

Although benefits communications may have become more sophisticated, workers' levels of knowledge about their benefits appear still to be too low.

by | Denise Perkins, CEBS

What the ‘L’ Is Wrong With Benefits Communication?

Lingo,
L equality
and L ength

Each year various employee benefit publications and professional associations give out awards for outstanding work in the field. One of the award categories is employee benefits communication. This category may consist of subcategories like best open enrollment/reenrollment program, best print communication and best electronic communication.

And those who receive these awards are more than willing to share with others how and why they created their award-winning programs. They will tell you the following:

- Face-to-face communication is better than electronic.
- Print communication is better than electronic.
- Put yourself in the shoes of the person receiving the information.
- Create a brand.
- Create a video.
- Use benefit champions.
- Target demographics.
- Communicate through multiple channels including social media.
- Make it fun (e.g., gamification).

But are these award-winning programs just fun projects for benefits staff or are they really effective? That depends on how effective is defined. Are they entertaining and do they get people's attention? Yes. Award winners can provide statistics on how many employees watched the new open enrollment video. Do they get employees to enroll in a health or retirement plan by or before a certain due date? Yes, some of them do. And do they increase employee knowledge about benefit plans? If the survey results on employee understanding of health insurance and retirement plan basics are correct, the answer is "not really."

As reported in U.S. News and World Report, a study by the American Institutes for Research on health insurance literacy concluded that people think they know more than they actually do about health insurance. According to the study, only about 20% of respondents could calculate the amount owed for a routine doctor's office visit. And in a study by the Journal of Health Economics, as reported by the Washington Post Wonkblog, only 11% of respondents could calculate the costs of a four-day hospital stay based on a hypothetical health plan.

It is not just health insurance benefits Americans do not understand; they also score poorly on retirement plan literacy. Despite years of award-winning employee benefit communication programs, why are American work-

ers still struggling to understand health insurance and retirement plans? There is more than one answer to this question. As anyone working in a workplace benefits position will attest, employees struggle to understand benefit plan terminology and the overall meaning of benefit plan summaries. And who can blame them.

Below is text (some of it removed for identification purposes) from an actual memo to employees at a professional services organization regarding a change in the retirement plan fund lineup.

There will be a change made to three of the investment fund offerings in the Firm's 401(k), the Savings and Retirement Plan, effective on March 25, 2011. These changes were approved by the Investment Committee and are being made in order to maintain the most appropriate investment options for the Plan.

Please note that all existing balances currently invested in (fund name removed) will be moved to (fund name removed) respectively; and that investment elections or future contributions that are currently directed to these funds will be automatically redirected or mapped to the replacement fund.

Also, there will be a fund added to the Firm's 401(k), the Savings and Retirement Plan, effective. . . . This addition was approved by the Investment Committee and is being made in order to maintain the most appropriate investment options for the Plan.

The new fund being added to the Plan is: (fund name removed)

Since this is a brand new fund to the Plan (not replacing existing funds), this change to the Plan investments will not involve any automatic or required changes to your current balances or elections.

Employees receive jargon-filled (lingo), formal (legality) and long and repetitive (length) benefits-related memos like this all the time. Even some award winners are guilty of employing one or all three of these mistakes in their benefit communications. But for an employee benefit communication to be truly awardworthy, it must address the issues of lingo, legality and length (and literacy) that make current benefit communications difficult to understand.

Lingo

Health insurance and retirement plan terminology is the first barrier to overcome when creating any type of benefit communication—print, digital, audio or visual. Even though insurers and employers know that individuals struggle to

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understand basic health insurance plan terms like deductible, coinsurance and out-of-pocket maximum, these terms still appear in many plan communications. And it is assumed that everyone is capable of understanding the same information.

Yet studies by the Kaiser Family Foundation and the American Institutes for Research show that young people, lower income people, individuals with less education, the previously uninsured and minorities have the greatest difficulty understanding health insurance information. Insurers and employers are ignoring the effect that specific life circumstances may have on some groups' ability to understand standard plan information.

It's not just the terminology that's confusing; too many plan communication materials contain a lot of acronyms. Using so many acronyms forces the reader to remember what they represent. Another issue with benefit plan lingo is that there are terms with the same meaning (for example, allowed amount = maximum allowable = allowable charge = approved charge (usual, customary and reasonable charge)). But that is not all; health and retirement plan glossaries contain hundreds of different terms, forcing readers to "look up" the meaning of words as they are reading.

Recommendation

Much of the lingo used in health and retirement plan information is confus-

ing, and almost all of it is unnecessary. The only real solution is to stop using it. Replacing terms like deductible and coinsurance with the term copay will go a long way in increasing understanding of health plans. These types of changes would require insurance industry agreement, changes to benefit calculations, new plan documentation and computer system upgrades. However, the effort would be worth the time and expense. In the long run, simplified lingo would require fewer personnel to explain benefit plan provisions and reduce the size of print and electronic documents.

Also, reducing the total amount of health insurance and retirement plan terminology and simplifying the language that remains would help those groups who struggle the most to understand plan information. These individuals should not be difficult to identify. In addition, it may be wise to provide these individuals with lots of one-on-one time to evaluate their specific health and retirement plan needs. Ideally, a dedicated health insurance advocate can help these individuals choose a plan and deal with any plan issues they or their family members encounter. Lastly, insurers and employers may want to consider employing nonindustry writers to help draft or edit their employee benefit plan communication.

Legality

Too many insurers and employers create employee benefit communication to, first, meet legal requirements and, second, inform individuals about plan benefits. In their defense (pun intended), they are following the advice of legal counsel in order to prevent or minimize the damage from a lawsuit.

takeaways >>

- A majority of plan participants can't calculate what they owe for a routine doctor visit or the costs of a four-day hospital stay. Retirement plan literacy is also low.
- Many employees struggle to understand health insurance and retirement plan terminology and acronyms.
- Legal requirements in benefit plan communications add to the difficulty in understanding them.
- Most benefits communications are too long, and employees are spending less time reading digital content; they may stop reading at the point they must scroll down a page.
- Low literacy levels also are a barrier to understanding benefits communications.

Additionally, they need to make sure that they are not guilty of noncompliance with state and federal regulations. But in the end, it is the individuals enrolling in these plans who often suffer from this abundance of caution.

Recommendation

Addressing federal and state legal requirements for employee benefit plan documentation is probably the most difficult “L” to combat. However, one suggestion is to have separate documentation for legally required information and separate plan-only information. This may in some cases require changes in laws that dictate plan information requirements. However, if insurers can be convinced to eliminate terms like deductible and coinsurance, employers and their industry group supporters can lobby for these types of changes.

Length

Most employee benefit plan information is longer than it has to be or redundant. Some summary plan descriptions, which many insurers and employers provide as the benefits summary, are about 30 pages long. Even “short” plan summaries provided during annual open enrollment are about four pages long. And even though most of this voluminous information is provided digitally, allowing individuals to “search” the document, research shows that people spend less and less time reading digital content. They are not likely to spend more than a few seconds reviewing the information.

Recommendation

Determining the ideal length of employee benefit communications requires a lot of thought, input from others and plain old trial and error. Research suggests that a majority of people stop reading once they must scroll down the page when reading digital content. And since most benefit plan information is digital, keeping content short and on point is imperative. One way to do this is to use digital notecards or flashcards. There are even notecard apps available for Apple and Android product users. Using digital notecards forces the writer to use the least amount of text necessary to explain benefit plan information.

Vox.com uses “launch cards” to explain information to users. Usually, the information displays without having to scroll down on whatever device the reader uses—smartphone, tablet or desktop computer. In fact, employee benefit communicators can learn a lot from the Vox.com model.

Note on literacy: Although not always acknowledged, another “L” inhibits understanding of employee benefits information—literacy. The U.S. Department of Education National Assessment of Adult Literacy survey looks at adult literacy levels. According to the latest survey, over 30% of adults scored “basic” or “below basic” in health literacy and less than 15% scored “proficient.”

Conclusion

The fact that insurers and employers are trying various new methods to improve their employee benefit communications is a step in the right direction. Some of these new techniques are good at getting the attention of their intended audience and are worthy of industry recognition. For example, using examples and telling stories to illustrate benefit plan concepts helps more people understand their plan benefits. However, continued use of industry terminology, legalese and long-winded, poorly constructed sentences reduces the long-term impact of these new efforts. Also, some groups are still struggling with understanding the new and old way of communicating employee benefit information for multiple reasons, including literacy issues.

As more Americans assume greater and greater financial responsibility for their health care and retirement needs, providers of these products have a duty to provide information that is free of unnecessary complexity. They can start by addressing all the “L(ish)” things that make employee benefit communication award-unworthy. 📌

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