

Executive Summary

Aflac WorkForces Report for Brokers

At a Crossroads – Redefining the Broker Role

The confidence of America's health insurance brokers has been shaken by wide-ranging changes to the nation's health care system and continuing economic unrest, according to the 2013 Aflac WorkForces Report.¹

For the first time, the Aflac report— which annually assesses the attitudes of employers and employees about health care topics and trends – expanded its reach to brokers. And what it revealed was startling: More than half of brokers surveyed aren't confident about the future of their firms/ industry and a surprisingly large number are considering exiting the health insurance business altogether.

In addition to identifying broker self-doubt amid massive overhauls to the U.S. health care system, the Aflac study examined disconnects between broker awareness and action, broker relevance to today's American businesses, changes to benefits open-enrollment tactics, and the viability of company wellness programs. Taken in sum, the survey results reveal that 2013 is a turning point not only for employers and their workforces, but for brokers too.

Setting the Stage for Broker Unrest

Today's companies find themselves at a crossroads when it comes to health insurance benefits options. The economy continues its wobbly recovery and, at the same time, employers are faced with one of the biggest shifts in the benefits landscape in U.S. history.

Massive change is afoot due to evolution in the way health insurance is provided and paid for, rising health care costs, the movement from HMO and PPO plans to consumer-driven options and legislative reform. It's no wonder business decision-makers and human resources leaders are confused. To make matters worse, their confusion comes at a time when employees most want advice and guidance about their health care choices.

Some companies will rise to the challenge of deciphering the demands of this new era in health care, while others will become disconnected, essentially letting their workers navigate benefits decisions with little guidance or direction. No matter which course employers choose, health care reform presents one of the biggest opportunities our nation's brokers have experienced. **The question is: Which brokers will rise to the occasion and position themselves as invaluable and irreplaceable sources of information, advice and guidance during a time of widespread change?**

Businesses Turn to Consumer-Driven Health Care, but Workers Aren't Ready

The changes taking place in the U.S. health care system have resulted in shifts in responsibility. An increasing number of employers have moved from HMO and PPO plans to consumer-driven or high-deductible plans. At the same time, businesses continue to look for ways to shift more of the cost burden of benefits options to employees in the form of co-payments and increased deductibles.



Some businesses are even eliminating certain employer-paid benefits options altogether.

While employers are placing more responsibility for health care decisions on their workers' shoulders, workers are asking for increased guidance from their companies. In fact, more than half of employees surveyed as part of the 2013 Aflac WorkForces Report said, "I would prefer not to be in more control over my health insurance expenses and options because I will not have the time or knowledge to effectively manage them."

According to the 2012 Aflac Open Enrollment Survey conducted by Research Now, 89 percent of workers select the same benefits options year after year, despite having more options to choose from. Much of this inertia can be attributed to lack of knowledge: The 2013 Aflac WorkForces Report found that 72 percent of workers have not heard the phrase "consumer-driven health care," and the 38 percent who have heard the phrase say they possess little understanding of what it means. Further, many Americans may not be financially positioned to cope with increased deductibles and financial accountability when it comes to health care: 46 percent of those surveyed as part of the Aflac report say they have less than \$1,000 in savings and more than half (56 percent) don't have a financial plan in place.

This chasm – the great divide between employers who are shifting decision-making responsibility to workers and workers who say they don't have the knowledge necessary to make those decisions – opens the door for brokers who are well-informed about changes to the health care system, as well as about employer-employee attitudes toward health care benefits options.

Are Brokers Ready to Take the Reins?

The Aflac study's results suggest that now, perhaps more than ever before, brokers have the opportunity to definitively influence workplace attitudes about health care benefits options – both from the employer and employee perspectives. But are brokers ready to take command in a sometimes-chaotic benefits atmosphere?

More than half of brokers (51 percent) surveyed as part of the Aflac report are just somewhat or not at all confident about the future of their firms or industry.

Surprisingly, for some brokers the answer is no. The 2013 Aflac Workforces Report revealed that many brokers doubt the future of their industry and their firms. In fact, given changes to the health care landscape, 45 percent are mulling leaving the broker business entirely.

Key to these decisions, of course, is the willingness of brokers to understand and adapt to the changing fundamentals of their industry. When you think about it, the broker industry, and in many ways the insurance industry as a whole, is undergoing an overhaul similar to those experienced by phone companies, camera and computer manufacturers, and customer-service

providers.

In those instances, the business landscape changed, seemingly overnight. Landlines were replaced by cell phones, the camera industry moved from film to digital imaging to smart phones with picture-taking capabilities, desktop computers were replaced by notebooks and tablets, and the customer-service industry moved from human interaction to automated service.

Businesses in those industries that were willing to adapt to change and embrace evolving consumer demand thrived through innovation and imagination. Those without the foresight to change their ways of doing business either struggled financially or failed altogether.

More than half of brokers (51 percent) surveyed as part of the Aflac report are just somewhat or not at all confident about the future of their firms or industry. What's more, nearly one-third (29 percent)

are concerned about remaining relevant to clients. Yet the employers and employees who took part in the survey paint a different picture – one that puts brokers squarely in the center of the frame.

A Crisis of Confidence Among Brokers

There is a surprisingly wide disconnect between brokers and employers/employees about the value of broker advice. While some brokers are showing cracks in self-confidence, businesses and their workers are largely positive about the role brokers play in helping ensure benefits packages are complete and competitive.

The Aflac survey revealed that 48 percent of companies working with brokers/benefit advisers communicate three or more times per year, compared to 30 percent of companies that don't rely on external advice.

For example, the survey revealed 63 percent of employees whose companies use the services of a broker are satisfied with their benefits packages, compared to 53 percent of employees who work at companies that don't use broker services. And 52 percent of employers who work with a broker or benefits adviser believe their benefits packages are more competitive than their peers' offerings.

Just as importantly, 75 percent of employers who use the services of brokers say they're at least slightly knowledgeable about health care reform, in contrast with 65 percent of those who do not rely on brokers to help them understand the reform.

This is a key statistic, because the Aflac survey revealed that workers don't understand how health care reform will affect their lives and that 55 percent have done nothing to prepare for possible changes to the health care system. At the same time, 75 percent of employees agree with this statement: "I believe my employer will educate me about changes to my health care coverage as a result of health care reform." Alarmingly, just 13 percent of companies named educating their employees about health care reform as an important issue for their organizations.

The good news is that employers who use a broker communicate about employee benefits options much more frequently than those that don't. The Aflac survey revealed that 48 percent of companies working with brokers/benefit advisers communicate three or more times per year, compared to 30 percent of companies that don't rely on external advice. What's more, brokers are moving the needle on employee understanding and engagement in their benefits decisions (Figure 1).

Figure 1

Brokers' Effect on Understanding and Communication

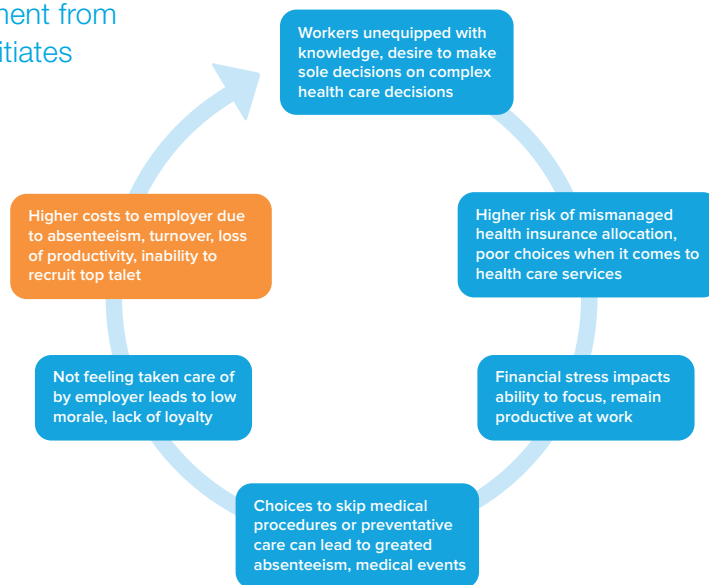
	Company Uses Broker Services	Company Doesn't Use Broker Services
Our employees understand our company's contribution to their health care plans	61%	56%
We effectively communicate the value of our benefits options to employees	65%	59%
We are taking steps to help our employees become better engaged in benefits decisions	60%	54%

The bottom line is that today's workers want guidance from their employers, and employers who rely on the expertise of brokers believe they are more knowledgeable about health care reform than companies that go it on their own. Additionally, employers who work with brokers communicate more regularly with their employees about their health care offerings and believe their communications are more effective.

Why are these survey results important? It's clear that the impact of the today's troubled economic landscape, combined with a general lack of understanding about employer benefits options, is worrisome for American workers. It's also clear that companies that do not work with brokers are less able – or even less willing – to ease employees' concerns. The lack of information and communication opens a cycle of difficulties (Figure 2).

Figure 2

Corporate Disengagement from Benefits Knowledge Initiates Cycle of Difficulties



The Aflac survey revealed that while brokers wonder whether their advice and expertise is wanted – and, even more, whether their services are relevant during this time of change to our nation's health care system – employers and workers do not share their doubts.

The report produced clear signs that broker knowledge remains valuable to today's businesses and also contributes to workers' satisfaction with their benefits packages, increased understanding about health care issues by employers, and the likelihood of stronger and more frequent employer-employee communication about benefits options.

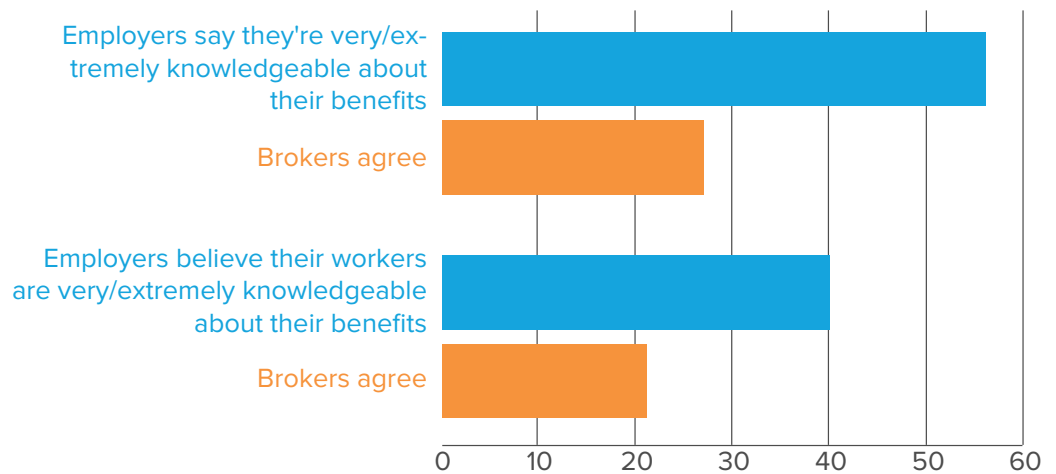
In fact, 78 percent of workers at least somewhat agree they would be more informed about health insurance choices if they sat with an insurance consultant during open enrollment and more than one-third (35 percent) strongly or completely agree.

When Disconnects = Opportunities

While the 2013 Aflac WorkForces Report showed the continuing value of brokers and benefits advisers to today's businesses, it also uncovered opportunities for brokers to maximize their influence. Notably, there were wide discrepancies in broker and employer opinions about how well businesses and workers comprehend their own benefits offerings (Figure 3).

Figure 3

How Well Do Employers and Employees Know Their Benefits Options?



There's a clear disagreement between brokers and their clients with respect to knowledge of existing benefits options, and the disconnect is just as extreme when it comes to understanding voluntary worksite benefits options.

Voluntary benefits options are increasingly on businesses' radar screens because they are employee-paid and can be used to beef up benefits packages at little or no direct cost to companies. Just 21 percent of brokers say their clients are extremely or very knowledgeable about voluntary benefits options, but the report found that companies are more confident, with 55 percent of employers stating they are extremely or very knowledgeable about their benefits options. However, employers' confidence in their workers' understanding of voluntary benefits options is low. Just 22 percent of companies and 16 percent of brokers say employees are extremely or very knowledgeable about these benefits. No matter who is right or wrong about employers' and workers' understanding of benefits options – whether employer-paid or voluntary – there is clear opportunity for brokers to help fill gaps in knowledge.

Just 22 percent of companies and 16 percent of brokers say employees are extremely or very knowledgeable about their health care benefits.

Earlier, we established that employers who work with brokers communicate about benefits more often and are more likely to believe their workers understand their health care options. Still, 44 percent of brokers say their clients follow their communications recommendations sometimes or rarely, and just 35 percent of brokers believe those communications are extremely or very effective. This represents an opportunity for brokers to open frank discussions with decision-makers about the importance of benefits communication, as well as to position themselves as advisers on content and clarity.

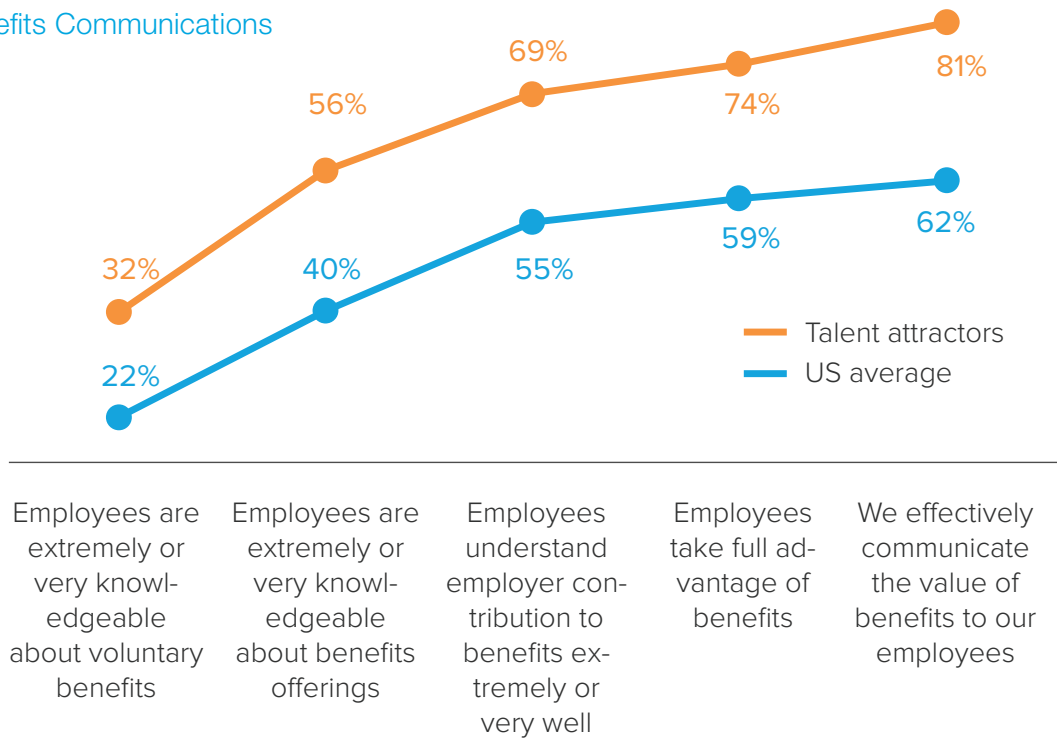
The majority of companies surveyed appear to be missing out on important opportunities to use benefits communications to build workforce productivity, loyalty and satisfaction. As part of the 2013 study, Aflac tracked a small-but-elite segment of employers (15 percent) that exhibit best-in-class benefits practices and are reaping long-term rewards for doing so. These companies, which Aflac dubbed Talent Attractors, understand the importance of frequent, two-way communication between employers and their workers.

It's important to note that most of these Talent Attractor organizations (59 percent) use a broker or benefits consultant to help select their benefits options. What's more, 4 in 10 of these companies say they will rely more heavily on brokers or insurance providers to help adjust their benefits plans in response to health care legislation.

Talent Attractor companies realize that making assumptions about workers' preferences about benefits and their level of satisfaction with those benefits is dangerous because it can lead to wasteful investments and employee discontent. To secure a competitive edge, Talent Attractors are significantly more likely than other companies to survey their workforces about benefits satisfaction, engagement and understanding. What's more, these companies are 1.5 times more likely to communicate about benefits 3 to 10 times throughout the year, compared to other U.S. companies overall (Figure 4).

Figure 4

Effectiveness of Benefits Communications



Tailoring Benefits to Life Stages: the Great Broker-Employee Divide

One way for brokers to move the needle on their value in 2013 is by continuing to stress the importance of tailoring employee benefits packages to life stages. Health insurance options are not one-size-fits-all: Needs vary based on age, income and personal circumstances such as whether a worker is single, married, has young children or is approaching retirement age.

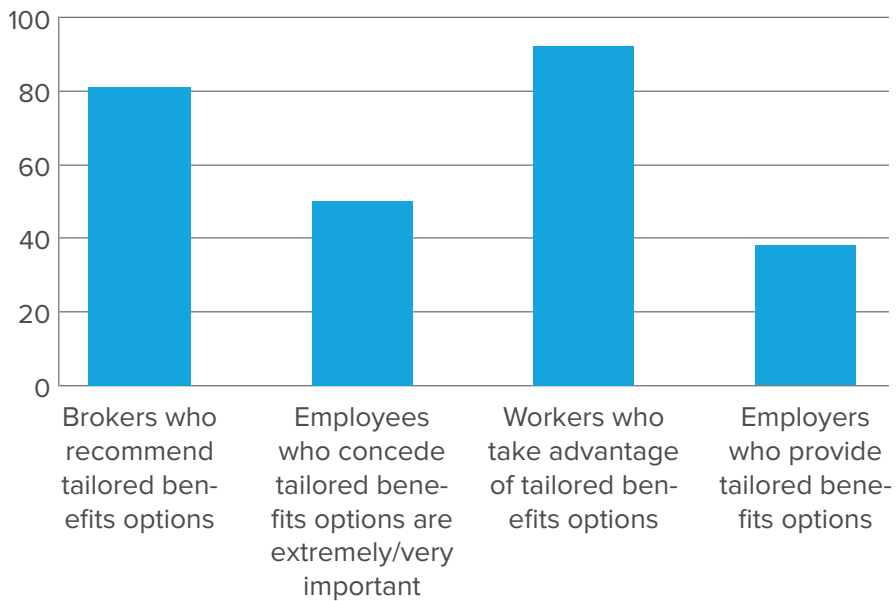
A major disconnect uncovered by the 2013 Aflac WorkForces Report is the chasm between the number of brokers who recommend that employers tailor their benefits packages (82 percent) and the number of employers who actually do so (38 percent). At the same time, 50 percent of employers

concede that it's extremely or very important to offer varying benefits packages to their workers based on income and level, as well as life stages.

Here's what employers need to know – and that brokers should communicate to them: A whopping 92 percent of workers at least somewhat agree that they would be more likely to take advantage of benefits packages tailored to their personal situations (Figure 5).

Figure 5

Tailored Benefits: A Missed Opportunity



The Wellness Program Puzzle

Benefits options make an enormous difference when it comes to employee job satisfaction, and brokers should continue to stress that one of the most meaningful things a business can do for its workers is provide a robust benefits package.

Thirty-eight percent of workers surveyed for the Aflac report said employers signal they care about their employees' well-being by offering strong benefits packages. And employers who show they care reap rewards on the retention front: 44 percent of workers who said they don't believe their companies take care of them are at least somewhat likely to leave their jobs in the next year, compared to 8 percent of workers who at least somewhat agree that their employers take care of workers.

One way many of today's companies show they care about employees is by augmenting traditional insurance benefits with employee wellness programs. These programs are trumpeted as strategies for encouraging workers to lead healthier, more active lifestyles. There is also a financial upside for businesses, which associate keeping workers well with increased productivity, reduced absenteeism and reduced benefits claims.

The Aflac WorkForces Report found that most brokers (57 percent) are on board with wellness programs, believing these programs could decrease health care costs for their clients. In fact, 56 percent of brokers recommend that their clients sponsor wellness programs for employees. The recommendations are being heard: 36 percent of brokers say they've seen an increase in the number of companies implementing wellness programs in the past 12 months.

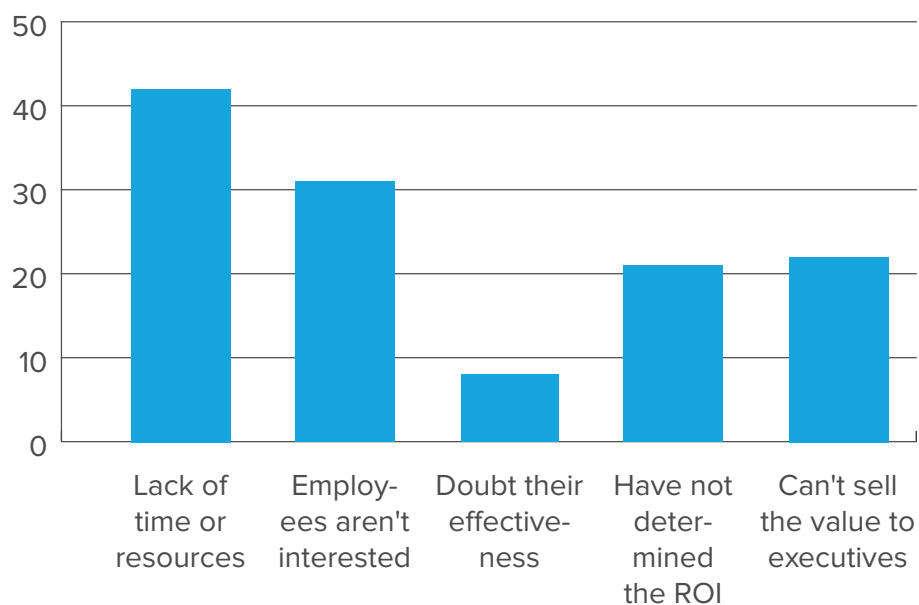
However, there is a conundrum when it comes to assessing the value of wellness programs: Slightly more than one-third (37 percent) of brokers state that clients typically ask about wellness programs' returns on investment. Yet, even as brokers stress that these programs are helping clients lower benefits premiums, they have limited definitive evidence upon which to base their conclusions – pointing to an opportunity for enterprising brokers to help clients measure the impact of these programs.

Sixty percent of companies taking part in the Aflac WorkForces Report said they do not have wellness programs and, of companies that do, just 32 percent strongly or somewhat strongly agreed that they'd been able to determine the return on investment (ROI) on their programs. Nevertheless, 46 percent strongly or somewhat strongly agreed they'd been able to lower benefits premiums as a result of their wellness programs.

Companies' top reasons for saying no to wellness programs run the gamut, with employers citing lack of time or resources (42 percent), doubts about their effectiveness (8 percent) and lack of interest from employees (31 percent). The ROI factor weighed heavily, with 22 percent of employers saying they cannot sell the value of a wellness program to executive leadership and 21 percent noting that they haven't been able to determine the ROI of such a program (Figure 6).

Figure 6

Why Companies Don't Implement Wellness Programs



The jury on wellness programs remains out until more companies can accurately report on their results. One way brokers can help employers determine whether adding a wellness program – or keeping one in place – is a solid financial investment is by encouraging clients that currently offer such initiatives to find ways to measure and report their bottom-line effects on both employee health and overall benefits costs.

The Enrollment Evolution

Another area of concern for today's brokers is the transition from face-to-face to online enrollments. While 55 percent of today's companies currently use online enrollments and 44 percent believe an online platform is the most effective for enrollment, 58 percent of brokers prefer the in-person approach and just 30 percent recommend online enrollments.

Many brokers want to work with employees in private settings because they believe it's the best way to have two-way conversations about needs and expectations. However, these brokers are facing an uphill battle, as online enrollments are growing steadily, from 45 percent in 2011 to 59 percent in 2012 and 63 percent in 2013.

One opportunity for brokers going forward is finding ways to replicate the advantages of a face-to-face meeting in an online user experience. Again, the brokers who are willing to adjust their ways of doing business by meeting the challenges posed by online enrollment platforms are the brokers who will continue to succeed in an industry rocked by changing consumer demands, the pressures of health care reform and an economy that is recovering in fits and starts.

With Great Change Comes Great Opportunity

The 2013 Aflac WorkForces Report reveals that in the midst of economic hurdles, health care reform and constant change, the nation's health insurance brokers are questioning the future of their industry. However, their concerns are misplaced, because the nation's employers and workers are relying more heavily than ever on brokers to help navigate the maze of upcoming changes to the U.S. health care system.

The report revealed unique and tangible opportunities for brokers to increase their value to current and prospective accounts by providing advice and guidance about:

- » How to address the demands of health care reform.
- » Using a robust benefits portfolio to develop stronger relationships with employees who are questioning their coverage and financial security.
- » Developing communications plans that help ensure employees understand and take full advantage of the benefits available to them.
- » Weighing the financial and emotional pros and cons of company-sponsored wellness plans.

About the Study

The 2013 Aflac WorkForces Report is the third annual Aflac employee benefits study examining benefit trends and attitudes. The study, conducted by Research Now between Jan. 4 and Jan. 24, 2013, captured responses from 1,884 benefits decision-makers, 5,299 employees and more than 300 brokers from throughout the United States. To learn more about the Aflac WorkForces Report, visit AflacWorkForcesReport.com.

¹2013 Aflac WorkForces Report, a study conducted by Research Now for Aflac, January 2013.

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