Planning 2021 Benefits Changes for the COVID-19 Era

Coverage decisions must be made soon, despite pandemic unknowns

By Joanne Sammer
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Planning employee benefits for the 2021 plan year presents HR with unique challenges, given that the outlook for the COVID-19 pandemic is still unknown. As employers await word on health plan costs for next year, which insurers usually provide in November, they must decide how to allocate benefits budgets, choose which benefits programs to offer and figure out how to communicate changes to employees.

Short-Term Gains, Long-Term Pain?

"Most employers are experiencing short-term gains in their health plans," said Kelly Conlin, a principal with benefits consulting firm Buck in Philadelphia. That's because some individuals' decisions to defer or cancel elective care lowered spending in 2020, more than offsetting added health care expenses for COVID-19 testing and treatment. However, employers cannot afford to be complacent about health care costs going into 2021.

An increase in demand for delayed procedures and continuing care related to COVID-19 is likely to drive health care costs higher next year, Conlin and other experts said.

With the COVID-19 pandemic continuing to surge in many states, "many employers are going to make changes to benefits as a result," said Dani Macauley, a senior vice president with consultancy Aon Hewitt in Denver.

Although 37 percent of employers do not anticipate adjusting benefits for 2021, 48 percent are still monitoring the situation (https://app.keysurvey.com/reportmodule/REPORT4/report/41497603/41204105/5f7f8ac36ed9b505463e562c93410306?Dir=&Enc_Dir=8cb84448&av=lxnIBAm77ac=&afterVoting=d49f47d22482&msig=bf1679368151bd9395ae6e843c7a35c3), according to a June 2020 survey of 505 employers conducted by benefits consulting firm Mercer.

Twelve percent of respondents expect they will have to take moderate cost-saving measures while another 3 percent anticipate taking significant measures, the survey showed.

SHRM RESOURCE SPOTLIGHT

Coronavirus and COVID-19 (www.shrm.org/ResourcesAndTools/Pages/communicable-diseases.aspx)

Potential Changes

Among the most common changes companies are considering, Mercer found, are:

- Expanding **virtual or telehealth programs** (32 percent).
- Enhancing **mental health support**, such as employee assistance programs or additional services (25 percent).
- Increasing **cost-sharing for plan expenses** such as deductibles, premiums or co-payments (20 percent).
- Adding or expanding **voluntary benefits** (16.5 percent).
- Augmenting **services for managing high-cost claims**, including specialty pharmacy claims (13.5 percent).

Separately, employers may need to reduce their retirement plan contributions for 2021, both matching and discretionary amounts, depending on how the economy performs through the rest of this year. As plan sponsors and fiduciaries, employers should always explain to employees what's changing and why (www.shrm.org/resourcesandtools/hr-topics/benefits/pages/when-employers-must-cut-their-401k-contributions.aspx?_ga=2.201686225.1336684750.1595208638-410169545.1525450797) these actions are necessary to keep the business afloat.

Stressful Times

Not all of these changes are necessarily bad news. Adding or enhancing access to telehealth and mental health care could be welcome moves by employees and their families, who may be struggling to maintain their physical and mental health during a stressful time. This is especially true if some level of social distancing continues to be necessary.

Employers with employee assistance programs (EAPs) or other similar programs can also take this opportunity to make sure employees know about the types of support these offerings can provide.

"There is a huge concern about employees' mental health during the pandemic, especially people living alone," said LoriAnn Penman, SHRM-SCP, director of human resources at TTC Inc., a technology firm with 130 employees based in Hampton, Va. She plans to emphasize what the company's EAP offers to employees in support of their mental health, financial stability and other concerns.

"People tend to be familiar with the term 'EAP,' but they don't know how to use it," Penman said. Her focus will be on communicating what the EAP covers and the depth of resources it offers.

[SHRM members-only toolkit: Leveraging the Value of Employee Self-Service Portals (www.shrm.org/resourcesandtools/tools-and-samples/toolkits/pages/leveraging-value-of-employee-self-service-portals.aspx)*]*

Voluntary Benefits

By adding or expanding voluntary benefits programs, which provide group rates for insurance that employees pay for themselves, employers can provide ways for employees to bolster their health care coverage with, for example, hospital indemnity and critical illness coverage.

However, if employers are going to add voluntary benefits programs to help employees enhance coverage in specific areas, they must take the time to understand the products and how they can help employees meet their insurance coverage needs. "The critical success factor for voluntary benefits is a clear explanation of these plans and how they work," said Howard Gerver, president of consulting firm HR Best Practices in Franklin Lakes, N.J. "If employees are paying X amount for coverage, what will they get for that money?"

It is also important for employers to consider how voluntary benefits are structured. "There are elements of voluntary benefits design that are not modern," Macauley said. "Some of these products were designed for workforces of the past." For example, employees may not realize that critical care insurance does not always provide coverage for every illness, including COVID-19. In addition, an employee's spouse or family members may not be eligible for the same coverage provided to the employee.

To address these issues, Macauley recommended that employers:

- **Work with carriers to offer benefit designs that mesh with the reality of employees' lives and circumstances.** "Employers often have a 'set it and forget it' mindset when it comes to voluntary benefits," Macauley said. In this environment, it should be "don't set it if you're going to forget it."
- **Offer new ways for employees to leverage their existing benefits.** For example, technology startup PTO Genius LLC in Miami now allows its 11 employees to take up to 70 percent of their paid vacation time in cash if they choose. "This provides a source of funds if something comes up and employees need money," said co-founder Adam Gordon.

Handle with Care

The elephant in the room for 2021 is core health insurance coverage. Employers may face hard choices when it comes to which health plans to offer and how to structure cost-sharing.

"Employers may need to offer skinnier plans just to tread water," Gerver said. These employers can offer a basic plan to all employees with opportunities to "buy up" additional coverage.

"Communication about these options should be crystal clear," he said. "Employees need to understand what they are buying and the risks of doing so."

Not surprisingly, making health plan changes is something employers should handle with care. Penman remembers the reaction when one company she worked for switched to a health plan with a narrower provider network. "The feedback was horrible," she recalled. "Although the plan was a lot cheaper for employees, those employees didn't see the change as being to their benefit at all."

If employers have no choice but to move ahead with coverage changes, they should be upfront about why they are necessary. "Open and transparent communication about the impact of the pandemic on the business can help set the stage for communicating about increased costs, reduced choice and new requirements," Conlin said.

Looking Ahead

With the pandemic's ongoing threat to individuals' long-term health and financial well-being, employers need to engage employees in benefits decision making as much as possible, because the decisions employees make for the 2021 benefits plan year could be more critical than ever.

Get employees to pay attention to benefits, Gerver advised. "If there was ever a time to knock people over the head with a proverbial 2x4, it is now."

More Would Sacrifice Pay for Better Benefits

Even before the pandemic struck, a growing number of U.S. employees were willing to give up additional pay in exchange for more-generous benefits.

The 2019/2020 Global Benefits Attitudes Survey (https://www.willistowerswatson.com/en-US/Insights/2020/02/global-benefits-attitudes-survey-report) by HR consultancy Willis Towers Watson, based on responses from 8,000 U.S. workers polled at the end of last year, found that 37 percent of employees would rather receive more-substantial benefits than additional salary/wages or bonuses. In addition:

- 57 percent said their benefits package is more important to them than ever before, driven largely by their desire for greater security.
- 42 percent would sacrifice additional pay each month for a more expansive health benefit plan, a sharp increase from 27 percent in 2013.

"Employees of all ages want more security, and getting benefits through their employer is an important way to obtain it," said Steve Nyce, senior economist at Willis Towers Watson.

Among other survey results:

- **Benefits found lacking.** Only 40 percent of employees feel the resources their employer provides to support their health and well-being meet their needs. Even fewer (32 percent) say the resources to help manage their finances meet their needs.
  While 70 percent of all employees surveyed say their health care benefits meet their needs, that figure drops to 56 percent among respondents who are in poor physical and mental health.
- **Meaningful choice wanted.** Nearly two-thirds of employees (64 percent) prefer a moderate number of benefits choices, an indication that they are happy to choose their benefits but having too many options can be confusing.

"Employees want benefits packages that meet their specific needs but don't overwhelm them with too many options," said Jennifer DeMeo, senior director for retirement at Willis Towers Watson. "While this balance may be tricky, employers can help employees by offering education, communication and decision-support tools."

Added Nyce: "They also want choice and personalization and are looking to their employers to provide tools to ensure they make good decisions on issues that are often quite complex."

Joanne Sammer is a New Jersey-based business and financial writer.

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Virtual Benefit Fairs Draw Interest for Fall Open Enrollment (www.shrm.org/ResourcesAndTools/hr-topics/benefits/Pages/virtual-benefit-fairs-draw-interest-for-fall-open-enrollment.aspx), *SHRM Online*, July 2020

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When It's Time to Change Your Benefits Menu (www.shrm.org/ResourcesAndTools/hr-topics/benefits/Pages/when-changing-your-benefits-menu.aspx), *SHRM Online*, July 2019

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