The Top Five Benefits Challenges for Businesses with Fewer Than 100 Employees … and What to Do About Them

By Jim Edholm

While “benefits challenges” are more a function of industry than of company size, there are nonetheless some common threads for those smaller businesses with less than 100 employees. . So whether a law firm or manufacturing company to high-tech venture, here are the top five such challenges HR managers and their companies are facing today:

1. **Compliance with Annual Summary Plan Description (SPD) Distribution Requirements**

Like it or not, government regularly intrudes into our businesses every day, and smaller employers typically lack the resources and people to deal with that fact as effectively as their larger competitors. Yet the smaller company is often held to the same compliance requirements. Thus, the first three challenges relate to this governmental interference.

In terms of compliance, employers must maintain Plan Documents for every employer-sponsored group benefit available for employee inspection *upon demand*. It doesn’t necessarily need to be *distributed*, but it does need to be available.

Your Plan Document consists of language adopting the carrier contract and outlines the employer COBRA, Eligibility, and other legal aspects of the company plans. Your Plan Document is the legal description of your employees’, rights, the employer’s rights and the carriers’ rights, and obligations, under the agreement.

The Summary Plan Description (SPD – see next subject) is essentially a 10-12 page “plain language” simplification of these Plan Documents.

2. **Keeping an Up-to-date Plan Document Available for Employee Inspection**

Under ERISA you must distribute yearly a Summary Plan Description to participating employees for employer-sponsored group coverage. Now bear with me because this can be confusing.

Most employers know they must distribute Summaries of Benefits and Coverages (SBCs) for health insurance. Those are provided by the carrier. But those same employers are often unaware of the SPD requirement, probably because Congress in the mid-90s ended the *reporting* requirement for plans with <100 employees. Many employers – and their brokers – erroneously assumed that meant Congress also ended *compliance* requirements.

Wrong!

Every company must *distribute* (not just make available) the SPD. You should also keep a record that shows proof of delivery. Remember: the Plan Document is the legal document; the SPD is for non-lawyer employees to help them understand what's there.

3. Keeping Up with the Ever-expanding Requirements of Government at All Levels

Governments aren't content with their already exhaustive requirements … so they busily crank out more and more requirements every day! Keeping up with them is a gargantuan task.

What does the <100 firm do to comply? Well, one answer is join and stay involved with entities like NEHRA because the exchange of ideas among its members and the reporting of compliance-related news can provide a better handle on emerging requirements than if you were out there all on your own. But of course actually *complying* with them all requires even more effort.

Your legal counsel can create and draft appropriate requirements, and for that reason you should work with your firm's legal counsel. However, it's often easier (and probably cheaper) to use one resource, such as a broker or NEHRA or a special website, to assemble compliance documents and then submit them to counsel for polishing and to assure legal compliance.

Your broker can – though not all do – provide such support. My firm happens to believe that part of our obligation to our clients is to track requirements and to provide prototype documents to our clients at no charge so that they are ready for polishing by counsel. Not every firm like ours does this but yours might, so check it out. If it does not do so, consider switching to a broker who does.

There are also online services that automatically track and report on emerging laws, requirements, practices, etc. Again, firms like mine subscribe to such a service and give their clients unlimited access to those services. Check and see if your broker does the same.

4. Reducing the Growth of Health Care Costs

Interested in lower the rate of health care inflation? Talk about a challenge! Health care is the largest cost by far for most employers after salaries themselves. And health care inflation has exceeded general inflation for more than two decades.

Though fully analyzing this subject is beyond the scope of this short article, there are three primary steps I can suggest you take:

1. Encourage and enhance employee wellness. This will keep small diseases affordable and catch new illnesses early, when affordable.
2. Assist with transparency. In most areas, the cost of even a simple x-ray can vary by more than 150% within a five-mile radius. Employees don't know who's expensive and who's affordable. Knowing will help them make better choices.

3. Encourage employee involvement. The largest medical cost in the US is – ready? *Unnecessary care*. Yep, paying for care that isn't needed. If employees ask their doctors better questions, health care costs might slow down.

In addition to these steps, all carriers today offer wellness programs, and they're becoming more and more worthwhile. In fact, if you vigorously promote one particular carrier's program, you can earn up to a 5% refund of your premium at year's end.

But in fact what's required for wellness and transparency to pay off is for you to seriously consider partial self-funding. When you do, the wellness savings, the transparency savings accrue to YOU, not to your carrier. That lets you offer incentives – cash works best – to employees for being smart "health care shoppers," and thus you profit when they profit.

5. Making Benefits Attractive to Your Employees Without Busting Your Budget

Benefits can play a large role in attracting and retaining good employees. Yet you can't give away the store and still compete in your marketplace. So what to do?

Voluntary benefits can be the answer, and they're becoming more so every day. Surveys show that – with proper internal promotion – employees are just as enthusiastic about working where there's a strong voluntary program as they are about a workplace where there's a strong set of core coverages.

Besides the traditional life, disability and accident policies, you can now offer voluntary vision, dental (more popular every day), health plan deductible ("gap"), cancer, and critical illness insurance, among other policies.

Keep this in mind, however: not every broker specializes in voluntary or can give you access to multiple voluntary carriers. And NO voluntary carrier offers all of the coverages that might work for your employees. So make sure you're working with the right broker.

To sum up, properly addressing the above challenges converges on a common theme: cooperative affiliations. By forming strong ties with your professional associations (e.g. NEHRA) plus your advisory team, plus by insisting that each of these be able to provide you with the required information and support you need, you and your <100 firm can go a long way towards addressing these formidable, here-with-us-to-stay challenges.

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