

Ancillary Discount Programs: More Value than Cost Savings

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In the eternal quest for relief from healthcare inflation, employers continually seek effective ways to hold the line on their overall employee benefit expenditures. But most employers also understand that, to attract and retain top talent, they must strike a balance between saving money on one hand and providing an appealing benefits package on the other.

A vision discount program bundled with dental insurance is one example of a benefits program that allows employers to channel savings opportunities to employees without committing more corporate dollars.

Vision care services are valued by -- and vital to -- employees' wellbeing. Presently, less than one-third of employers offer a vision benefit, according to the U.S. Bureau of Labor Statistics. And yet 59% of working Americans need vision correction according to a survey by the Vision Council of America.

Vision loss, for example, is becoming a major public health issue that will negatively affect employers. According to a new study by the Eye Disease Prevalence Research Group, by the year 2020 the number of people who are blind or have low vision is projected to increase substantially. Blindness or low vision affects 3.3 million Americans age 40 and over, according to the study. Researchers predict that figure will reach a whopping 5.5 million by the year 2020.

The study, which was sponsored by the National Eye Institute, reinforces the importance of annual comprehensive eye examinations in preventing and/or delaying eye disease. Regular eye exams routinely detect early onset of glaucoma and diabetes. Left untreated, these diseases can have a devastating affect on employees and employers alike.

Employers have often been attracted to the idea of connecting dental and vision care for a variety of reasons. Both are high-use benefits. Employers also understand the link between better overall health care and productivity. When employees can afford to take care of themselves, the incidence of missed work, stress and "presenteeism" is reduced.

According to LIMRA International, employers rank dental insurance as the most important non-medical benefit. While demand for dental care historically dwarfs interest in the vision area, this benefit is nevertheless expected to grow at a quick pace in the years ahead. Demographics surely

will be one factor driving such growth. As we age, it's very common to need additional aids to read small print close up or view materials on a computer screen.

Talent wars

Experts predict that the bulging Baby Boomer population's impending retirement is likely to create a brain drain in certain sectors. Benefits can play a role in enticing mature workers to stay in the workforce to avoid a labor shortfall.

Research has shown that there are a great number of workers who plan to stay in the labor force beyond the traditional retirement age, but there is no guarantee that they will remain with their present employer. The modern workforce is more transient and due to the rise of defined contributions and the decline of defined benefits programs, employees don't always have an incentive to put in more years of service with their long-time employers. Mature workers who plan to stay in the workforce beyond the traditional retirement age may choose to work with a competitor or in another sector altogether. Many Boomers who plan to have a working retirement have expressed an interest in finding themselves and pursuing employment in the nonprofit sector.

Benefits are already a way for employers to distinguish themselves. But in a tight labor market, the spotlight on benefits will be even greater. Older workers are not just interested in a paycheck. They also value quality of life, which is why many plan to stay in the workforce in the first place. They realize that they are facing greater longevity and rising healthcare costs. Many others have not saved enough for retirement. But they want to balance their concerns about healthcare and inflation against the idea of living an active and fulfilling life.

Presently, employers are operating in an environment of stringent benefits cost management, but in the near future they may have to pull a few tricks out of the hat to entice older workers to stay in the labor force. Vision and dental are low cost benefits that will be attractive to an aging workforce. There are things that get better with age, but our teeth and eyesight are not on the list.

Why pay retail?

In the realm of vision and dental care employee outlays can be significant if the purchases of services are carried out without much "shopping around," and on a "retail" basis.

The stark imbalance between the relatively low sponsorship of vision plans (particularly among smaller employers), plus the broad demand for vision services, creates a powerful opportunity for employers. Since the vast majority of people buy vision services straight out of their pocket, the "sticker price" is, in fact, a true benchmark against which discounts offered by vision networks can be judged.

Some insurers, make it possible for employers that provide dental insurance, but not vision coverage, to give their employees access to discounted vision exams, contact and eyeglass lenses, frames and other products provided through huge national provider networks. To the employees these vision discount programs have represented a valuable weapon in the struggle to keep health costs from eroding their earnings.

Some vision discount plans offer as much as 20% off eye exams, frames and lenses, 15% off contact lens fitting exams and 15% off vision laser surgery. There are no claims to file, copays, deductibles or ID cards. Members simply pay the residual charge, after discounts, directly to the provider.

Employees realize immediately how much money they are saving out of pocket with a vision discount program. The first hand account and direct cost savings help them to fully appreciate how much expense there is to vision care and increases their appreciation of this valuable benefit.

Enrollees in vision discount plans will have an opportunity to pay for out-of-pocket expenses involving non-cosmetic vision care discounts through HSAs, HRAs and Flexible Spending Accounts.

HR managers seem to be equally satisfied with the simplicity and effectiveness of vision discount programs. In addition to offering an ancillary benefit at no cost, a carefully designed vision discount program will not create additional paperwork for HR departments.

Beyond discounts

Vision discount programs function as a “free upgrade” for new dental plan customers. These programs are attractive to employers that were not planning to contribute to the cost of a vision benefit plan.

According to a LIMRA survey of top carriers that offer vision discounts the majority link the program to medical or non-medical benefits. It is therefore important to not only consider the discount program, but also the underlying insurance coverage.

To assess the appropriateness of vision discount programs linked to dental employers need to evaluate the strength and flexibility of both vision and dental components -- even if the vision plan is a free add-on. It is important for brokers, employers and benefit decision makers to work with a carrier that has competitive offerings and constantly evolves to keep pace with benefits trends, dental treatments and technology. Work with a carrier that can give employees access to a diverse network of both dentists and eye doctors.

Examples of competitive dental products include the addition of coverage for dental implant procedures and dental rollover accounts.

Implants have come to be regarded within the dental profession as the tooth replacement treatment strategy of choice, as compared to conventional bridges, because implants last longer and do not require preparation and restoration of otherwise healthy adjacent teeth for support.

Dental rollover programs allow plan members to shift a portion of their unused annual maximum benefit into a personal account, held in reserve should they experience a need for more extensive dental care in the future.

A carefully designed dental rollover program helps employers to reward long-term employees, whose accumulations will, predictably, be the greatest. The plan can also encourage prudent use of dental benefits, instead of the possible inappropriate utilization of services under the traditional “use it or lose it” benefit structure.

In deciding whether to offer a new, cost-effective vision or dental benefit to employees, employers must be mindful of the need to communicate the plan effectively to assure full employee buy-in. Thus they should determine the role the carrier or plan provider can play, and the communications tools it has available, to make the new benefit a success. That’s because no matter how great the potential savings may be in a new group plan, they’ll be worth nothing to the employee who fails to use the plan due to not knowing about it or understanding how it works.

When viewed within the larger context of providing a value-added service to boost dental plan sales, vision discount programs reflect a strong tradition of ancillary benefit marketing synergy between the dental and vision areas – two relatively low-cost areas that have long been grouped together. They’re probably the two closest linked forms of coverage outside group medical.

(“Author” profile here)