional employee benefits plan, as per the Canada Revenue Agency.

As for traditional employee benefits plans, a good employee benefits broker can help design one that fits an employer's budget, through coverage maximums, co-insurance, deductibles, and per-visit maximums (for paramedical practitioners). As well, some insurance companies prefer not to write businesses in certain industries, and either outright decline to provide a quote, or they may provide a quote but with higher premiums.

Q: What are some of the things small businesses need to think about when considering offering benefits?

A: The first thing to consider is what coverage to include. Survey your staff to see what they want. A staff made up of 20- and 30-year-olds will want different coverage than 50- and 60-year-olds. The most common components are life insurance, dependent life insurance, accidental death and dismemberment, extended health care coverage – which includes prescription drugs, semi-private hospital coverage and emergency medical travel coverage – dental coverage, long-term disability coverage, and short-term disability coverage. As an employer, you can't implement a benefits plan and, other than adding and deleting staff, leave the plan alone. It's a living policy, and requires ongoing maintenance. Recent court decisions support this.

Many property and commercial insurance policies allow for a plan administrator rider to be added on to a commercial insurance policy. This provides coverage in the event that a plan administrator makes an error in

administering the plan (forgetting to inform the insurance company of a salary change, for example).

Make sure anyone leaving an employee benefits plan is advised of their right to convert their benefits coverage into individual coverage, and an appropriate waiver is signed.

Q: Can you offer some advice on what small businesses should avoid when offering benefits?

A: A few things to keep in mind when offering benefits:

- Be diligent when selecting your broker. Don't base your choice solely on the price. All brokers can get similar quotes from the insurance companies. Don't base your choice on the insurance company they represent. Take the time to look at the broker's website to see if employee benefits plans are their primary focus. And, don't be afraid to ask for references.
- Don't be afraid to ask your broker how much their commission is. It's up to the broker to set his or her own commission level. For a smaller employer, the commission is usually 10 per cent to 12 per cent (up to 15 per cent for disability coverage). For larger employers, commissions may be as low as 3 per cent to 5 per cent.
- Try to avoid having to make substantial plan changes after the first year. If you're unsure about what level of coverage you want (70 per cent, 80 per cent, 90 per cent, or 100 per cent), it's best to set it lower to start. In a year's time, increasing the coverage (for example, from 80 per cent to 90 per cent) will be better received by your staff than a decrease.
- Avoid paying 100 per cent of the premiums – include an employee contribution. All insurance companies require employers to pay a minimum amount of the premiums. For most insurance companies, the minimum employer contribution is 50 per cent, but a few insurance companies have minimums as low as 25 per cent or 33 per cent. If you pay 100 per cent of the premiums for your staff, there tends to be less “ownership” of the plan, claim abuse tends to be higher, and more frivolous claims are submitted. If, after a year's time, you need to decrease your contribution, and introduce an employee contribution, employees will become disgruntled having to start paying for something that they previously did not have to.
- If you are a small employer with staff that have extended health care coverage and dental coverage through their spouse, avoid letting them opt out of all coverage. At the very least, make sure they are on your plan taking the life insurance, accidental death and dismemberment coverage and, if applicable, long-term disability coverage. By taking coverage, they are considered to be plan members. If their spouse lost their coverage, and your staff wanted to join your plan, they would be considered a “late enrollee,” subject to additional medical underwriting information, and may have coverage restricted in the first year.

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Mark Evans is the principal with ME Consulting, a communications and marketing strategic consultancy that works with startups and fast-growing companies to create compelling and effective messaging to drive their sales and marketing activities. Mark has worked with four startups – Blanketware, b5Media, PlanetEye and Sysomos. He was a technology reporter for more than a decade with The Globe and Mail, Bloomberg News and the Financial Post. Mark is also one of the co-organizers of the mesh, meshmarketing and meshwest conferences.

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