

## Basics of Employee Benefits

In order to remain competitive, as well as attract and retain top employees, employers are faced with the task of creating a winning compensation strategy that will not only accomplish these objectives, but also stay in line with corporate budgeting constraints. It's a fact that employee compensation is much more than just a salary. It can encompass all the "perks," such as vacation and sick time, company vehicles, corporate memberships, and a variety of benefit options designed to provide employees and their families with, at a minimum, health insurance and retirement income. While employers are legally obligated to provide certain state and federally sponsored benefits, the majority of employers also offer or contribute to additional employee benefits for their employees.

**State and Federally Mandated Benefits.** Employers are required, by law, to participate in certain programs through either paying taxes or making contributions. These benefits include workers compensation coverage, unemployment insurance taxes, Social Security taxes, Medicare contributions, and state disability programs, where applicable.

**Group Benefits.** The majority of employers voluntarily offer health-related benefits to employees. In most instances, the cost for employee health-related insurance is shared by the employer and the employee. There is a wide range of group benefits available to employers; these may include the following:

### Group Term Life Insurance

Group term life insurance is generally offered either as a fixed amount or based on a multiple of salary. For example, an employer might offer employees a fixed benefit of \$50,000 or perhaps two times their annual salary.

### Medical Insurance

Medical insurance is an important part of an employee's overall compensation package. Premiums for medical insurance have historically been very costly, and it is almost prohibitively expensive for someone to purchase outside of an employer-sponsored plan. Thus, an employer-sponsored health plan is an excellent way to attract and retain employees.

There are a number of different types of health insurance plans, including **Fee-for-Service Plans, Preferred Provider Organizations (PPOs), Point of Service (POS) Plans, and Health Maintenance Organizations (HMOs)**. One main difference in each of these plans is the number of participating doctors. In a Fee-for-Service plan, an employee may go to any doctor for treatment and pay a deductible and coinsurance. In a PPO plan, employees may either go to any doctor of their choosing and pay a deductible and coinsurance, or visit one of the participating doctors in the plan and pay a lower co-payment. POS plans offer some of the flexibility of a PPO plan, but the employee must choose a primary care physician within the plan. HMOs allow the employee to see doctors only within their plan, sometimes at an HMO facility.

Whichever plan you choose to offer your employees, you should know that there will be those who insist on seeing their own doctors, and are willing to pay extra premiums and deductibles and coinsurance; for them, a Fee-for-Service or PPO plan may be a good fit. Other employees may not have that need, and will appreciate a less expensive, more restrictive plan, such as a POS or HMO. In order to satisfy the majority of their employees, many employers offer their employees a choice of a Fee-for-Service or PPO plan, as well as an HMO plan.

- **Dental Insurance** | Dental insurance plans pay for a majority of services offered by dentists, orthodontists, and endodontists. Services are classified as preventive (routine exams and x-rays), restorative (fillings, endodontics, periodontics, crowns, and prosthetics), and orthodontia (braces). Benefits are payable as a percentage, based on the classification of the service. There is usually an annual maximum benefit per insured and a lifetime limit on orthodontia. Riders are available for services such as adult orthodontia.
- **Disability Income** | Disability income insurance replaces a percentage of an employee's earnings in the event that he or she becomes unable to perform the regular duties of his or her job. Typical benefits range from 50%–70%, up to a monthly maximum benefit. Some disability income plans pay benefits for a number of years or until age 65. Most offer additional provisions via policy riders designed to improve coverage and encourage the employee to return to work as soon as he or she is able. Some of these policy riders include residual or partial disability payments and cost-of-living adjustments.
- **Vision Insurance** | Vision plans generally provide a benefit for the purchase of eyewear or contact lenses, and they may also pay for eye exams.

Offering a solid benefits plan now may help you attract and retain employees that assist you in maintaining your competitive edge. Keeping employees, especially quality ones, satisfied is an issue that affects all employers. An annual review of your benefits package might make benefits planning a simpler task for all parties.