

AGENDA

Compensation Committee Meeting
Friday, October 21, 2016 | 1:00 PM – 2:00 PM
MCCVB Office | 787 Munras Ave., Suite 110 Monterey, CA

CALL TO ORDER

PUBLIC COMMENT

(This portion of the meeting is reserved for members of the public to address the Compensation Committee on any matter not on this agenda but under the jurisdiction of the MCCVB Compensation Committee. Board members may respond briefly to statements made or questions posed. They may ask a question for clarification; make a referral to staff for factual information, or request staff to report back to the Committee at a future meeting but no deliberation may occur.)

MEMBER AND STAFF ANNOUNCEMENTS

CONSENT AGENDA

- A. Committee Meeting Minutes of the September 6, 2016 Compensation Committee
Recommended Action: Approve Minutes

REGULAR AGENDA

NEW BUSINESS

- A. Review the Medical and Dental benefit plan options
Recommended Action: Discuss the medical and dental plan renewal proposals and make recommendations.

GOOD OF THE ORDER

Information: Comments from members of the Committee for the Good of the Order and possible recommendations for future Agenda items.

ADJOURN

Next Meeting

November 11, 2016 | 1:00 PM – 2:00 PM
MCCVB Conference Room

MCCVB MISSION: Drive business growth through compelling marketing and targeted sales initiatives that maximize the benefits of tourism to our guests, members and community.

MINUTES

Compensation Committee Meeting
Tuesday, September 6, 2016 | 1:00 PM – 2:00 PM
MCCVB Office | 787 Munras Avenue, Suite 110, Monterey, CA

Committee Members Present:

Mairead Hennessy
Janine Chicourrat
Rene Boskoff
Bob Buescher

Others Present:

Steve McNally

Staff Present:

Tammy Blount
Jennifer Johnson

CALL TO ORDER: Mairead called the meeting to order at 1:06 PM.

PUBLIC COMMENT: None

MEMBER AND STAFF ANNOUNCEMENTS:

Mairead welcomed the Committee members to the first meeting of the fiscal year and made introductions. Tammy Blount informed the Committee that, per the Compensation Development Policy, the Chair reviewed all salary adjustments that were made from the merit pool in the budget, and incentive attainment and payouts prior to their distribution last month.

CONSENT AGENDA

A. March 14, 2016 Meeting Minutes

Motion to approve the Consent Agenda, M/C, Rene, Janine abstained.

REGULAR AGENDA

NEW BUSINESS

A. Review the scope of the 2017 Compensation Study

Jennifer reviewed the scope of the previous study. The Committee discussed the scope options and recommended that staff put out an RFP to a minimum of three firms for total (base + incentive) compensation comparison as well as information regarding any anticipated changes resulting from federal/state wage law changes. The Committee requested that the criteria for incentive earned also be included. It was also recommended that the RFP ask that a separate quote be included specifically for medical/dental/vision benefits cost comparisons. Mairead was designated the Committee liaison to staff and the firms participating in the process.

B. Sales Incentive Plans

Tammy reviewed the samples of DMO Incentive Plans that were provided to the Committee members. The Committee discussed the Room Night Index, STR and Pace reports, the booked business audit currently underway and other factors that affect sales performance. Sales incentive plans will be discussed at future meetings, incorporating this data and the results of the 2017 compensation study.

MCCVB MISSION: Drive business growth through compelling marketing and targeted sales initiatives that maximize the benefits of tourism to our guests and members.

MINUTES

C. Review 401k provider options

Jennifer gave an overview of MCCVB's 401k investment platform fees and the proposed change from John Hancock to Voya that would include a reduction in participant fees of up to \$3,100 and a slight increase in MCCVB fees of about \$850 annually. The Committee recommended finding a way to change to Voya while keeping MCCVB fees cost neutral.

GOOD OF THE ORDER: None

Mairead adjourned the meeting at 2:07 PM

Next Committee meeting:

Friday, November 11, 2016 | 1:00 PM – 2:00 PM
MCCVB Office

DRAFT

MCCVB MISSION: Drive business growth through compelling marketing and targeted sales initiatives that maximize the benefits of tourism to our guests and members.



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September 16, 2016

Dear Jennifer,

Our health insurance plan with Blue Shield renews December 1, 2016. With the renewal, Blue Shield will be raising their rates by 14%. While Blue Shield is an excellent carrier with a great PPO, the VCB may want to consider alternative plans from Anthem or United Healthcare. In preparation for this review, I have researched every top insurance company writing business in California. Based on plan design, quality of PPO network and pricing, Anthem and United HealthCare (UHC) offer the most compelling alternatives to Blue Shield in Monterey County.

The chart on the following page compares our 1700 Silver 'core' PPO plan to similar plans offered by UHC and Anthem. Any of these plans could serve as our "core plan" for 2017. To be fair, Blue Shield and Anthem have comparably-sized PPO networks in Monterey and across the country. I've worked with both of them for many years and their networks are equal (though there will always be doctors who are in one network but not the other).

United Healthcare is a little different story - while they have the largest PPO network in California and the largest PPO across the United States, they only have about 65% of the providers that Anthem and Blue Shield have in Monterey County. Though UHC will have all the top hospitals, locally and nationally, they have much smaller provider networks in rural areas such as Monterey. For example, if you need a colonoscopy there is only 1 gastroenterologist in Monterey County (the doctor is in Salinas). While there are 14 in Monterey, none of them are in the UHC network.

It's important to remember that though there are "out of network" benefits, some of the most valued benefits such as a '\$30 copay office visit' or "100% preventive services" are only available **IF** you see a "PPO provider". Deductibles and other coinsurance costs dramatically increase if you are unable to find a contracted provider. Click on [benefit link](#) to see how medical services are paid if you are in network versus out of network.

That being said, UHC is VERY competitive for December 1 business.

See chart below.

Potential Core Plans for December 1, 2016 (CVB pays 75% of employee cost)

	Blue Shield Full PPO	Blue Shield Full	UHC* Full	UHC* Full	Anthem Full	Anthem Full	Anthem Full
	Current plan	Renewal 12-1-16					
Deductible	\$1700	\$1700	\$1800	\$1800	\$2000	\$1750	\$1250
Employee Coinsurance	30%	30%	30%	30%	35%	35%	40%
Employee out of pocket max-OOPM	\$6250	\$6500	\$6500	\$6500	\$6850	\$6850	\$6850
Office Visits - ded waived unless otherwise noted	\$40	\$40	\$40 waived for 4 visits**	\$30	\$25	\$25	\$30
Generic rx	\$15	\$15	\$15	\$15	\$15	\$15	\$15
Brand rx	\$50/\$300	\$50/\$300	\$50/\$200	\$35/\$200	\$40	\$40	\$40
Benefit Summary		Summary	Summary	Summary	Summary	Summary	Summary
Current Premium	\$19,195						
Dec 1 Premium		\$21,864	\$17,648	\$18,601	\$20,060	\$20,324	\$20,401
Percent of Change		14%	-8%	-3%	4.3%	5.9%	6%
CVB Share (75% employee)	\$10,290	\$11,753	\$9,487	\$10,000	10,783	10,925	10,967

*UHC policy has a \$250 Per Occurrence Deductible for certain lab, surgery, x-rays done in **hospital related facilities**- Does not apply when using “free-standing lab or clinics. Any per occurrence charge goes toward meeting the Out of Pocket Maximum..

** Deductible waived for 4 office visits, \$40 copayment applies. Thereafter, you must meet the deductible before office visits are covered again

[Side by Side “Silver Plan” comparison - Dec 1 2016 Effective Date](#)

Employee Plan Choice-

As a reminder, VCB pays 75% of the employee cost for the 1700 Silver PPO plan and allows employees to buy up or down if they were willing to pay the difference. Since we allow employees to choose from a menu of plan options, I have sketched out a portfolio of 5 plans for each of the three carriers and have priced the options at various ages. Please click on the links below to see the menu of plan options for each of the carriers:

[-Blue Shield Portfolio- employee choice options](#)

[-Anthem Portfolio - employee choice options](#)

[-United Healthcare Portfolio - employee choice options](#)

Full PPO vs Narrow PPO-

All of the plans in my review utilize the carrier's Full PPO network. As we discussed last year, some carriers offer a scaled down version of their Full PPO to create competitive pricing. Though these Narrow network options make plan costs cheaper, they create potentially large drawbacks:

1. Less provider choice, locally and statewide ($\frac{2}{3}$ of the Full PPO) .
2. More likely to exclude top-tier doctors (due to lower reimbursement rates).
3. Hidden cost traps- While most of the top hospitals, with some exceptions, are in the Narrow networks, many times the surgeon groups performing surgery in these network hospitals are NOT in the narrow PPO. The out of network cost for a non PPO surgeon is borne by the consumer and that can be VERY expensive.
4. Lack of parity between CA employees and Out of State employees (OOS)- There is not a "narrow network" option for OOS employees - OOS employees would have the benefit of a full PPO but in-state employees would be constrained by a narrow PPO, creating a different (better) level of benefits for some employees.

Due to these differences, I didn't include them in the review but I'm happy to quote them if you would like.

Planning for December 1-

Most businesses in California have a 12-1 renewal date. If we remain with Blue Shield, we will have plenty of time to make plan changes for 12-1. If the VCB decides to switch to Anthem or United Healthcare, I would recommend that we get our forms in early to ensure a smooth transition. There will be an enormous amount of business moving to Anthem and UHC for 12-1 and it would be ideal if we could submit our paperwork by 11-1 and avoid the large delays being anticipated by the carriers.

Please let me know what I can do to help facilitate and answer any questions you may have about the renewal.

Thank you.

James Greco, CLU

P.S- Our Guardian dental package will also renew 12-1 but I've not received the renewal yet.

Current Rates for 2015-2016- Employees 1 year younger- Blue Shield Portfolio -

	Core Plan	Optional Plans	Option 1 Gold	Option 2 Silver	Option 3 Bronze	*Option 4 HSA
Deductible	\$1700		\$750	\$1250	\$3500	\$5500
Employee Co-insurance	30%		20%	30%	15%	40%
Employee out of pocket max	\$6250		\$6250	\$6250	\$6500	\$6250
Office Visits	\$40		\$20/\$35	\$35/\$50	After \$3500 Deductible	30%
Generic rx	\$15		\$10	\$15	\$15	\$15
Brand rx	\$50/\$300		\$30/\$200	\$50/\$500	\$50/\$225	\$50
Employee Cost if 75% of Core						
Age 25	\$99		\$160	\$107	\$51	\$52
Age 34	\$120		\$193	\$130	61	\$62
Age 43	\$134		\$216	\$145	\$69	\$70
Age 54	\$211		\$340	\$228	\$108	\$110

*HSA- No benefits until \$5500 deductible met (except preventive)-

Blue Shield Portfolio -

	Core Plan	Optional Plans	Option 1 Gold	Option 2 Silver	Option 3 Bronze	*Option 4 HSA
Deductible	\$1700		\$750	\$1250	\$3500	\$5500
Employee Co-insurance	30%		20%	30%	15%	40%
Employee out of pocket max	\$6250		\$6250	\$6250	\$6500	\$6250
Office Visits	\$40		\$20/\$35	\$35/\$50	After \$3500 Deductible	30%
Generic rx	\$15		\$10	\$15	\$15	\$15
Brand rx	\$50/\$300		\$30/\$200	\$50/\$500	\$50/\$225	\$50
Employee Cost if 75% of Core						
Age 26	\$112		\$179	\$113	\$51	\$55
Age 35	\$140		\$213	\$135	60	\$65
Age 44	\$153		\$244	\$155	\$69	\$75
Age 55	\$245		\$390	\$247	\$110	\$119

*HSA- No benefits until \$5500 deductible met (except preventive)-

See [employee cost breakdown assuming all employees chose the “core plan”](#):

Anthem Portfolio -

	Anthem Silver	Optional Plans	Option 1 Gold	Option 2 Silver	Option 3 Bronze	*Option 4 HSA
	Core Plan					
Deductible	\$1750		\$700	\$1250	\$6000	\$4500
Employee Co-insurance	35%		20%	40%	35%	30%
Employee out of pocket max	\$6850		\$6600	\$6850	\$6600	\$6350
Office Visits	\$25		\$20	\$30	\$70 - 3 visits	30%
Generic rx	\$15		\$15	\$15	\$15	30%
Brand rx	\$40		\$40/\$250	\$40	\$50 /\$250	\$30%
Employee Cost if 75% of Core						
Age 26	\$104		\$145	\$105	\$48	\$40
Age 35	\$125		\$173	\$126	\$58	\$48
Age 44	\$142		\$199	\$145	\$66	\$55
Age 55	\$227		\$317	\$231	\$105	\$87

*HSA- No benefits until \$4500 deductible met (except preventive)-

See [employee cost breakdown assuming all employees chose the “core plan”](#):

United HealthCare Portfolio -

	United HealthCare *	Optional Plans	Option 1 Gold	Option 2 Gold	Option 3 Bronze	*Option 4 HSA
	Core Plan					
Deductible	\$1800		\$750	\$1000	\$6600	\$4500
Employee Co-insurance	30%		20%	20%	0%	40%
Employee out of pocket max	\$6500		\$5000	\$5400	\$6850	\$6500
Office Visits	\$30		\$20	\$20	\$40 waived for 4 visits	40%
Generic rx	\$15		\$15	\$15	\$20	\$20 after ded
Brand rx	\$35/\$200		\$35	\$35	\$50/\$250	\$50 after ded
Employee Cost if 75% of Core						
Age 26	\$96		\$157	\$146	\$53	\$9
Age 35	\$114		\$187	\$175	\$63	\$11
Age 44	\$130		\$214	\$200	\$72	\$12
Age 55	\$208		\$341	\$319	\$115	\$19

*UHC policy has a \$250 Per Occurrence Deductible for certain lab, surgery, x-rays done in hospital related facilities- Does not apply when using “free-standing lab or clinics. Any per occurrence charge goes toward meeting the OOPM.

See [employee cost breakdown assuming all employees chose the “core plan”](#):



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September 23, 2016

Dear Jennifer,

If you received the Guardian's 12-1 renewal letter for our dental, life, vision and LTD plan, please ignore it. After discussions with the underwriter, they agreed to lower our renewal increase from 12% to 8%. Evidently the loss ratio was pretty high with the plan paying out about 85-90% of the total premium collected. Attached is the revised renewal.

Since the dental plan was the only element of our Guardian package (life, vision and ltd) that was receiving an increase, I requested competing dental quotes from a number of companies including:

- Met Life
- Principal
- Humana
- Blue Shield

As you'll see on the the following page, even with the the 12-1 renewal, Guardian is still very competitively priced given the high quality of the overall program. Please let me know if you have any immediate questions or when you would like to discuss.

Thank you!

Jim

MCCVB Dental Review - December 1, 2016

All Plans: Out of Network paid at 90% UCR

	Guardian Current Plan		Principal		Met Life		Humana		Blue Shield	
Network	In	Out	In	Out	In	Out	In	Out	In	Out
Deductible	\$0	\$0	\$50	\$50	\$0	\$0	\$25	\$50	\$50	\$50
Preventive	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Basic	100%	80%	100%	80%	100%	80%	100%	80%	90%	80%
Major	60%	50%	60%	50%	60%	50%	60%	50%	60%	50%
Maximum	\$2000	\$2000	\$2000	\$2000	\$2000	\$2000	\$2000	\$2000	\$2000	\$2000
Ortho	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Monthly Breakdown										
Current Employee Cost	\$54.25									
December 1,2016 Employee Cost	\$58.59		\$59.11		\$58.92		\$57.80		\$59.70	
Total Premium incl dependents -(26 emps)	\$2249		\$2189		\$2153		\$2202		\$2178	
VCB Cost 75% of employee cost	\$1142		\$1152		\$1149		\$1127		\$1164	



**It's renewal
time!**

**Guardian is
here to help.**

RENEWAL INFORMATION FOR

**MONTEREY COUNTY DESTINATION MARKETING ORG
GROUP PLAN # 00521191**

RENEWAL PERIOD

December 1, 2016 - November 30, 2017



LIFE	DENTAL	VISION	DISABILITY	ABSENCE	SUPPLEMENTAL HEALTH	STOP LOSS	ASO
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GuardianAnytime.com

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What you'll find in this package

RENEWAL INFORMATION	PAGE
Renewal Rates At-a-Glance	2
Current Plan Benefit Summaries By Product	4

Renewal Rates At-a-Glance

This plan is currently offered for Insurance Class 1 and 2

DENTAL PLAN RATES - PPO W1					
Tier	Enrolled Employees	CURRENT		RENEWAL	
		Monthly Rate	Annual Premium	Monthly Rate	Annual Premium
EE	19	\$54.25	\$12,369	\$58.59	\$13,359
EE & SP	4	\$115.75	\$5,556	\$125.01	\$6,000
EE & CH	0	\$141.00	\$0	\$152.28	\$0
FAMILY	2	\$222.00	\$5,328	\$239.76	\$5,754
TOTAL	25		\$23,253		\$25,113

This plan is currently offered for Insurance Class 1 and 2

VISION PLAN RATES - VSP G22					
Tier	Enrolled Employees	CURRENT		RENEWAL	
		Monthly Rate	Annual Premium	Monthly Rate	Annual Premium
EE	17	\$9.00	\$1,836	\$9.00	\$1,836
EE & SP	3	\$16.25	\$585	\$16.25	\$585
EE & CH	2	\$16.00	\$384	\$16.00	\$384
FAMILY	3	\$23.00	\$828	\$23.00	\$828
TOTAL	25		\$3,633		\$3,633

Renewal Rates At-a-Glance

This plan is currently offered for Insurance Class 1 and 2

LTD PLAN RATES				
CURRENT			RENEWAL	
Volume	Monthly Rate	Annual Premium	Monthly Rate	Annual Premium
\$144,211	\$0.240/\$100	\$4,153	\$0.240/\$100	\$4,153

This plan is currently offered for Insurance Class 1 and 2

BASIC LIFE PLAN RATES					
CURRENT				RENEWAL	
Coverage	Volume	Monthly Rate	Annual Premium	Monthly Rate	Annual Premium
BASIC LIFE	\$1,826,250	\$0.120/\$1000	\$2,630	\$0.120/\$1000	\$2,630

This plan is currently offered for Insurance Class 1 and 2

AD&D PLAN RATES					
CURRENT				RENEWAL	
Coverage	Volume	Monthly Rate	Annual Premium	Monthly Rate	Annual Premium
AD&D	\$1,826,250	\$0.025/\$1000	\$548	\$0.025/\$1000	\$548

Current Plan Benefits Summaries

CONTRACT TYPE: DENTAL GUARD 2000

This plan is currently offered for Insurance Class 1 and 2

PLAN BENEFITS SUMMARY

Network	In-Network DentalGuard Preferred	Out-of-Network None
Coinsurance		
Preventive	100%	100%
Basic	100%	80%
Major	60%	50%
Deductible	N/A	N/A
Waived for preventive?	No	No
Claim Payment Basis	Fee Schedule	UCR 90%
Maximum	\$2,000	\$2,000
Orthodontia	Included	
Lifetime Maximum	\$2,000	
Coinsurance	50%	
Maximum Rollover		
Threshold		\$800
Rollover Amount		\$400
In-network only rollover		\$600
Max Rollover Limit		\$1,500
Dependent Age Limit		26/26

Plan information is for illustrative purposes only. Please consult plan contract for specific benefit levels.

Additional Dental Information

DENTAL MAXIMUM ROLLOVER SUMMARY

For Benefit Year Ending: 12/31/2016

ROLLOVER ACCOUNT SIZE	NUMBER OF QUALIFYING EMPLOYEES & DEPENDENTS	TOTAL ACCOUNT VALUE
\$0	34	\$0.00
\$1 - \$250	0	\$0.00
\$251 - \$500	0	\$0.00
\$501 - \$750	0	\$0.00
\$751 - \$1,000	0	\$0.00
Over \$1,000	0	\$0.00
TOTAL	0	\$0.00

13 of your Employees and Dependents currently are eligible for additional Maximum Rollover amounts.

"Benefit Year" refers to the 12-month period during which charges are counted toward this plan's annual maximum.

"Number of Qualifying Employees and Dependents" reflects information available at the time this renewal package was issued. Additional claims will affect this count.

"Eligibility for additional rollover amounts reflects information available at the time this renewal package was issued. Additional claims will affect the eligibility for additional rollover amounts"

Rollover amounts earned in the benefit year ending 12/31/2016 are applied to the members Maximum Rollover Account for use starting the next benefit year.

Current Plan Benefits Summaries

VSP

VISION

This plan is currently offered for Insurance Class 1 and 2

PLAN BENEFITS SUMMARY			
	In-Network	Out-of-Network	Frequency
Exam Copay	\$10	\$10	Once per Calendar Year
Exam Allowance	100%	\$39	Once per Calendar Year
Materials Copay	\$10	\$10	
Base Lenses			
Single Vision Allowance	100%	\$23	Once per Calendar Year
Bifocal Allowance	100%	\$37	Once per Calendar Year
Trifocal Allowance	100%	\$49	Once per Calendar Year
Lenticular Allowance	100%	\$64	Once per Calendar Year
Contact Lenses			
Elective Allowance	\$130	\$100	Once per Calendar Year
Therapeutic Allowance	100%	\$210	Once per Calendar Year
Frame Retail Allowance	\$130	\$46	Every Other Calendar Year
Materials Allowance	N/A	N/A	N/A

Plan information is for illustrative purposes only. Please consult plan contract for specific benefit levels.

Current Plan Benefits Summaries

LONG TERM DISABILITY

This plan is currently offered for Insurance Class 1 and 2

PLAN BENEFITS SUMMARY	
Monthly Benefit	66% to \$6,000
Elimination Period	90 days
Benefit Duration	To Age 67/Adea
Own Occupation Period	Own Occ/Any Occ Mo Ben
Gainful Occupation	80%
Pre-Existing Conditions	3/12 Exclusion
Mental Nervous	2 years
Substance Abuse	2 years
Cost of Living (COLA)	N/A
Survivor Benefit	N/A
Integration	Full Family
Rehabilitation Benefit	Enhanced Rehab

Plan information is for illustrative purposes only. Please consult plan contract for specific benefit levels .

Current Plan Benefits Summaries

BASIC LIFE

This plan is currently offered for Insurance Class 1 and 2

LIFE BENEFITS SUMMARY	
Benefit Type	Percent Of Earnings
Multiple	100%
Maximum Benefit	\$195,000
Earnings Definition	Std Def Excluding Bonus & Commissions
Guarantee Issue	N/A
Waiver of Premium	Ssnra
Elimination Period	9 month(s)
Age Reduction Formula	
Age 65	35%
Age 70	60%
Age 75	75%
Age 80	85%
Accelerated Benefit	
Benefit %	50%
Benefit Maximum	\$250,000

This plan is currently offered for Insurance Class 1 and 2

AD&D BENEFITS SUMMARY	
Benefit Type	Percent Of Earnings
Multiple	100%
Maximum Benefit	\$195,000
Earnings Definition	Std Def Excluding Bonus & Commissions

Are Out-of-Pocket Medical Expenses Taking a Toll on Working Americans?

As companies seek to control the cost of employee benefits, working Americans are feeling the pinch. Employees are now bearing more of the cost of health insurance, and as a result, the perceived value of employee benefits — the BVI score* — has dropped from 7.1 in 2014 to 6.7 in 2016. But there may be even more troubling consequences to employees' health and financial well-being.



For a complete picture, read the research brief, "A Crack in the Foundation" from The Guardian Workplace Benefits StudySM: Fourth Annual, at GuardianAnytime.com.



LIFE

DENTAL

VISION

DISABILITY

ABSENCE

SUPPLEMENTAL HEALTH


STOP LOSS

ASO

GuardianAnytime.com

*The Guardian Benefits Value Index (BVI) score is an annual measure from 1 to 10 of the perceived value of benefits among working Americans. Source for all statistics cited is The Guardian Workplace Benefits StudySM: Fourth Annual, 2016. The Guardian Life Insurance Company of America, 7 Hanover Square, New York, NY 10004.

2016-29134 (Exp. 9/18)

A woman with dark hair in a bun, wearing a white top, is looking to the right with her hand near her face, appearing to be in a meeting or presentation. Other people are blurred in the background.

The Guardian
Workplace
Benefits StudySM
4th Annual

Guardian®

in
sync

Market
Insights

A Crack in The Foundation

Working Americans Rely Heavily on Their Employee Benefits for Financial Security, but Higher Out-of-Pocket Medical Costs are Taking a Toll



The Guardian Workplace Benefits StudySM: Fourth Annual, 2016
The Guardian Life Insurance Company of America® (Guardian), 7 Hanover Square, New York, NY 10004.
File #2016-27215 (Exp. 8/18)

Introduction

A majority of working Americans in the U.S. are satisfied with their employee benefits package and continue to rely on the workplace as the foundation of their household's financial security.

**EMPLOYEE
BENEFITS
SATISFACTION**
**Perceived Value
of Benefits Has
Declined Over the
Past Two Years**



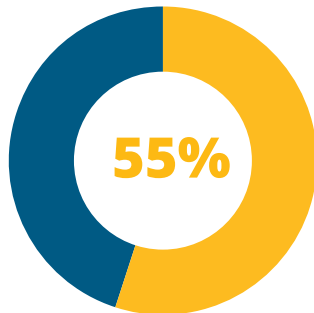
Yet, despite the critical role benefits play for many working Americans, attitudes toward the value of benefits have declined over the past two years. Salaries have remained virtually flat while workers are bearing a greater share of benefits costs — particularly for the cost of health insurance — and many are feeling the financial pinch.

As employers increasingly turn to consumer driven health plans (CDHPs) to help rein in their escalating medical costs, the sharp rise in out-of-pocket costs for workers entering into high deductible health plans (HDHPs) appears to be negatively impacting healthcare behaviors and financial wellness. Generation X and middle-income workers (i.e., \$50,000-\$100,000 annual household income) seem to have been affected the most — with each of these groups showing significant declines in benefits satisfaction and perceived benefits value since 2014.

Employee benefits remain an integral part of working Americans' financial security

Americans rely heavily on the benefits they receive at the workplace. More than half depend on their insurance and retirement benefits for a large share of their financial preparedness (56%) and believe they would face financial hardship without their workplace benefits (55%).

Working Americans Who Would Face Hardship Without Benefits



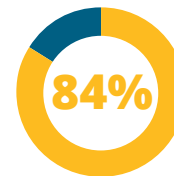
2 in 3 workers remain highly satisfied with their benefits package overall (65%) and nearly as many — 3 in 5 — say their benefits positively contribute to their overall financial security (59%).

 **2 in 3** are Highly Satisfied
With Their Benefits Package

 **3 in 5** Say Their Benefits
Contribute to Their Financial Security

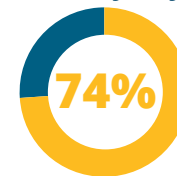
Furthermore, a strong link remains among workers' attitudes toward employee benefits, their overall job satisfaction, and loyalty to their employer. Employers understand this and more than 3 in 4 cite "improving employee overall satisfaction with our benefits program" as a highly important objective for their company.

Benefits Satisfaction = Job Satisfaction



of employees with
high benefits
satisfaction report high
job satisfaction

Benefits Satisfaction = Job Loyalty



of employees with high
benefits satisfaction want
to stay with their current
employer for 5+ years

Working Americans' perceived value of employee benefits has declined in 2016

The Guardian Benefits Value Index (BVI) score — an annual measure of the perceived value of employee benefits among working Americans — declined from 7.1 in 2014 to 6.7 now, in 2016.

Guardian Benefits Value Index (BVI) (Scale 1-10)

2014

7.1

2016

6.7

The BVI is an annual measure of the perceived value of benefits among working Americans

In addition:

- Fewer workers say they value their benefits more than they did five years ago
- Fewer feel their benefits are generous relative to those of their peers. Only 1 in 10 anticipates their benefits package will be more generous in the next few years

"My current benefits package is of greater value compared to 5 years ago"



"My benefits are more generous compared to those of other people I know"



"My employer's benefits package will be more generous in the next 2 years"



High satisfaction with overall benefits package



This decline may reflect a delayed reaction to significant changes in the way employee benefits are paid for and delivered, including:

- Implementation of the Affordable Care Act
- Introduction of healthcare exchanges
- Further cost-sharing via consumer driven health plans (CDHPs) and high deductible health plans (HDHPs) — which have increased employees' out-of-pocket costs

Working Americans continue to rely on financial products and services through the workplace

A greater proportion of workers in 2016 report having the following benefits through their employer: dental insurance, a retirement savings plan, vision insurance, and disability insurance. Among 14 products studied, only auto insurance and annuities are more likely to be owned outside the workplace.

Products Owned Via the Workplace

Product	2014	2016
Dental Insurance	66%	70% ↑
Retirement Savings Plan	64%	69% ↑
Vision Insurance	51%	56% ↑
Disability Insurance	45%	52% ↑

Workers generally want more choice and greater access to such products via the workplace. In fact, BVI scores are considerably higher among those who strongly agree that their employer offers a wide array of employee benefits (BVI of 7.2).

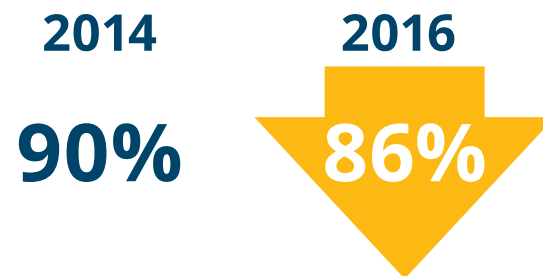
44%



of employers say adding voluntary benefits to their offerings is a highly important objective for their company — up from 37% in 2014

Yet, while employers continue to expand their voluntary benefit offerings and other services, fewer are offering a medical plan in 2016 — contributing to working Americans' concerns about higher out-of-pocket costs. Workers in smaller firms (fewer than 50 employees) are the most likely to no longer receive medical benefits through their employers in the past two years.

Small Employers Offering a Medical Plan

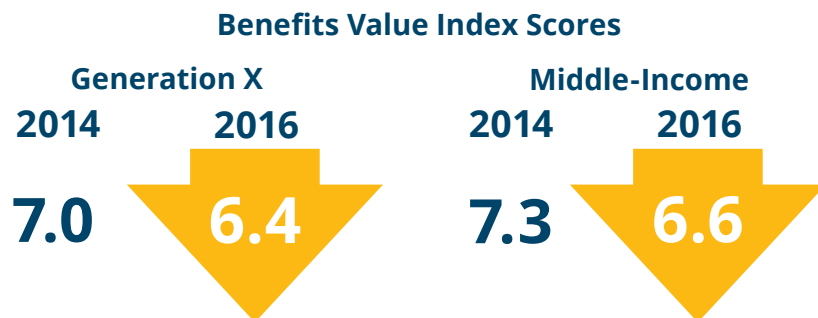


Attitudes of Generation X and middle-income working Americans are driving the decline in perceived benefits value

Two groups who represent a sizable proportion of the working population in the U.S. — Generation X and middle-income workers — place less value on their workplace benefits than in prior years.

Now in the prime of their careers, Generation X workers (ages 36 to 50) have a BVI score that has fallen from 7.0 in 2014 to 6.4 this year.

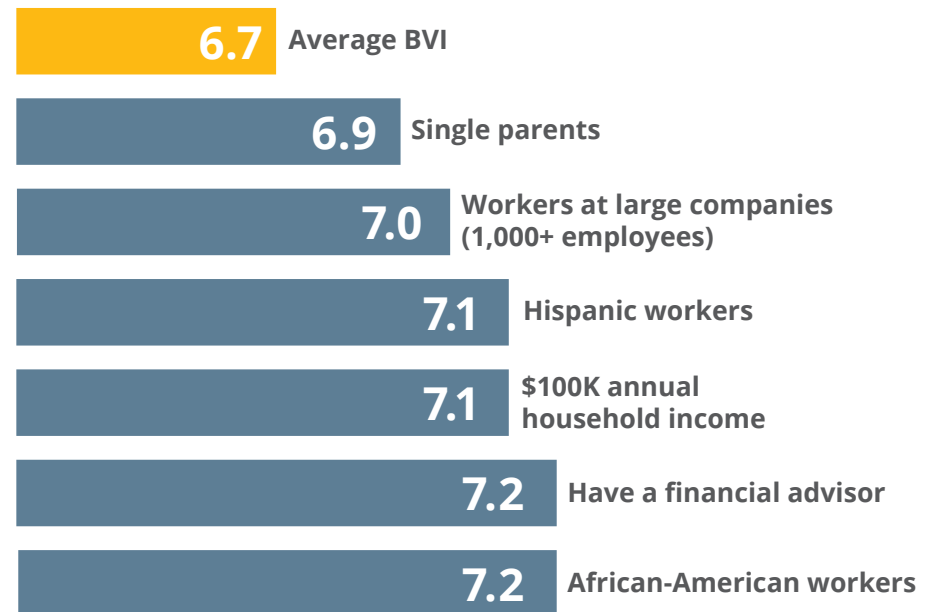
Similarly, BVI scores for middle- to upper-middle-income workers — those earning annual household income between \$50,000 and \$100,000 — have declined sharply since 2014.



In 2016, with greater out-of-pocket benefits costs — especially from higher medical plan deductibles — middle-income workers feel their benefits are less valuable.

However, there are some worker sub-groups who depend on employee benefits even more and place greater value on them. These workers have higher than average BVI scores.

Worker Sub-Groups With High BVI Scores



Medical insurance costs are contributing to how working Americans feel about the value of their benefits

Prior Guardian Workplace Benefits Studies, and certainly other industry research, consistently show that medical insurance is, by far, the most valued employee benefit among working Americans. In this year's Workplace Benefits Study, those surveyed told us that their medical plan is what they value most about their entire employee benefits package.

What Working Americans Value Most About Their Benefits Package



Yet, workers continue to shoulder a larger share of the cost of health insurance. An increasing number of employers say they are making plan design changes (67%, up from 62% in 2014), increasing cost-sharing (49%, up from 43%), and moving more toward high deductible health plans to help control their benefits costs (54%, up from 48%).

Employer Strategies to Control Benefits Costs

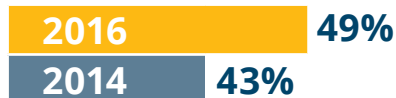
Plan design changes



Implementing HDHPs



Increased cost-sharing



The considerable out-of-pocket costs — in the form of higher premiums, copayments, and deductibles — are causing financial and emotional stress on many households. Especially since more than half of workers agree that **cost is the single biggest driver** of their benefits satisfaction and decision-making (54%).

More importantly, higher medical plan costs are negatively influencing not only the perceived value of benefits but also the health behaviors and financial security of working Americans and their families.

Exposure to higher out-of-pocket costs threaten working Americans' financial wellness

In this year's survey, 3 in 5 workers with medical coverage report their deductible is over \$1,200, including a quarter who say it's \$3,000 or more.

Yet, 3 in 5 workers indicate they would not have the funds available to pay for a \$3,000 medical expense. Faced with such an expense, more than a third say they would have to put the bill on a credit card (34%) or make a deal with the provider to pay over time (37%). 1 in 20 would try to take a bank loan or a loan against their retirement plan (6% each). Only 2 in 5 could simply pay the bill from a checking or savings account.



3 in 5

**Would Be Unable to Pay a \$3,000
Out-of-Pocket Medical Expense**



Ways Working Americans Would Pay For a **\$3,000** Medical Bill

From a checking/savings account	44%
Make a deal to pay over time	37%
Put it on credit card	34%
Work more to pay	11%
Loan from friends/family	9%
Loan from the bank	6%
Loan from retirement plan	6%
From savings for children's education	3%

Increased out-of-pocket medical costs are causing stress for a growing number of workers. Those with HDHPs versus those with more traditional plans are less likely to feel their benefits are affordable (56% vs. 70%) and are less likely to say their benefits contribute positively to their overall financial security (58% vs. 66%).

In addition, higher medical deductibles are negatively influencing personal health behaviors

Workers with high deductible health plans have significantly lower BVI scores (6.5) than those with more traditional plans (7.1).

But beyond the value they place on their employee benefits, workers with HDHPs are taking risks with their health. 1 in 3 (33%) report they have ignored medical advice or neglected their own care, including 1 in 5 who have skipped doctors' appointments and about 1 in 7 who have delayed surgery or a recommended procedure.

Only about 2 in 5 (44%) believe they are doing a good job keeping up with routine doctors' appointments and checkups, significantly less than those with a traditional health plan (50%). Workers with HDHPs are less likely than those with more traditional plans to feel their medical insurance is enough to cover a major medical event (55% vs. 71%).

44%

**Believe They Are Doing a Good Job
Keeping Up With Routine Doctors'
Appointments and Checkups**

And those with an HDHP are less likely to feel benefits contribute positively to their overall health and well-being.

Without taking additional steps, employers using HDHPs to help rein in medical costs may experience a bump in short-term savings, but potentially at the risk of higher catastrophic medical and disability claims in the long term, if workers continue to neglect their own healthcare.



Greater use of HSAs and access to supplemental health benefits can help mitigate the impact of HDHPs

Most employers are striving to maintain the value of their employee benefits packages. More than 4 in 5 say offering affordable benefits is highly important to their company, and 3 in 4 aim to offer benefits that improve the health and wellness and financial security of their employees.

But as working Americans continue to bear a greater portion of their medical care costs, it is crucial that they have the necessary tools to effectively navigate and manage their benefits. These steps can better equip working Americans to take ownership of managing their personal healthcare costs and services.

Include a Health Savings Account (HSA) with an HDHP:

Today, just 2 in 5 private employers with an HDHP also offer an HSA to help their employees pre-fund at least a portion of their medical expenses.



Only 2 in 5 Employers Offer an
HSA With Their HDHP

Help Workers Use HSAs: Many workers who have access to HSAs don't understand them or how to best utilize them. They need more assistance when planning for and selecting their HSA options during open enrollment.

Offer Supplemental Health Benefits: A small minority of employers currently offer supplemental health products such as hospital indemnity, critical illness, or accident insurance. Those that do offer these employee benefits often do not adequately explain how these products can help employees offset out-of-pocket costs associated with HDHPs.

10% 
of Employers Offer Hospital Indemnity

20% 
of Employers Offer Critical Illness

And with more employers considering consumer driven health plans and HDHPs in the coming years, these additional actions will be important to reversing the negative impact on working Americans' personal health behaviors, financial wellness, and attitudes toward the value of their employee benefits.

Appendix

METHODOLOGY AND SAMPLE CHARACTERISTICS

The 4th Annual Guardian Workplace Benefits Study was fielded in the Spring of 2016 and consisted of two online surveys: One among benefits decision-makers (employers) and another among working Americans (employees), allowing us to examine benefits issues from both perspectives.

The study was conducted for Guardian by Greenwald & Associates, an independent market research firm located in Washington, D.C.



Employer Survey Overview

Employer results are based on a national online survey of 1,204 employee benefits decision-makers. Respondents include business executives, business owners, human resource professionals, and financial management professionals. The survey covers all industries and is nationally representative of U.S. businesses with at least five full-time employees.

Data shown in this report are weighted to reflect the actual proportion of U.S. businesses by company size, industry, and region based on data from the U.S. Census Bureau. The margin of error at the 95% confidence level is +/- 2.9%.



Employee Survey Overview

Employee results are based on a survey conducted among 1,439 employees age 22 or older, who work full time for a company with at least five employees.

This year's survey included a sample of 277 part-time permanent employees and contract, non-permanent workers. Results for part-time/contract workers are reported separately from the full-time employee data and are not reflected in the total 2016 results when comparing 2016 to prior years, unless otherwise noted.

The survey sample is nationally representative of U.S. workers at companies of at least five full-time employees. Data shown are weighted to reflect the actual proportion of U.S. workers by gender, region, race, ethnicity, education level, household income, age, and employer size based on data from the Bureau of Labor Statistics and the Census Bureau. The margin of error is +/- 2.4 at the 95% confidence level.