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Benefits in the Nonprofit Workplace: Balancing Risk and Reward

Nonprofit Risk Management Center
August 6, 2008
2:00 – 3:00 pm EST
Special Guest Presenters

Nonprofit Risk Management Center

- Created to help nonprofits solve risk management challenges
- Free technical assistance to nonprofit leaders (staff and volunteer) and advisors to nonprofits
- Books, Web site, conferences, consulting help with risk, insurance and liability issues
- www.nonprofitrisk.org
- Free e-news and electronic newsletter

Our Guest Speakers

- Gary Barone, MBA, Senior VP, and
- Michele Seager, Human Resources Compliance Manager
- Elizabeth Shire, Broker
- at Richard J. Princinsky & Associates, Hunt Valley, Maryland
- Marty Dennis, President, Human Services Benefit Company, Columbia Maryland
Employee Benefits

Why is this topic important now?

- Importance of "good benefits" in the nonprofit workplace
- Nonprofits always want to "take care" of their people – in a tough economy benefits become more important, especially for families
- Benefits are always looked at carefully by candidates seeking jobs in the nonprofit sector
- Benefits can set your nonprofit apart from other potential employers.

Employee Benefits

What are the risks?

- There can be liability in connection with benefits because they are a regulated commodity – For example, the government monitors fairness and access to pension plans through the federal law, ERISA (Employee Retirement Income Security Act)

- 3 out of 5 employers will be sued by a former or current employee
- Retaliation claims have increased by 30%

See "Burden" provided as handout
Example of a retaliation claim
A woman working in a hospital filed numerous medical health insurance claims on behalf of her husband, who had cancer. Hospital was trying to "control costs" so her supervisor pressured her to find less expensive medical care for her husband. She was discharged and successfully sued, claiming her discharge was in retaliation for the medical claims she had filed.

Typical Discretionary Fringe Benefits
- Paid Time Off (PTO) versus vacation and sick time
- Qualified Educational Assistance Programs
- Other creative benefits such as flex time, transportation allowances, parking reimbursement, tuition reimbursement and discounts (movie tickets are popular)

Other Benefits
- Cafeteria Plans – rarely used
- Life Insurance – group term vs. voluntary
- Retirement Plans
- Flex-Spending Accounts
  ▶ Turn over creates a challenge
  ▶ Administrative costs are high
  ▶ Alternative is to adjust waiting periods
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Other Benefits
- Short Term Disability
  - Group vs. Voluntary
  - Tax consequences
  - Bonus Up option
- Long Term Disability
  - Group vs. Voluntary
  - Tax consequences
  - Bonus up option
  - "Classing out"

Other Voluntary Benefits:
- Critical illness
- Accident
- Accidental death and dismemberment
- Supplemental hospital

Mandatory Benefits
- Social Security
- Medicare
- Workers compensation
- State Unemployment: may require specific exemption application (most nonprofits are exempt from FUTA)
- COBRA – Benefit continuation

COBRA – Benefit continuation
Mandatory Benefits
Family and Medical Leave

- Required for certain workplaces
- Federal law applies to 50+ employees
- Many states have similar family leave laws, some impacting smaller workplaces and some requiring paid leave (New Jersey, Washington State, California)
- Some municipalities have their own laws (Washington DC and San Francisco)
- More states considering passing paid FMLA laws:
  - AK, AZ, CT, HI, IL, IN, ME, MI, MN, NY, NC, PA

Family and Medical Leave

- Even when a workplace is NOT covered by a family leave law, employees expect and need a policy that clarifies:
  - How much time they may be out of work with job protection
  - For what reasons, and
  - The impact on their health benefits

See “Sample Policy” provided as a handout

What’s New in Benefits?

- Flexible Work Time/Telecommuting
  - Very attractive option for many employees
  - Hard to supervise employees at a distance
  - Essential to plan what policies are needed to ensure fairness and also protect the nonprofit
  - Challenges include: monitoring computers used by telecommuting staff; keeping track of time worked and insurance coverage for workstations in employee’s homes
What’s New in Benefits?

- Age of Dependence Rising in Many States
- Domestic Partner Benefits
  - Growing number of large corporations extend benefits to domestic partners
  - In states where domestic partner unions are recognized, benefits must be extended as if to a spouse
  - Tax consequences: fair market value of coverage is taxable income
  - Challenges include: documenting who is a "domestic partner"

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What’s New in Benefits?

- Employee Assistance Programs
  - EAPs are no longer just for huge corporations!
  - Fairly low cost through ancillary carriers
  - Decrease absenteeism and increases "presenteeism"
  - Can make a huge difference in employees' lives and in their ability to continue to work and be productive in the workplace despite challenges in their family and personal lives
  - Being used more as service members return from Iraq

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Plans of the Future

Consumer Driven Health Plans

CDHPs

See "Comparison Chart" provided as handout

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**CDHPs**

- Significant savings for employers
- Consumerism vs. plan design change and cost shifting
- Employee accountability for spending
- Premium strategies

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**Health Savings Accounts**

- Employee ownership
- Who can contribute?
- 2008/2009 contribution amounts
- Tax consequences
- Funding

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**Health Reimbursement Accounts**

- Employer ownership
- Who can contribute?
- Soft dollars
- Controlled cost tracking

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Wellness and Consumerism
Perfect Partners!

- Effective consumer driven health plans need to be integrated with the concept of wellness, otherwise costs will spiral
- Majority of chronic diseases can be controlled or prevented through behavioral changes

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Corporate Wellness Defined

- Assess the health risks of the employee population
- You should customize programs and interventions for individual employees
- Track participation and use of program; get feedback from employees
- Evaluate impact of wellness initiatives

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Why Corporate Wellness Benefits the Employer

- Lower health care costs
- Increased job satisfaction
- Increased job retention
- Increased job recruitment
- Employees better informed about their health
- Empowers employees in health care decisions

See "How to Begin a Corporate Wellness Program" provided as handout

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What Are The Risks?
Common risks in the administration of employee benefits programs:
- Inequity/lack of fairness
- Misleading description of benefits
- Lack of communication or poor communication
- Reduction of benefits/increased costs to employee without explanation or understanding

What are The Consequences?
- Increased turnover – lack of retention
- Employees don’t feel supported: low morale
- Less successful recruiting
- Poor participation means carriers may not quote a policy
- State plans

Compliance Risks
- COBRA – constantly changing
- Summary Plan Descriptions – must be accurate and available
- HIPAA regulations must be followed
- USERRA compliance
Need more information?

335 Clubhouse Road
Hunt Valley, Maryland
Contact: Gary Barone
410-773-4300

Next Month's Webinar

Background Checking
John Patterson, Senior Program Director
September 3, 2008
2:00 – 3:00 pm EST

Thank You!

Questions? Email NRMC
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