

BUILD BETTER BENEFITS

Your comprehensive guide to benefits and how you can provide the right benefits for your employees while managing costs

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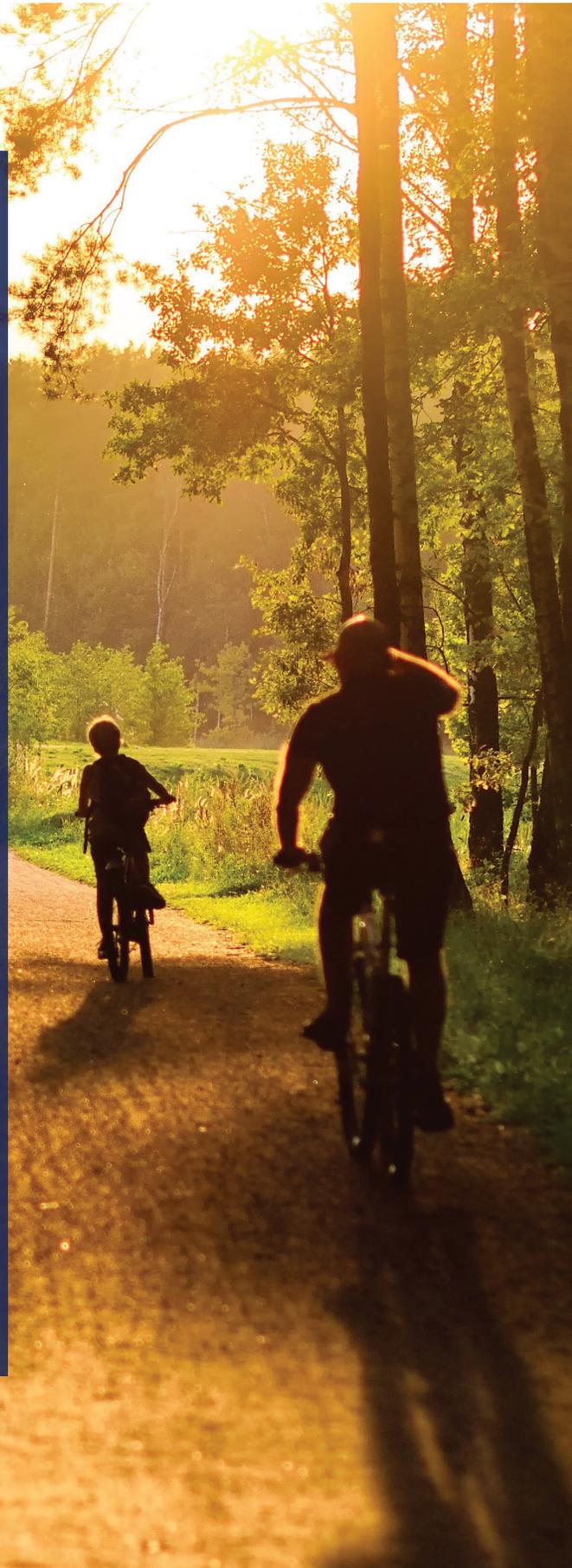
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The focus on wellness continues to grow. One result of more people focusing on their wellness includes increasing demand for better benefits from employers.

In fact, workers today place equal importance on their mental, physical, and financial well-being.¹ Meaning employers now have to provide benefits that move beyond traditional offerings to remain competitive. While some benefits can be expensive to provide, they are a good thing – for the employee *and* employer.

IMPACT OF BENEFITS: ON THE EMPLOYEE & EMPLOYER

It's no surprise that benefits can improve wellness. They're not lost on employees either, with 4 in 5 workers wanting benefits or perks more than a pay raise.² But the value of benefits extends to employers as well. Though the business case for wellness and employees who are mentally, physically, and financially well is still emerging, in general, wellness leads to:



Better Morale

Benefits make managing your health and wellness easier which reduces stress, improves outlook, and makes it easier to go to work and focus on work.



Lower Absenteeism

Mentally, physically, and financially well employees are less likely to call in sick or use time off due to illness or stress.



Increased Productivity

There is countless research that shows a clear link between employee wellness and productivity – when we feel our best, we perform our best.



Recruiting and Retention

Employees are looking for better benefits and benefits have a large impact on job satisfaction. So employers who offer the right mix of benefits can improve their recruiting and reduce turnover.



Nearly 80% of workers would prefer new or additional benefits to a pay increase.²



Employees who participate in wellness programs and improve their health or lifestyle show significant improvement in lost work time.³



88% of employees would consider a lower-paying job over a higher-paying one if it had better quality health benefits.⁴

However, not all benefits are created equal. The most desired employee benefits are typically health insurance, paid time off, bonuses, retirement planning, and flexibility.² But this can vary depending on the types of benefits you can offer and what your employees want. **The first step in building better benefits is understanding all that you can provide.**

THE 4 TYPES OF BENEFITS & CONSIDERATIONS FOR EACH

1 Required Benefits

It only makes sense before you consider adding to your benefits package that you ensure you're providing what you're legally required to. While you may not consider some of these benefits, because they are mandatory – they are a part of the cost of your benefits.

Medicare and social security contributions, unemployment insurance, workers' compensation insurance, and family and medical leave (under FMLA) are benefits employers must provide. And if you employ 50 or more full-time employees, you also have to offer health insurance.

In Colorado, employees are also entitled to certain leave or time off, including family care leave, paid sick leave, domestic violence leave, Civil Air Patrol leave, qualified volunteer leave, and voting leave.

³ Journal of Occupational and Environmental Medicine, Improving Employee Productivity Through Improved Health, 2013

⁴ Benefits Survey, Fractl, July 2016

Considerations:

- Check legal requirements in your state for other benefit requirements based on local laws. If you have workers in multiple states, check legal requirements for those locations as well. Many states vary when it comes to leave, workers' compensation, and unemployment insurance.
- Monitor requirements as you grow – benefit requirements and labor laws can change based on your company size.



Learn what laws and regulations impact your business as you grow.

Download the eguide

2 Healthcare Benefits

Health insurance can quickly become a steep expense for employers. And the rising cost of premiums isn't slowing down. So not all businesses that have less than 50 employees can provide this benefit. But if you can, it's the most impactful for employees – especially as the pandemic has put heightened concern around healthcare coverage for everyone.

Employers can offer plans or network types that differ based on monthly premium or deductible costs. Specific plans vary, but typical options are an HMO, PPO, POS, EPO, or HDHP. Most organizations offer a PPO plan, but depending on your company size it isn't always possible.



Due to the rising cost of healthcare premiums, only 30% of organizations with fewer than 50 people offer group health insurance.⁵

⁵ National Federation of Independent Businesses Research Center, 2020

Considerations:

- Encourage health and wellness among your employees – how healthy they are can impact the monthly and annual costs of healthcare. Monthly costs come from your premiums, and your employees' routine visits and prescriptions. Costs that come up throughout the year include emergency room visits, hospitalizations, lab work, x-rays, and more. Look for healthcare plans that include wellness programs that integrate with fitness trackers and provide incentives for reaching health goals.
- Evaluate the level of richness and tradeoffs in different plans. Rich plans have lower premiums, no or low deductibles, less out-of-pocket costs, and low copays. HMOs often fall into this category but are costly to plan sponsors and can be restrictive. More cost-effective plans have higher out-of-pocket costs, higher deductibles, and copays, but are less attractive to employees who require more healthcare.

3 Supplemental or Voluntary Benefits

Employers can offer a variety of benefits outside health insurance and what is required. **These benefits are usually less expensive but can be just as impactful to your employees' wellness. Some examples include:**



Dental or
vision
coverage



Retirement
planning



Flexible
spending
accounts



Employee
assistance
program



Tuition
assistance



Vacation
time

Colorado will soon require certain businesses to provide a retirement savings option for employees through the Colorado Secure Savings Program. Find out if you'll be impacted by this rule [here](#).

Considerations:

- You don't have to provide all the voluntary benefits out there. While providing a retirement savings plan is the most common supplemental benefit to offer — adding in one to two additional voluntary benefits can go a long way in rounding out your benefits package.
- Note that there can be a generational divide on how supplemental benefits are valued. Consider the demographics of your employees — namely, their age or life stage when providing supplemental benefits. For example, an older demographic may appreciate retirement options, while a younger demographic of workers may value tuition assistance or student loan repayment plans.



A Word On Millennials

The majority of your workforce is likely to be made up of Millennials soon — if it isn't already. Just a few years ago, Millennials prioritized paid vacation and overtime over other benefits like health insurance.⁶ But as the youngest of the Millennials turn 26 this year, they'll no longer be covered on their parent's health care plans. Though they're still younger in age and healthcare may not be the most used benefit to them for several more years, it's worth watching this group. Some studies indicate that Millennials don't take advantage of preventative care as they should and will be less healthy as they age compared to Generation X.

4 Perks

Yes — perks are benefits too! Benefits are typically thought of as those outlined above. But they can be so much more than that. Benefits include everything you provide your employees above and beyond their wages.

Perks are additional rewards, incentives, discounts, or activities that provide value for employees on top of their salary. They're often non-wage compensation but can highlight that you care about your employees and their well-being just as much as traditional benefits.

Considerations:

- Perks are great low-cost alternatives for employers who want to offer more benefits but may not be able to afford them.
- Your employees and the type of culture you have will determine what perks make the most sense.

Here are 9 of the most common perks you can offer your employees:

1. REMOTE OR FLEXIBLE SCHEDULES



Remote or hybrid work models are ideal for many employees now. But even if you can't offer remote options, provide your employees with more flexibility by letting them determine their working hours within a set time frame. Letting them come in earlier or later makes commuting, handling childcare, appointments, or urgent matters stress-free – and is a big part of work-life balance.

2. OFFICE DRINKS AND SNACKS



For a low monthly budget, incorporating office drinks and snacks is a great way to fuel your employees. Having food and drinks available also promotes breaks. As research shows, breaks can increase employee productivity, memory, creativity, health, and reduce stress.

3. AWARDS AND CELEBRATIONS



Recognition improves job satisfaction and employee engagement. While providing bonuses is nice, they can be expensive. Have monthly all-staff meetings where employees receive culture or performance awards in front of their peers. Or host company get-togethers from BBQs, holiday parties, to happy hours. Both are relatively low-cost ways to show recognition and appreciation for your employees.

4. DISCOUNTS



Depending on the size of your company, you can receive discounts on a variety of perks. Travel, gym memberships, events, or child care are all areas where you can work with businesses to pool your employees' buying power and provide discounts on those services.

5. CAREER GUIDANCE AND MENTORSHIP



Though every manager should work with their employee to develop growth plans, providing a mentor or guidance outside an employee's supervisor can be impactful. Assign a mentor or friend to show new employees around or to actively participate in their career development. A designated mentor provides a sounding board for employees and makes it easier for them to adjust to workplace conflict, changes, or growth.

6. COMMUTING ASSISTANCE



Providing monthly stipends towards commuter benefits such as a parking pass or public transportation makes it easier to accept a role. In many urban areas, this can even be an expectation.

7. TUITION, LEARNING CREDIT, OR STUDENT LOAN ASSISTANCE



To promote ongoing learning and career advancement, consider setting aside a set amount for each employee to pursue learning opportunities. Or offer to pay part of their tuition or loan up to a set amount each month or year. Not every team member will take advantage of this, but those who truly value learning will appreciate the benefit.

8. WELLNESS SPONSORSHIPS



On-site fitness classes, flu shot clinics, health assessments, and financial wellness courses are all ways to get your employees on the right track mentally, physically, and financially. You can work with local businesses or your healthcare provider to coordinate a variety of these wellness programs.

9. UNIQUE PAID TIME OFF

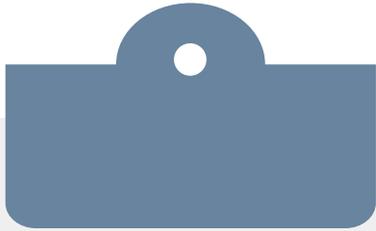


Offer a couple of designated days your employees can take off such as their birthday, a floating holiday, or a volunteer day. They can be a fun way for your team to recharge and add to your employees' total time off balance.

It's unlikely you can provide all the benefits out there. But hopefully breaking down the four types of benefits sparks ideas on what else you may be able to offer beyond traditional types. The next step in building better benefits is reviewing and selecting options — a critical part of getting the right mix of benefits for your employees and business.

ASSESSING & SELECTING THE RIGHT MIX OF BENEFITS

There are many strategies and resources to get employers started with their benefits selection. But to truly build better benefits, the first place you should go to is your employees. Talking to employees will provide insights into what benefits are most relevant to their lives. The easiest way to do this is through an employee benefits survey.



Start With An Employee Survey

- ✓ An employee benefits survey should be conducted annually to assess employees' current satisfaction with existing benefits and the value and desire they have for other benefits.
- ✓ It should be anonymous so employees can be honest and open in their feedback.
- ✓ Using a 3rd party provider who can administer the survey and review the results without bias is ideal.



Most employers believe healthcare and retirement benefits are the most important to their workforce.⁷ But what your employees value most could vary.

Conduct A Cost Analysis

Once you've gathered feedback from employees, you can narrow the list of benefits to choose from. From there you can begin to map employee needs to what you can afford to offer. Gather quotes from providers or assess what you're currently paying to see where there is room for improvement. A cost analysis can be conducted to find the monthly cost per employee for each benefit to further narrow your selection.



⁷ SHRM Employee Benefits Report, 2019

The average cost of benefits can vary depending on your company size, your contributions, and a variety of other factors. But in general, businesses can expect 15-20% of an employee's wage to go toward benefits.

Average Cost of Employer Benefits

Type of Benefit	Average Cost Per Employee Per Month	Percent of Total Compensation
Required Benefits	\$857.60	14.6%
Healthcare Insurance	\$427.20	7.3%
Supplemental or Voluntary	\$222.40	3.8%

Source: Bureau of Labor Statistics, Employer Costs for Employee Compensation, June 2021

Managing Costs

The actual cost of healthcare is likely much higher for employers of small to medium-sized businesses if they're accessing only open market rates. Average costs per employee based on the open market can be anywhere from \$400 to \$800 per employee per month.

One way to manage costs is to use a unique contribution strategy. For example, you could choose to contribute a higher percentage to higher-level employee benefits (i.e. toward a 401(k) match or healthcare premiums) while contributing a lower percentage to lower-level staff with higher turnover.

Another example is to provide annual compensation bonuses at varying amounts based on years of service – similar to providing more vacation time as employees stick around. This kind of approach can be useful in building loyalty and employee retention in a way that controls costs.

An Important Note on Selection

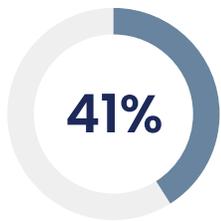
Once you've gathered employee feedback and analyzed the cost of benefits – you can select providers and which ones to offer. But keep in mind that any benefits you choose to provide will be hard to take away later. So choose carefully. And if you don't feel financially comfortable with providing certain benefits now, consider substituting them with perks until you can.

Note that your costs grow as you grow. As you offer perks or supplemental benefits that have a flat cost per employee, the more employees you hire, the more your costs go up. When building out your benefits budget, factor in your hiring plan and growth expectations.



THE NEXT STEP: ADMINISTERING YOUR BENEFITS

Possibly the most tedious and least fun aspect of providing benefits is administering them. Business owners and HR professionals understand the time and effort involved beyond just offering benefits. Each year requires careful consideration, evaluation, and education of benefits through open enrollment time. The whole process can leave everyone feeling stressed and confused.



of employees find their companies' open-enrollment process extremely confusing.⁷



of workers don't recognize their employer's contribution to the cost of health insurance.⁷

Many maintenance activities go into administering benefits, such as:

- ✓ Making appropriate deductions in payroll and monthly reconciliations
- ✓ Filing necessary forms and distributing required notices
- ✓ Establishing and maintaining plan descriptions
- ✓ Facilitating enrollment and updates based on employee life changes
- ✓ Complying with regulations such as ERISA, ACA, COBRA, and other state-required benefit continuation laws

Manually enrolling employees in benefits and managing them can take up a lot of time too. On average HR spends 14 hours a week manually completing tasks, like those listed above.⁹ To improve the benefits you offer to employees and make the process of selection and administration easier – consider using an HR partner.

⁸ What Your Employees Think About Your Benefits Communication, Jellyvision Harris Poll, 2016

⁹ CareerBuilder, AI and Automation for HR Study, 2017



MAKING YOUR BENEFITS BETTER WITH OBSIDIAN HR

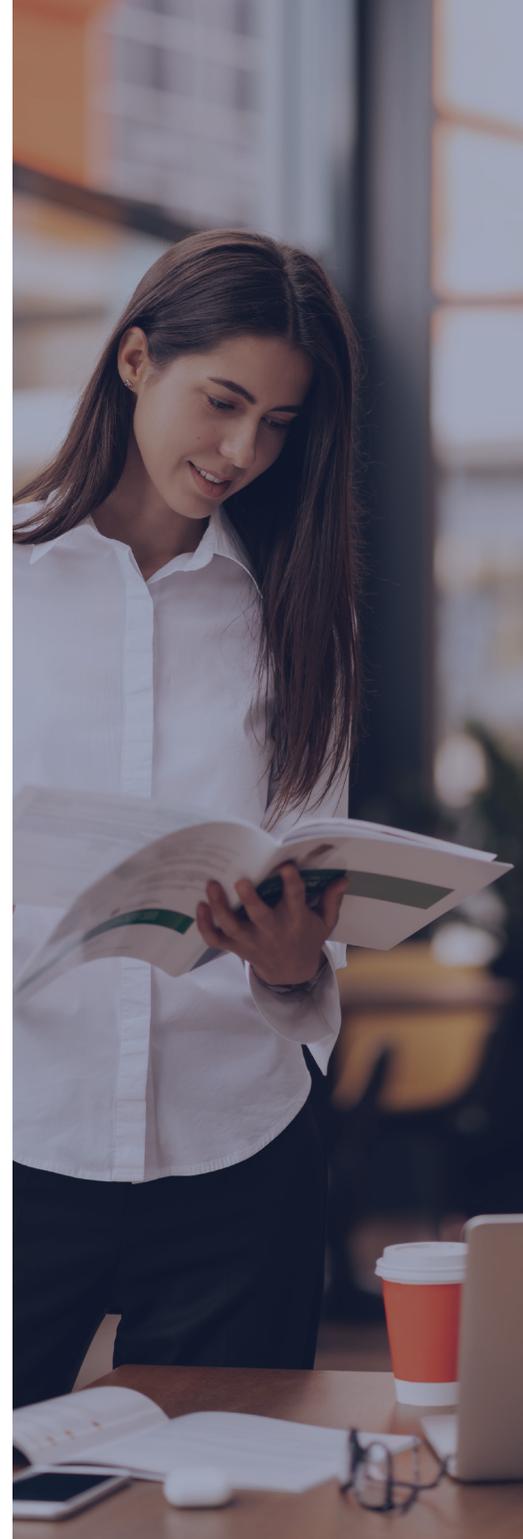
It takes a lot of time and effort to build a benefits program and administer it on an ongoing basis.

Obsidian HR can handle all of the maintenance activities noted above. And provide access to richer, more quality benefits – particularly when it comes to health care plans. With the rising cost of premiums and limited plan options for small to medium-sized businesses, this can be a huge advantage.

How does it work? Obsidian HR teams up with top healthcare providers, like Aetna and Kaiser Permanente, to curate and customize the right plans and benefits for your business. Obsidian HR identifies health plans you may be eligible for and assists with the underwriting process. Businesses that meet eligibility minimums of employer size and plan participants can get access to large group health plans – plans not typically available otherwise.

Obsidian HR is the only Colorado-based PEO that provides access to these kinds of healthcare plans.

Obsidian HR provides you with access to the choices and coverage your employees want at the value you need. And you can save time while Obsidian HR enrolls and manages your employees' healthcare and benefits.



To learn more about our benefit offerings and other services we provide, reach out to us!

Learn More



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Follow us for more! We're constantly sharing information on how to be compliant with changing laws and regulations, hiring and retaining employees, and developing your HR policies and procedures.

