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Are you periodically benchmarking your group benefits plan?

How Does Your Plan Measure Up?

By [Dave Barchet](#)

In today's tight labor market, an attractive benefits program, as part of your Total Rewards Program, is vital for recruiting and retention. It is a fine balance managing a plan that is both competitive and economical, and you need to understand how your offerings compare to those in your industry and geographical footprint. There are many national surveys that are updated each year that cut the data into many segments, such as industry, geographical region and employer size, so the process from start to finish can be a relatively quick process. Typically the national surveys are more of a rearview mirror snapshot, so to be complete, it is important to also look ahead and identify what others are thinking/considering for the future.

For those employers looking to target a more specific comparison, consider using e-surveys of key employers within your region or industry. This gets very specific and takes a bit longer. To garner cooperation/participation, your company would need to play a key role in reaching out to those targeted employers to encourage their participation, and in exchange, they would receive the results on a de-identified basis.

Whichever approach you take, here are 5 key areas to focus on with respects to benefit plan benchmarking

1. **Plan Design** – is your plan benefit above or below market? Comparing key features such as deductibles, out of pocket limits, coinsurance percentages and copays should be the foundation at which to start your benchmarking analysis. This will form the baseline that will help you determine the level of competitiveness in other areas of your plan.
2. **Employee Contributions** – Each year at Open Enrollment the main thing employees want to know is: “Are my benefits changing?” and “How much do I have to pay?” This is a concern for both Employers and Employees and again part of the Total Rewards Program. When benchmarking employee contributions, it is important to look at both the percentage of premium the employees are sharing and also the actual contributions in dollars. Sometimes these different views can have different outcomes.
3. **Total Costs** – Comparing total costs works hand in hand with the Plan Design comparison above. Is your plan costing more than the benchmarks? Is that because your plan is richer than the market or is it due to the experience and utilization of your plan? Tying these two measures together will help identify future benefit strategies, potential changes in plan design or promote the strong value of your plan to assist in the recruiting and retention goal.
4. **Ancillary Benefits** – This is essentially a catch all to understand if what you are offering stacks up (i.e dental, vision, life and disability, paid leave). Additionally, it will help to identify if what you are offering in terms of additional/ancillary benefits are being adopted by most employers (e.g. Accident and critical illness).
5. **W2/Retirement** – Obviously wages are a huge part of attracting and retaining quality employees, and it is likely the biggest part of your Total Rewards Program. Having some compensation and retirement analysis done is another important measure. This type of analysis is usually done by professionals who consult on compensation practices and market studies, but this analysis will again tie the whole picture together. Are you paying high wages and therefore asking for contributions higher than benchmarks? Or are your benefits richer than the benchmarks, yet your wages fall a bit short? Neither approach is wrong, but without knowing how your strategy lines up to your peers, you are left competing without full knowledge.

Conducting a benchmarking analysis will ultimately allow you to communicate and share the results to help build trust and transparency with your employees and allow you to comment on considerations for the future.

Questions regarding benchmarking your group benefits plan, contact the Findley consultant you normally work with, or Dave Barchet at Dave.Barchet@findley.com, 216.875.1914.