CU Benefits ALLIANCE

Employee Benefits Strategic Plan

Why you need one

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Executive summary

When you hear the term "strategic planning", does it give you the warm and fuzzies? Do you cherish the idea of being in charge of writing a strategic plan? While most of us don't get our greatest joy from writing a strategic plan, we know they are necessary to accomplish major initiatives or goals.

We often see the necessity of a strategic plan for outlining short and long-term corporate goals. But, when it comes to employee benefits (a top 3 organizational expense), most employers overlook the importance of developing strategy for this important recruiting and retention tool.

A Benefits Strategic Plan is a plan specifically focused on the current and future needs of a company as it relates to its employee benefits program. It articulates how the benefits offering will continue to support the attainment of the overall business plan and corporate objectives while taking into consideration tactical and budgetary priorities.

The main objective of any strategic plan, and specifically a Benefits Strategic Plan, is to strengthen the management decision making process by recognizing and addressing key internal and external factors that affect the business and the benefits program. It will also build consensus among the key stakeholders.

Features of a solid strategic plan

HR professionals who choose to employ this approach will transform their own role in the process and improve the effectiveness of the benefits program they are charged with managing.   In the process, they elevate their status in the organization to become a trusted business partner or advisor.

A solid strategic plan is the culmination of a deliberate set of activities that:

- Assesses needs and resources
- Defines a target audience and a set of goals and objectives
- Plans and designs coordinated strategies
- Logically connects these strategies to needs, assets, and desired outcomes
- Incorporates contingency planning and budget forecasting
- Measures and evaluates the process and outcomes

HR Managers improve the effectiveness of the benefits program

Show me the money

A Benefits Strategic Plan is a 3 to 5 year blueprint that helps senior management make and implement long term corporate strategies and establish budgetary requirements. Health care spending is cyclical and companies will see their benefit costs go up every year by the rate of health care inflation. Sometimes, even higher in certain years. Large claims are always the reason benefit costs rise faster than in other years. There is nowhere an employer can hide when it comes to spikes in benefit costs. Regardless of your funding strategy, self-insured or fully-insured plans will both be affected by larger than expected claims experience. However, there is a huge difference between funding arrangements when it comes to health care spending, and it all comes down to your organization's risk management strategy.

Employers that have a fully-insured plan transfer the risk to an insurance company for a stated premium that is fixed for one year at a time. If large claims occur during the year, premiums are not impacted until next year. Whereas, employers with self-insured plans retain some of the risk. They will feel the pain of large claims as they occur, up to a limit, using individual and aggregate stop-loss insurance that transfers the risk from the employer to the insurance carrier. Then, cash cash flow stabilizes after the claims are paid. The employer with the fully-insured plan pays for the large claims in the following year, in the form of a higher rate increase. Since the occurrence of most large claims are unpredictable in any given year, it makes it difficult to have a strategic plan that spans only a single year. Employers that do not have a strategic plan end up grinding through their annual renewal process year after year, making decisions based only on the next twelve months.

Only about 26% of employers with 100 to 499 employees are taking advantage of a self-insured strategy.

Prepaying for health care in advance is not ideal.

Employers that self-insure their health plan are more likely to need and/or have a strategic plan. And, it usually involves a philosophical belief by management that prepaying for health care in advance is not ideal. On average, in 3 out of 5 years, health care claims will be less than or equal to what was projected by underwriting, regardless of funding arrangement.

Employers that have fully insured plans do not participate in the savings during good claims years. Because fully insured rates are only good for twelve months, it makes it difficult for employers to have a viable strategic plan. The self-insured employer often experiences significant cash flow savings as a result of periodic patterns of lower health care usage and no large claims. This retained risk strategy is a core component to a strategic plan because there is no crystal ball to tell us when the large claims will occur.

Steps to success

When engaging in the employee benefits strategic planning process, the following themes should be emphasized:

Step 1: Assess the current situation

The first step in the strategic planning process is for the team to gain a clear and comprehensive understanding of the organization's current situation to answer the question, "Where are we now?"

Step 2: Clear Alignment

Clear alignment of the overall business strategy is a critical key to success. HR, CFO and CEO must play a strategic role and be the driving force behind the workforce becoming a unique competitive advantage for the company.

Step 3: Well Defined Road Map

A well well-defined road map is an essential tool to ensure proactive management of your employee benefits program and its alignment with the business mission. This philosophical approach will aid HR professionals and make their job easier. The absence of such a plan results in HR being relegated to a reactive role that diminishes the potential of a credit union's biggest asset – their employees.

Conclusion

As rising health care costs continue to put pressure on employers to reduce the amount of benefits provided to employees, the need for a benefits strategic plan continues to rise. This need grows even further when working to control costs in every way possible.

Embracing the concept of a Benefits Strategic Plan will cause a long-term, positive change in the planning and management of your employee benefits program.

The need for an employee benefits strategic plan continues to rise.

About CU Benefits Alliance

CU Benefits Alliance is an employee benefits CUSO providing insurance and risk management consulting to credit unions. We have a proven track record of success in taking control of a credit union's healthcare expense so they can provide affordable benefits to their employees.

CU Benefits Alliance helps facilitate the group benefits strategic planning process for credit union employers with 75+ employees. With an understanding of the importance of offering employees a competitive benefit package that will enable the credit union to attract and retain great talent.

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