



Small business guide to employee benefits

Strategies for crafting a practical
benefits approach

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Introduction

The COVID-19 crisis that began in the first months of 2020 has highlighted the fragility of the safety net for U.S. workers.

Interruptions to economic activity have threatened the health of the entire economy, with employees at smaller businesses in the greatest financial danger.

“Social distancing” plans and mandates, along with supply-chain interruptions and drops in demand, disrupted business, community and family life in equal measure. When schools announced they would close for weeks or even months, front-line employees were suddenly faced with the choice of going to work or supervising their children at home. As the contagion spread, employees worried about paying medical costs if they or their families fell ill. And as the severity of the situation grew, many wondered how they would keep up with bills if they couldn’t work for an extended period of time.

Employee benefits provide a safety net that can help lessen some of these worries. The U.S. Congress recognized this when they passed the Families First Coronavirus Response Act (FFCRA), which provided for paid sick and family leave benefits,¹ and the Paycheck Protection Program (PPP), part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Under the PPP, small businesses were eligible for loans to help keep employees paid during the COVID-19 crisis,

but those loans could be forgiven if they were used for wages and other specific costs, including group insurance premiums.²

Still, even in the best of times, small businesses find it challenging to afford benefits for their workers. When the dust from this crisis settles, even the least-impacted companies will urgently need to control spending while attempting to regain and increase revenues.

However, it is important to remember that success in the months and years to come will depend on employees who are healthy, productive and motivated. Benefits were important to recruitment and retention in the low-unemployment years just preceding the crisis. They remain critical to supporting the people that will help your small businesses get back on track.

With some creativity it is possible to implement a benefits approach that helps attract, retain, reward and protect your valuable, hard-won workforce — while also keeping an eye on the bottom line. The right combination of strong benefits and digital platforms that effectively bring them all together can help small businesses compete.

As you work through this unprecedented situation, we offer this guide to help you craft a strategy for providing an attractive benefits package you and your employees can afford.



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Health insurance

DISCUSS YOUR OPTIONS WITH YOUR BROKER

Without health insurance, affording medical care is next to impossible for most people in the U.S. Of all the employee benefits, it's by far the most sought-after by U.S. workers.³

Offering health insurance is beneficial to employers, too. Employees who have affordable access to medical care are most likely to seek treatment for health conditions early, keeping them healthier and more productive in the workplace.⁴ And providing coverage can have tax benefits for employers.⁵

It's no secret that the costs of group health insurance are significant. But before you decide they are out of reach, discuss your needs with your insurance broker. He or she may connect you with options you didn't know you had.



**Employees with health insurance
are more productive.**

SMALL BUSINESSES AND THE ACA

- As of this writing, the Affordable Care Act (ACA, also known as Obamacare) generally requires employers with **more than 50** full-time employees to provide health insurance or pay a penalty.
- If you have just under 50 employees, be aware of **your ACA responsibilities** when hiring.
- If you don't provide health insurance, your employees may be able to purchase coverage on the **federal Health Insurance Marketplace** (formerly known as "the exchanges"). However, they no longer have to pay a tax penalty if they're not covered, removing an incentive to purchase coverage. **As a result, the benefits you offer may be even more important.**

Source: IRS.gov, Affordable Care Act Tax Provisions for Employers, Feb. 18, 2020. IRS.gov, Individual Shared Responsibility Provision, Feb. 18, 2020.

QUICK GUIDE: EMPLOYEE HEALTH COVERAGE CHOICES FOR SMALL BUSINESSES

GROUP COVERAGE

from your broker, or through the federal Small Business Health Options Program (SHOP)

- Consider high-deductible health plans (HDHPs) that typically come with lower premiums
- SHOP exchange coverage is available to employers with 50 or fewer employees — ask your broker for help applying

HEALTH REIMBURSEMENT ARRANGEMENTS (HRAs)

- Qualified Small Employer Health Reimbursement Arrangement (QSEHRA)
 - Allows eligible employers with 50 or fewer employees to provide non-taxed reimbursement for certain health care expenses
- Reimbursement available only to employees who maintain adequate health insurance as defined under the ACA
 - Has annual maximum contributions
- Other HRAs
 - Provide non-taxed reimbursement for certain health care expenses
 - Available to companies of any size
 - Don't require employees to have individual coverage

ASSOCIATION HEALTH PLANS

- Group health plans that allow small businesses to combine forces to offer coverage
- Available to certain employer associations

SHORT-TERM INSURANCE PLANS

- Designed to fill in the gap when an employee is between jobs or transitioning from one health plan to another
- Not available in all states
- Does not offer same tax advantages as other coverage

SELF-INSURANCE

- Company pays employees' medical expenses directly
- Often contracts with third-party insurance provider to administer the plan
- Requires significant financial reserves; stop loss insurance recommended to reduce risk



Supplemental employee benefits

PROTECT EMPLOYEES WHERE HEALTH INSURANCE DOESN'T

After looking at your health insurance options, you may still decide the costs are too high. Or you may realize that the coverage you can offer still leaves employees exposed to significant financial risk, through high deductibles or out-of-pocket maximums — or because it doesn't cover a full range of health care needs. But you can still offer a package of benefits that helps protect your people and keep them loyal to your company.

This is where supplemental employee benefits can be valuable. Also sometimes called voluntary benefits, these are insurance plans that help fill in the gaps when medical coverage is not available, or not enough.

With supplemental employee benefits, you can decide how to fund the premium. You can pay the premiums, share the cost with your employees, or have employees pay the entire cost of the coverage. Either way, you and your employees can take advantage of group rates that are lower than coverage on the individual market. And you can craft a program that fits your budget.

FUNDING OPTIONS FOR SUPPLEMENTAL EMPLOYEE BENEFITS:



100% employee-paid



100% employer-paid



Shared funding

Choose the option that best fits your budget.

Common supplemental employee benefits

TYPES OF INSURANCE COVERAGE	
 Accident	<ul style="list-style-type: none"> • Takes some of the sting out of an accidental injury by helping pay for things like emergency room visits, treatment for fractures, and other costs of getting hurt unexpectedly • Benefits paid in a lump sum directly to the employee, to be used however they wish • In some states, available only to people who have major medical coverage
 Critical illness	<ul style="list-style-type: none"> • Takes some of the worry out of having a serious illness by helping pay for costs that medical insurance doesn't cover, like co-pays, deductibles, co-insurance and experimental treatments • Covers employees who are diagnosed with certain specific illnesses like heart attack, stroke and cancer • Benefits paid in a lump sum directly to the employee, to be used however they wish • In some states, available only to people who have major medical coverage
 Dental	<ul style="list-style-type: none"> • The most asked-for benefit after medical insurance and retirement plans³ • Helps pay for annual cleanings, fillings and other dental services • Can help pay for orthodontia • Helps employees maintain overall health • Helps keep employees productive by ensuring problems are treated before they get worse
 Disability	<ul style="list-style-type: none"> • Helps replace part of an employee's regular income if they become unable to work • Short term for disabilities lasting a few weeks or months • Long term for longer-lasting disabilities • Individual Disability Insurance provides extra coverage for people with higher incomes
 Hospital	<ul style="list-style-type: none"> • Pays a set amount directly to the employee when they are admitted to the hospital, and for certain other costs associated with a hospital stay
 Life	<ul style="list-style-type: none"> • Helps the family of an employee who dies prematurely by providing money they can use to help with final expenses and/or to help replace the income they depend on • Term life coverage ends after a certain term, such as when an employee retires • Whole life coverage can be maintained for as long as the premiums are paid
 Vision	<ul style="list-style-type: none"> • Also very popular • Helps pay for annual exams, glasses and contact lenses • Helps employees stay healthy and productive without major costs to you

COMMON PROVISIONS: SOME TERMS TO UNDERSTAND

Dependent coverage	<ul style="list-style-type: none"> You can offer supplemental employee benefits to your employees only, or to employees and their dependent children and spouses. Disability coverage is typically offered only to employees. You can decide how to fund dependent coverage. For example, you could pay the premiums for the employee and require the employee to pay for their dependents. Some benefits are available to dependents only if the employee has the coverage.
Guaranteed issue	<ul style="list-style-type: none"> Some types of benefits allow employees to choose varying coverage amounts. Guaranteed issue refers to the coverage level an employee can get without answering medical questions or getting a medical exam. Sometimes a guaranteed level of coverage is available to all employees, provided a specified number of employees enroll in the coverage.
HSA compatibility	<ul style="list-style-type: none"> Employees who are enrolled in high-deductible health plans (HDHPs) are eligible to have Health Savings Accounts (HSAs), which allow them to save pre-tax money that can be used to pay for certain health care expenses. HSAs are only available in conjunction with health insurance and supplemental employee benefit plans that meet certain requirements regarding deductibles, out-of-pocket expenses and acceptable coverage. Plans that meet these requirements are said to be HSA compatible.⁶ If you decide to offer an HDHP, you may wish to look for coverage that is HSA compatible, so your employees can take advantage of the tax savings to help pay for their care.
Portability	<ul style="list-style-type: none"> Certain supplemental employee benefit policies can be issued on an individual basis. This means the employee owns the coverage and can take it with them if they retire or change jobs. These benefits are said to be portable.



Dental insurance is the most asked-for benefit after medical insurance and retirement plans

Source: EBRI, The State of Employee Benefits: Findings From the 2018 Health and Workplace Benefits Survey, 2019.

SUPPLEMENTAL EMPLOYEE BENEFITS HELP YOU CRAFT A PROGRAM THAT FITS YOUR BUDGET.



Choosing a supplemental employee benefits provider

LOOK FOR A COMPANY THAT BRINGS EVERYTHING TOGETHER

Your broker will help you choose insurance carriers that provide the combination of products, price and service that best fits your company's unique needs. It's important to choose a provider that will provide easy-to-administer benefits that are tailored to your needs and deliver great employee experiences. In your discussions about supplemental employee benefits, it's important to ask these specific questions to find the best carrier for your company:

Does the carrier provide a full range of customizable benefits, to meet the distinct needs of everyone in your workforce?

Just because you're a small business doesn't mean your needs are simple. With five generations in the workplace today, most businesses are faced with crafting benefits packages that support single employees, young families and older workers, all at the same time.

Different employees value different benefits over others. For example, dental and vision benefits may feel essential to families with growing children, while Individual Disability coverage may be critical for longtime employees with higher salaries to protect. Or you may wish to offer employees a choice of plan

designs to fit different kinds of families and budgets. Ensure your carrier can meet your needs for variety and flexibility.

If you can offer multiple benefits from a single carrier, life in your HR department will be much simpler. One carrier means one company to answer questions, set up and enroll benefits, and handle billing and claims. Administering benefits can be time-consuming, so working with a single company for all your non-medical benefits can help keep your HR department efficient and productive.



of workers say their benefits packages are as important as their salaries in keeping them at their current employers.

Source: Randstad US, *Your Best Employees Are Leaving, But Is It Personal or Practical?*, 2018.

Does the carrier use robust, flexible technology to streamline benefits administration?

Many small businesses are taking advantage of modern HR technology that automates repetitive tasks, simplifies complex administration and allows employees to access and change their own information.

Your broker should be able to tell you which carriers' systems will easily connect with the benefits technology platform you use. Bonus points for tech-forward carriers who have streamlined their own operations so that they use the same process and platform for all the benefits they offer. This will cut down on the work your HR department has to do in setting up, enrolling and paying for benefits.

Extra bonus points for carriers with easy, digital quoting processes, flexible plan designs, and modern, intuitive web portals for managing benefits. A well-designed portal allows HR to easily view policies, change employee information and pay bills.

Do the carrier's dental and vision networks have a large number of providers conveniently located for your employees?

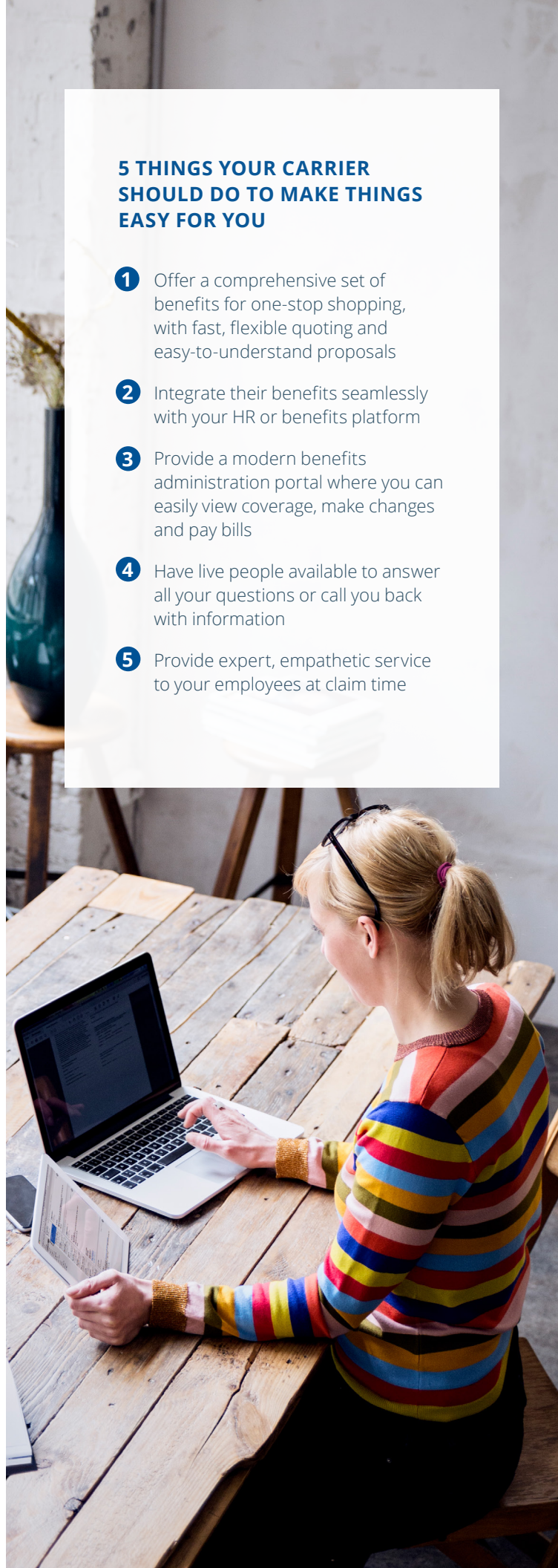
Dental and vision coverage are becoming increasingly important to employees. Employees pay less for services at in-network dental and vision providers. So when you evaluate carriers, ask for information about the provider networks. Employees should have a good choice of providers close to the areas where they live and work.

Does the carrier have the experience, expertise and financial strength to support you and your employees when it matters most?

New insurance companies are starting up all the time, many with engaging ad campaigns and appealing web interfaces. But not all carriers are created equal. When an employee files a claim, you want them to be supported by a person with deep experience in providing expert, empathetic service. And you also want a company with the financial strength to back up its promises and pay employee claims. The effects of the COVID-19 pandemic have demonstrated the importance of being able to turn to strong, experienced partners you can count on.

5 THINGS YOUR CARRIER SHOULD DO TO MAKE THINGS EASY FOR YOU

- 1** Offer a comprehensive set of benefits for one-stop shopping, with fast, flexible quoting and easy-to-understand proposals
- 2** Integrate their benefits seamlessly with your HR or benefits platform
- 3** Provide a modern benefits administration portal where you can easily view coverage, make changes and pay bills
- 4** Have live people available to answer all your questions or call you back with information
- 5** Provide expert, empathetic service to your employees at claim time



OTHER PERKS THAT HELP SUPPORT AND RETAIN EMPLOYEES

Ranging from no cost to higher cost, these perks can help employees stay healthy, balance life and work, and maintain workplace satisfaction and engagement. Consider adding some of these to your total compensation package.

- ✓ Paid vacation and sick time
- ✓ Paid parental leave for mothers and fathers
- ✓ Tuition reimbursement
- ✓ Fitness centers, meditation rooms, help with health club memberships
- ✓ Identity theft protection
- ✓ Employee Assistance Programs (EAPs)
- ✓ Employee recognition programs
- ✓ Telecommuting options

The challenges facing small businesses in providing employee benefits should not be understated — but neither should the positive effects on recruitment, retention, morale and overall employee well being. When you support your employees with financial and health-protection benefits, you also reap the rewards of a healthier, happier and more loyal workforce.

Whatever benefits you decide to offer, be sure to market them heavily — both inside your company and to your recruitment audience. Not only will this boost participation, it is key to employee retention. And where it makes sense, think about investing in HR technology. Over time, you'll find it pays off in HR productivity and employee satisfaction.

ABOUT UNUM

Since 1848, Unum has been offering benefits that help employees thrive. Today we work with more than 88,000 employers in the U.S. to protect 31.9 million employees and their families with disability, life, accident, hospital, critical illness, dental and vision insurance.



Talk to your broker to see if Unum benefits are right for you.

The information in this document does not constitute legal guidance and should not be relied upon when making decisions. Please consult with your legal counsel or employment law advisor about your responsibilities under the employment laws of your jurisdiction.

1 U.S. Department of Labor, Families First Coronavirus Response Act: Employer Paid Leave Requirements, accessed May 17, 2020.

2 Federal Register, Business Loan Program Temporary Changes — Paycheck Protection Program: A Rule by the Small Business Administration on 04/15/2020, April 15, 2020.

3 EBRI, The State of Employee Benefits: Findings From the 2018 Health and Workplace Benefits Survey, 2019.

4 Kaiser Family Foundation, The Uninsured and the ACA: A Primer — Key Facts about Health Insurance and the Uninsured Amidst Changes to the Affordable Care Act, 2019.

5 Internal Revenue Service, Small Business Health Care Tax Credit and the SHOP Marketplace, 2020.

6 IRS, Publication 969 (2019): Health Savings Accounts and Other Tax-Favored Health Plans, 2020.

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FOR EMPLOYERS



**Better benefits
at work.™**

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