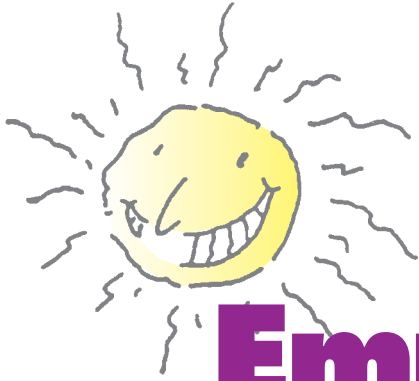


A Special Report from Hope Health



**Employee
Benefits
Communication:
New approaches
for a new
environment**



Does this sound familiar? Your open enrollment period is rapidly approaching and you still have to put together the enrollment packet for your employees. You're probably planning some sort of guide with information on benefits options, enrollment instructions, and perhaps some supplemental forms.

If you're like most employers, you're almost certainly implementing changes: new plans or plan provisions, new providers, new premiums. Change seems to be the one constant in today's benefits environment. It's tough even for professionals to keep up with what's going on, especially in health care. So how do you put together an enrollment packet that explains everything to your employees?

The short answer is that you don't.

A new approach to employee communication

A packet of information prior to open enrollment will get your employees through the process. But studies have shown that employees increasingly need tools to help them make decisions. They require a greater understanding of how their benefits plans work in order to make wise consumer choices when using those benefits.

This is especially true when you are introducing an unfamiliar concept, such as a consumer-driven health care plan. An increasing number of employers are opting to offer these plans with the hope that they will encourage responsible, cost-effective health care choices by employees. But the idea of selecting such high-deductible plans frightens many people, and they are reluctant to switch from the comfort of more traditional options.

In order to change their habits, you must change their minds. And that requires a concentrated educational effort. You know that utilization drives cost. As an employer, you won't realize cost efficiencies until you can help employees understand how to choose and use their benefits wisely.

Of course, that doesn't happen overnight. A single communication, or even several, right before open enrollment doesn't give employees the opportunity to digest what you are telling them or to put it in context.

The best approach is one that lasts year round. In fact, the job of the Human Resources Department is just beginning when plan design decisions are made. For these decisions to have the strategic business effect that most HR departments are looking for — lower or stabilized costs — employee education must be at the top of the "to do" list.

In other words, your benefits plan cannot reach optimum success without a strong, thorough communications plan.



Why good benefits communication is important

Enhanced understanding. How many times have you discovered that the instruction manual for a new electronic gadget (think video and digital cameras) is so complex that you don't use half the features? The same is true with benefits. As we've already noted, benefits change often and can be difficult to understand. The terminology is unique: copayment, coinsurance, out-of-pocket limit, formulary, etc. The rules are complicated and strict. You can't use the features wisely if you don't understand the instructions.

The *MetLife 2004 Employee Benefits Trend Study* found that 60% of full-time employees don't understand which benefits best meet their needs. That jumps to 71% for those ages 21 - 30. A good communication program can promote understanding, which will result in better health care decisions.

It's personal. Benefits represent security for the employee and his/her family. In fact, one recent study found that most employees fear the loss of their benefits more than the loss of their job! It's a subject they obviously care about, and their overall perception of their benefits plan can translate into company loyalty or dissatisfaction.

Additionally, the increase in voluntary benefits offerings means employees are funding larger and larger percentages of their own benefits. They need guidance to make good decisions.

Reduced administrative costs. A good communications strategy guarantees that you'll spend less of your time answering questions and following up on mistakes.

Legal compliance. ERISA. Need we say more?

What makes a good communication?

The best communications don't have to be slickly packaged. They don't need lots of color, or even perfect writing. They need to be understood!

Good communication not only increases awareness and understanding, but it also can raise morale. It can uncover opportunities and help anticipate problems. And it can certainly help bring about change.

When evaluating your communications, ask these questions:

Are they regular and timely? If you offer a dependable source of information, employees will come to rely on it. Always be sure your employees hear news first from you, not from an outside source or rumors. And when it comes to benefits information,



it's best to serve up smaller portions over time. This helps make the complexity of the subject more manageable. If you're communicating year round, you can introduce new concepts or changes gradually, allowing employees a chance to absorb them.

Are they clear, concise, and credible? Avoid overly technical language and jargon. When you must use terminology, provide definitions. Use examples to help simplify your message whenever possible.

Is there balance? Are you communicating what your employees want to know along with what they need to know? It's natural for employees to want to know how any change will affect them. Will their benefits premiums rise? Will a new plan limit their access to providers? Acknowledging the "what's in it for me" question and providing answers as honestly as you can shows respect for your reader or listener.

Are you using multiple channels? Don't rely on just one method of getting your message across. We live in a multimedia society, and your message is more likely to be heard if you share it in a variety of ways. Hard-copy publications, electronic communication, and in-person presentations all can play a role in your overall strategy. In addition, you must consider the fact that your employee may not be the decision maker when it comes to benefits. If that role is held by a spouse, for example, communication available only at the workplace may be ineffective.

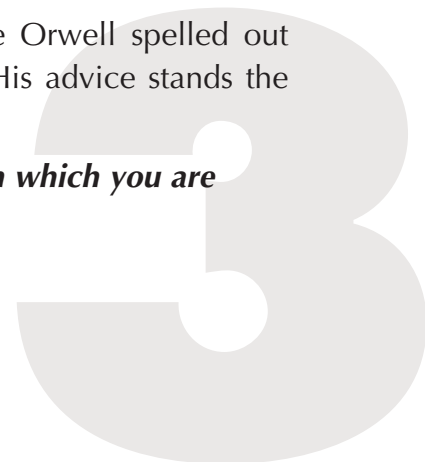
Are you consistent? While multiple channels of communication are desirable, you must be sure your message is consistent. Inconsistency will only cause more confusion and frustration for your employees.

Is your message put in context? Do your employees know what your company's competitors are doing? Do they understand that the cost of benefits is actually a business expense that affects your company's bottom line? Have you given them details about trends in both the cost and design of benefit plans? All of this provides much-needed perspective.

George Orwell said it best —

In his 1946 essay, "Politics and the English Language," George Orwell spelled out what he considered to be the definitive rules on clear writing. His advice stands the test of time.

- ***Never use a metaphor, simile, or other figure of speech which you are used to seeing in print.***
- ***Never use a long word where a short one will do.***
- ***If it is possible to cut a word out, always cut it out.***
- ***Never use the passive where you can use the active.***



- *Never use a foreign phrase, a scientific word, or a jargon word if you can think of an everyday English equivalent.*
- *Break any of these rules sooner than say anything outright barbarous.*

Choose your channels of communication

Each form of communication has its advantages and disadvantages. Your company undoubtedly has existing employee communications channels that you can tap into. You also can create additional options, if they add value to your overall strategy.

Creating a year round communications plan offers you the opportunity to use multiple formats that can reinforce one another. We live in an age of information overload, so it's critical to make use of a variety of strategies to ensure that your message reaches its intended audience. There are three basic forms of communication available in most business settings: print, electronic, and in-person.

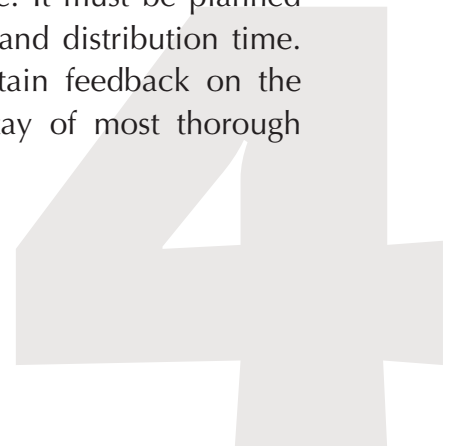
Print communication

Printed materials are almost certain to play a role in any benefits communication plan. Putting information in print assures that all of your employees receive a consistent message. It also allows people to keep what you've prepared for future reference.

In addition, printed materials are easy for employees to review with family members. Benefits information, in particular, often needs to be shared with other members of an employee's family who may make decisions about how those benefits are used.

Printed materials also can be read at a time and place of the employee's choice. Even as the use of e-mail and the Web are growing in popularity, many employees still do not have computer access at work. Those who do often don't have time during the workday to read and digest something as important as benefits information. Companies that conduct online open enrollment should still precede it with information in print.

Print material, however, can be costly to prepare and distribute. It must be planned well in advance of its anticipated use to allow for production and distribution time. It's also a one-way communication, with limited ways to obtain feedback on the message. But despite these drawbacks, it remains the mainstay of most thorough communications plans.



Here are the most popular options for printed benefits material:

Newsletters

A growing number of employers are creating newsletters or bulletins specifically to inform and educate their employees about their benefits. An alternative is to add a benefits insert to an existing employee publication.

Producing a benefits bulletin on a regular schedule throughout the year provides the opportunity for you to feed information to employees in small bites. You can lay the groundwork for changes that are planned, answer common questions, provide updates and reminders, and include “soft” information that helps employees learn to make wise decisions about the selection and use of their benefits.

Enrollment Materials

Many employers (especially large, multi-location companies) conduct annual enrollment online. Coupling that with printed material distributed in advance helps ensure a smooth process. Employees are much more likely to spend time reviewing printed information prior to making their enrollment decisions than they are to review that same information online. Including a worksheet that allows people to note their plan selections ahead of time speeds online enrollment and helps reduce errors.

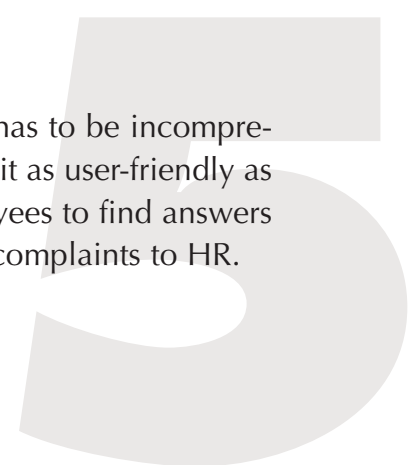
If you conduct a “paper” enrollment, be certain your materials prominently highlight any changes in plans or plan provisions. Itemize enrollment instructions carefully, emphasizing such things as deadlines, any supplemental forms that must be submitted, and what happens if an employee doesn’t take action.

Your enrollment guide should include a brief summary of each benefit offered. If employees can choose from two or more medical plans, it is extremely helpful to spell out the major differences. One plan, for example, might require referral from a primary care physician to see a specialist, while another may allow direct specialist access. One prescription drug plan may operate with flat-dollar copayments, another with coinsurance. Charts are an excellent way to compare and contrast plan features.

Include information about all benefits, even those that are company-provided and require no action on the employee’s part. This helps to create for your employees a more complete picture of the total benefits package and its value.

Summary Plan Descriptions (SPDs)

The SPD is a legally required document, but that doesn’t mean it has to be incomprehensible! Work with your legal department and/or insurer to make it as user-friendly as possible. A comprehensive, but readable, document allows employees to find answers to many of their questions, thus reducing the volume of calls and complaints to HR.



Posters

Eye-catching posters can be an effective way to announce enrollment dates and employee meetings or pave the way for information yet to come about changes in your benefits. They must be very brief and designed to be noticed.

A poster is not the place to provide any degree of detail. Save that for newsletters, the enrollment guide, and other materials distributed to everyone.

Paycheck Stuffers

Everyone opens their paycheck, so this is one place you can virtually guarantee that a benefits announcement will be seen. Some employers can print very short messages right on paycheck stubs, while others may have to produce a separate piece to be included in the envelope. This is a great place to remind people of deadlines or alert them to the coming distribution of enrollment materials.

Letters to the Home

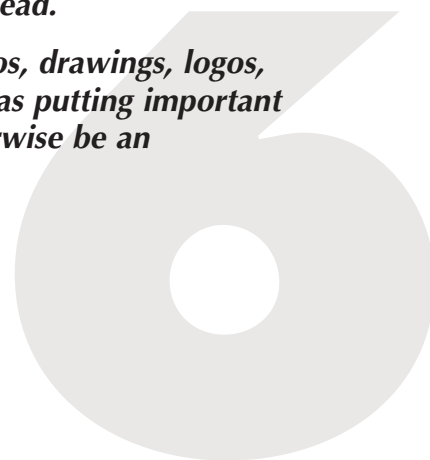
This generally should be reserved for major announcements. It ensures that everyone not only gets the same message, but gets it at the same time as well. To underscore the importance of the message, letters should be signed by a high-ranking company official, such as the president or CEO.

Postcards & table tents

Both are good options for reminders and “Watch For” notices.

When preparing printed materials, keep in mind some basic rules of layout:

- ***Use a type size that people can read (generally about 12 point for most text). Stick to one or two different type fonts to avoid a busy, distracting look.***
- ***Don't run your text all the way across the page. It's much more difficult to read. Instead, use two or three columns of type.***
- ***Use color effectively. Keep your main text in black for readability. Use a second color, if you can, to set off headlines, box important information, or create other emphasis.***
- ***Don't be afraid of white space. It can help set off something that's important and make your document appear easier to read.***
- ***Add artwork whenever possible. Art can include photos, drawings, logos, tables, charts, and examples. It can even be as simple as putting important text in a box. It all helps to break up what might otherwise be an unfriendly page of all text.***



Electronic communication

E-mail and the Web can be wonderful resources, providing an efficient, cost-effective way to conduct open enrollment. Additionally, resource materials like online SPDs can be updated easily and inexpensively, and links to other Websites can offer access to helpful information.

If you make information and/or enrollment available online, be certain that all employees have computer access. Computer stations can be set up temporarily in accessible locations (cafeteria, lounges), but be sure that an employee's privacy is guaranteed if he/she is enrolling online. Have someone available to assist those who might not be comfortable using computers (yes, those folks are still out there!).

If your company has not yet converted to online enrollment, you can get your employees used to using the computer as a benefits resource by first posting benefits reference materials online. This could include SPDs, handbooks, and links to provider sites. Later you can add interactive options that allow employees to handle everything from address and life status changes to enrollment via the computer.

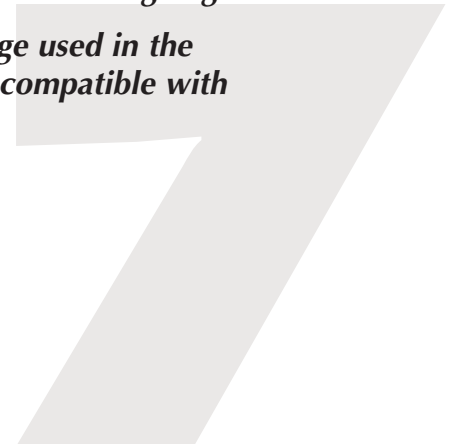
Whether you decide to simply make benefits information available via computer or conduct online open enrollment, give employees an active e-mail address to use if they have questions. It shows you are open to two-way communication while allowing you the opportunity to research a question and respond at a convenient time. You may want to set up an automatic e-mail reply message that acknowledges your receipt of the question and tells the employee when to expect an answer (e.g., within three days).

A word of caution: Do not assume that just because you've sent an e-mail to all employees it was read. E-mail is so pervasive that many things get lost in the sheer volume of mail that crosses computer terminals each day.

Online Enrollment

Many vendors specialize in setting up online enrollment systems. Your online enrollment system is another component of your overall benefits communication strategy. Here are several tips that may be helpful.

- ***Test and retest! Allow plenty of time to check your system before going live.***
- ***Make it as user-friendly as possible. Review the language used in the enrollment instructions and on forms to make sure it's compatible with your printed materials.***



- ***Determine if there are any forms that must be signed and submitted as hard copies. If so, be certain those instructions are clear. Likewise, if there are situations for which an employee must speak to an HR representative or someone else (enrolling a domestic partner, for example), make that information clear.***
- ***Consider creating a map or flow chart that illustrates the steps to enroll. Include this with your printed materials.***
- ***Be sure to instruct employees to print a copy of their online enrollment form before submitting it.***
- ***Include links that may help employees make their decisions. These can include links to medical, prescription drug and vision care plan Websites, and to calculators that can guide employees with decisions on flexible spending accounts and insurance.***

IVR Systems

Interactive Voice Response (IVR) phone systems are another option for automated enrollment. Though declining in popularity with the growth of online enrollment, IVR systems require the same thorough communications.

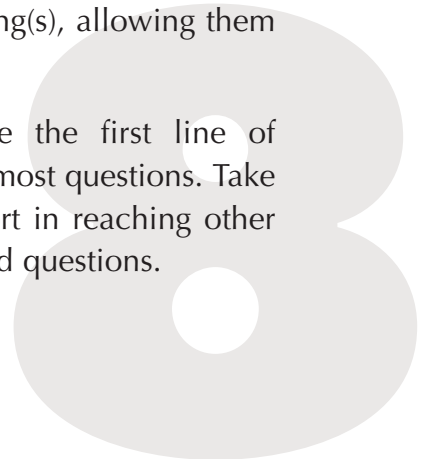
In-person communication

Meetings, whether large, small, or one-on-one, create the best opportunity for two-way communication. Large group meetings are good for making sure everyone hears the same message at the same time. They are best suited to delivering news of major benefits changes or other important issues, but the potential for two-way dialogue is more limited.

Smaller meetings can foster interaction, but they tend to have less overall impact and create the potential for inconsistency in the message.

It goes without saying that any speaker should be well-versed in the benefits-related subject he/she is covering. But be sure to also provide visual aids, which not only clarify complex points but can add interest to the presentation. If possible, distribute printed materials to your employees well in advance of the meeting(s), allowing them to prepare questions ahead of time.

Don't forget your managers and supervisors! They often are the first line of communication with employees, and the people who will get the most questions. Take the time to share your message with them and enlist their support in reaching other employees. They also can alert you to areas of concern or repeated questions.



The unique communication needs of consumer-driven health plans

As employers continue to seek ways to hold the line on benefits costs, the need to develop more responsible and educated health care consumers increases. One result has been an increase in the offering of consumer-driven health plans (CDPs). These high-deductible (often \$4,500 or more for a family) plans usually feature a company contribution to a health savings or reimbursement account, which the employee uses as he/she sees fit to pay for eligible health care. If that is exhausted, the employee is responsible for a flat dollar amount, then a traditional plan kicks in with coinsurance and an out-of-pocket limit.

The goal of these plans is to give employees control over how they spend their health care dollars, and to make them think like consumers as they make their health care decisions. But there are two problems.

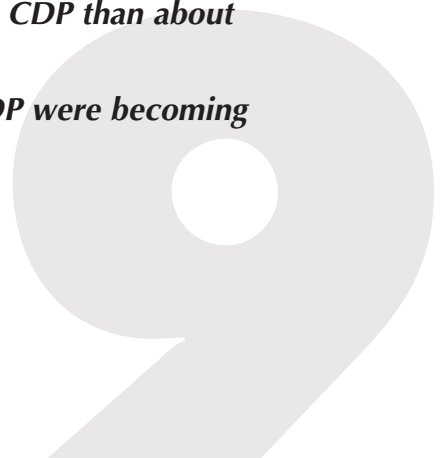
First, employees are not accustomed to and generally don't like high-deductible plans. They probably have deductibles of just \$500 or so on their home and car insurance, and they use that less often than their health care coverage. The size of the CDP deductible frightens many people.

Second, people don't know how to behave as consumers when making health care decisions. They are, for example, used to doing what their doctor tells them: Get this test, fill this prescription. They have never shopped for health-related services, and they are unlikely to ask questions related to cost. Few feel responsible for containing costs.

If you are considering adding a CDP, or have recently adopted one, and you're hoping to move employees into the plan to contain costs, a different approach to your communications is required. Education is the key to changing behavior.

A recent survey by The Segal Company of employers offering CDPs for a year or more found the following:

- ***Three-fourths listed extensive education and communication as one of the main reasons for the program's success.***
- ***Two-thirds invested more in communicating about the CDP than about other changes.***
- ***The employers generally reported that those in the CDP were becoming more active health care consumers.***



Who really pays?

One of the primary problems in getting consumers to understand new options like CDPs, or why benefit cutbacks may be needed, has its roots in past communication. We've always said things like, "You pay X percentage and the insurance pays Y percentage." We've fostered the belief that the insurance company pays the bills.

What they don't understand is that the insurance company gets the money it uses to pay those bills from coverage premiums paid by employers and employees. There is no other source. The simple reality is that the bills are being paid by the employers and employees through the insurance companies.

Employees need to know that the cost of their coverage is based on claims payments and the insurance company's administrative charges. When employees incur claims, they actually are spending their own and their employer's money. And when claims go up because of increased utilization, the cost of coverage goes up as well.

Understanding this is the first step toward getting employees to think like consumers and to begin evaluating the need for each health care dollar they spend.

Your employees need to be made aware of the fact that a CDP works differently than plans they are used to. They also need to know that the CDP's health savings or reimbursement account is unlike the flexible spending accounts with which they may be familiar. Here are several points to emphasize:

- ***You (the employer) fund the account.***
- ***Any money in the account that is not used during the plan year will roll over into the next year. (Note: Most employees are accustomed to the FSA "use it or lose it" rule.)***
- ***Explain that employees should, if possible, accumulate funds in their accounts in case they encounter a major health expense in the future. Careful decision-making is the key.***

Illustrate how the CDP works using examples. You might describe a single employee in their 20s who doesn't use the entire company allocation and rolls it over into the next year. Also include a family example where the entire company allocation is used, the employee's required amount is met, and the traditional coverage kicks in.

Use more consumer-oriented language in your communications to stress the fact that employees who enroll in the CDP are in charge of their health care spending. They have "buying power." They can choose how and where they spend their health care dollars. Avoid traditional language such as "the insurance pays."

Consider sponsoring educational programs that will help your employees learn to make sound decisions. Cover topics like generic versus brand-name drugs, and encourage

people to compare prices before filling prescriptions. Explain disease management programs, if available, and reinforce how those can help people with chronic conditions better manage their illness and contain costs. Stress healthy lifestyles and preventive care. Talk about appropriate use of the emergency room. These subjects can be reinforced in your printed communications, too.

Communicating cutbacks

Communicating any kind of cutback is difficult, but when it involves employee benefits, it also becomes emotionally charged. Employees continue to have a sense of entitlement about their benefits, and as was noted earlier, most fear loss of benefits more than loss of a job.

The reality is that few employees have any idea of the true cost of their benefits. They are only aware of the actual amount deducted from their pay to cover their share of the premiums, not realizing that this may be just 25% or less of the total benefit cost. They simply don't realize the magnitude of the company's investment.

The MetLife 2004 Employee Benefits Trend Study found that almost half of the full-time employees nationwide think their company spends less than \$2,000 per employee per year on medical coverage. The actual average is \$7,289 per employee for family coverage and \$3,137 for single coverage, according to the Kaiser Family Foundation and Health Research and Education Trust.

Compounding the problem, employees seldom think of their benefits as a business cost. They must be made to realize that the money your company spends on benefits comes from the same pot as the money used for their compensation, new product development, marketing, distribution, etc.

When communicating benefits cutbacks of any kind, it's crucial to let employees know that it was a business decision. Use specific company numbers to show how costs have escalated over time. Tell employees what's already been done to control costs and what alternatives you investigated. Be direct about the fact that controlling costs is necessary to keep the company competitive, which helps preserve jobs.

It's also important that your employees understand why the cost of their coverage has continued to increase. (See "Who Really Pays?") They also need to know that they can play an important role in holding the line on costs.

If your cutbacks are in health care benefits, remind employees that the real purpose of the coverage is to protect them against the kind of medical catastrophe that can wipe out all their resources. Reinforce the fact that your company is committed to making sure that they continue to be protected from that type of loss.



If you have laid the groundwork and have been sharing benefits-related information with your employees on a regular basis, it will be much easier for them to put any cuts into context. But no matter what, do not wait until open enrollment to tell them that certain benefits are being reduced or eliminated. Respect their need for time to adjust to the change. You want to separate the questions and concerns that will accompany the cutbacks from those that are part of the enrollment process.

About Hope Health

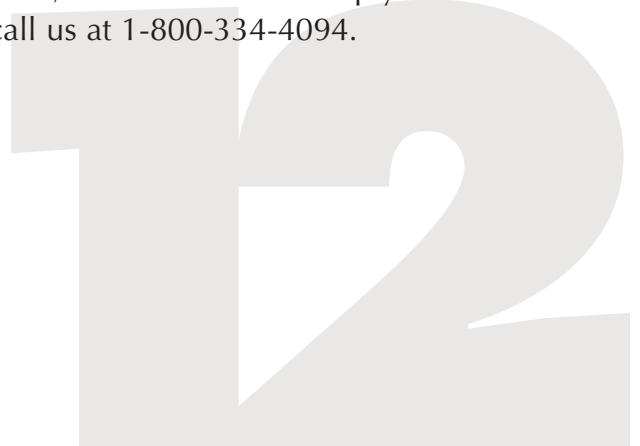
We are a business-to-business health-based communications company specializing in producing information distributed at workplaces. We offer a wide variety of lifestyle-related information in various formats including newsletters, brochures, booklets, posters, calendars, and electronic media.

Many employers utilize our customization services to communicate important information, such as, disease management, EAP, and employee benefits, to their employees and dependents. The HOPE Health Letter (two-time winner of the National Health Information Award and The Communicator Award) has consistently generated high readership and is popular with employees. Employers use our materials to make their own messages more readable, which improves employee compliance on a range of benefit election issues.

We also have a health benefits division dedicated to producing effective open enrollment communication for employers, group health brokerage firms, and benefit consulting firms. We were originally founded in 1964 as Pension & Group Services, Inc., a third-party administrative firm. The administration assets were sold in 1991, and the firm then concentrated on Hope Health, its communication division.

We work directly with over 3,000 human resource departments and benefit departments of companies and government entities of all sizes. Clients include Qwest, Bank One, Baptist Health Systems, Florida Power & Light, AG Edwards & Sons, Gallagher Benefits, State of Oregon, and many, many more.

For more information about our products and services, and how we can help you with all of your benefit communication needs, please call us at 1-800-334-4094.



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