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Employee Benefits

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EMPLOYEE BENEFITS

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ABSTRACT

This paper discusses how group benefits have changed over the past ten years, what corporations are offering their employees such as medical insurance, employee assistance programs, wellness training programs, child care programs, flexible compensation plans, continuing education benefits and retirement benefits and how each one of these benefits is set up. Employers want not only to implement benefit programs which will help them meet their organizational goals, but also to attract, retain and motivate employees. In order to succeed in these efforts they must install a program of benefits that is both cost effective and will meet organizational profit goals.

The purpose of the study is to investigate what companies are offering their employees and how the employees felt about benefits being offered. One hundred employees from different corporations participated in the study, sixty-two male subjects and thirty-eight female subjects.

The results of the study concluded that corporations must offer a benefits program to retain and motivate employees.

COMMITTEE IN CHARGE OF CANDIDACY:

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Dedication

I would like to dedicate this to my grandmother, Elenora Lutz and my mother and father Frances and Samuel Miller who never gave up on me.

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Chapter I

Group benefits have taken a drastic turn in the past ten years. Today's workers expect more than just an hourly wage or a salary from their employer. When individuals enter the job market, one of their main concerns is what type of benefits the company has to offer. Some benefits that appeal to many job candidates are medical, retirement, an EAP program, child care, flexible compensation plans, continuing education benefits as well as wellness training.

It can only be realistic that employers implement benefit programs which will help them meet their organizational goals. More specifically, they want programs which will allow them to attract, retain and help to motivate necessary personnel to the organization; a total compensation program that is internally equitable to employees; a program of benefits that is both cost effective and will meet organization profit goals and social obligations simultaneously (Jenks 2).

What is a benefit? According to Jenks in his book Employee Benefits, a benefit can be any kind of compensation provided in a form other than direct wages and paid for in whole or in part by an employer. Two of the most common benefits provided by an employer are health insurance and pension plans (2).

Human Resources departments have come a long way in the past fifty years. Baby-boomer generation fans of Clint Eastwood will remember his character "Dirty Harry." In the 1976 film, "The Enforcer," the maverick detective is punished for not following department regulations. His punishment? He is removed from the excitement of detective life and assigned to the dreary, administrative duties of the personnel Department (Dun and Bradstreet Software).

Fast forward to 1996, and although car chases and shoot'em-ups are few, the Personnel Department is no longer dreary it is an exciting, dynamic place to work. The department is now called Human Resources and has become an important part of the organization. No longer just an operational and administrative piece of the company, HR departments are coming of age as companies recognize that their biggest asset is their people. Worldwide competitive pressures, a maturing work force and shifting workplace skills have placed a premium on effectively managing people. The HR department has been given a different role as a strategic part of the company's success (Dun and Bradstreet Software).

Over the decades, the value of benefits has changed drastically. In the early 1900's, benefits focussed on time off from work. As the personnel departments came into the picture, their main concern was to ensure that the workers were happy and healthy. This has been done by scheduled vacations, planning company picnics, and other social activities. Those days have been gone forever. Today the benefits being offered tend to be more creative and open.

There is a wide variety of benefits offered in the work place. Some are legally required, some are offered voluntarily, and some may be required as a result of a collective bargaining agreement with a union. Legally required benefits include Social Security, Medicare, unemployment insurance, and workers' compensation. Additional benefits offered voluntarily by employers will vary and could consist of paid vacations, holidays, bonus pay, health insurance, day care, retirement and savings plans, flex-time, jury duty/military pay, life insurance, tuition reimbursement, flexible spending accounts, parking, funeral leave pay, employee discounts, short/long term disability, personal and sick leave. (see Appendix A) (Williams 28).

Inflation has had a tremendous effect on wages and salaries of every American worker. Fifty years ago an employee might have earned one hundred dollars a week, as compared to five hundred dollars a week today. Organizations often overlook the rapid growth in benefits being offered since wages have increased. The cost of employing a worker includes both direct wages and benefits being offered. This has resulted in a dramatic increase in labor costs to the company (DeCenzo 3).

One aspect adding to the explosion in benefits litigation tends to be directly attributable to the rising cost of health care. Since 1980, medical cost inflation has averaged approximately three percent above the general rate of inflation. In 1992, medical cost inflation, at seven percent, was four percent above the general rate of inflation. The aggregate health liabilities of employers nationally in 1988 were estimated to be two hundred twenty-seven billion dollars. By 1992 that figure had risen to four hundred-twelve billion dollars (3).

Statement of Purpose

With today's competitive job market, corporations need to examine benefits that could be used to attract and maintain quality employees. This paper will present an overview of what selected companies are offering in today's economy, and what some employees expect from their employer.

Chapter II

The primary sources for material used in this paper were obtained from periodicals. Many of the articles dealt with corporations and what types of benefits they offered their employees and how they planned for and organized resources, in order to offer these benefit packages. Companies can look back and compare what they offered then and what they offer today. Most companies did not offer health services; instead they had insurance policies to protect the employee against lost income due to accidents.

The first accident policy was established by the Franklin Health Assurance Company of Massachusetts in 1850. The policy would pay the employee two hundred dollars in the case of bodily injury as a result of an accident by railway or steamboat, for a fifteen cent premium. The policy would provide four hundred dollars if the accident resulted in total disability. The Travellers Insurance Company entered the field in 1863, offering accident insurance. One typical policy provided a one thousand dollar death benefit and a five dollar weekly disability benefit. By 1899 there were forty-seven insurers of accidents who had issued four hundred sixty three thousand policies (Scofea 3).

In the early part of the twentieth century, group health insurance had developed as a result of the growing industrialization of America. This was due to the fact that there was an increasing degree to which employees worked together in large groups. Employers and labor unions realized that employees needed economic protection against the unforeseeable losses (3).

It was not until the Depression in the 1930's that a significant development in health insurance occurred. Few people could pay for hospital care due to economic conditions, leaving most hospitals in serious financial condition (4).

Over the decades, the value of benefits has changed drastically. In the early 1900's, benefits focussed on time off from work. As the personnel departments came into the picture, their main concern was to ensure that the workers were kept happy and healthy. This effort was achieved through scheduled vacations, planning company picnics, and other social activities. Those days would appear to be gone forever.

Today the benefits being offered are more creative and open. Those benefits include paid holidays, bonus pay, health insurance, day care, retirement and savings plans, flex-time, job sharing, jury duty/military pay, funeral leave pay, life insurance, tuition reimbursement, flexible spending accounts, employee assistance programs, parking, employee discounts, short/long term disability pay, personal and sick leave (Williams 28).

As an example, today Hussmann Corporation offers a variety of benefits to their employees including: health insurance to both the employee and their immediate family, paid holidays, flexible spending accounts, retirement plans, job sharing in some departments, life insurance, tuition reimbursement, paid vacations, employee assistance programs, and more (Hussmann Employee Handbook).

About fifty years ago Hussmann Corporation offered only a few of these kinds of benefits to their employees such as: minimal health insurance coverage, a pension plan only to executives, and paid vacations (Hussmann Employee Handbook).

Currently most large companies offer just about the same benefits to their employees. Some companies differ in so far as how much employees can contribute into the 401 (k) plan and on how much the employer will match. Some companies will not match anything and some will match a specific dollar amount while some match one hundred percent.

Chapter III

Although one of the major benefit packages offered to employees has been medical insurance, because of the escalating costs associated with medical insurance, these benefits have become a significant portion of a given wage package. On the average, benefits add thirty-seven percent to payrolls costs, although this varies among industries and organizations. As an example, in historically low paying industries such as restaurants and hotels, benefits may be quite modest, while in other industries such as petroleum and automobile manufacturing, the amount added by benefits packages is considerable higher than the average (Jenks 6).

Because of its importance, many individuals, especially those with families, will make the medical plan being offered by a prospective employer a high priority in their job selection. However with the cost of health insurance skyrocketing, employers are passing more of the costs to the employee. This results in an increased paycheck deduction for the employee's share of the premium, and higher deductibles that each employee has to accept when making a claim (6).

Basic health plans usually cover those expenses associated with hospitalization, from room/board, medical supplies, and nursing to physician care and surgery. Additionally they may include various other items such as X-ray coverage, psychiatric treatment, drug or alcohol programs, ambulance fees, prescription drugs, and chiropractic care (6).

In the type of coverage known as fee-for-service, the medical plan pays for specific medical procedures as they are incurred, usually after one pays a deductible amount. In addition there is usually a cap on the maximum amount the insurer will pay (6).

To comply with the Health Maintenance Act of 1973, a company that offers health insurance to its employees must also offer alternative health-care coverage such as HMOs or PPOs (DeCenzo 72).

A newer trend to get away from the fee-for-service plan and toward some type of managed care, would be Health Maintenance Organizations (HMOs) and Preferred Provider Organizations (PPOs). Both HMOs and PPOs are groups composed of doctors and other health professionals who offer a range of services at a set fee (6).

With their growing popularity among corporations as well as with employees, Health Maintenance Organizations (HMOs) have seen a steady growth of participants in the past ten years. To a great extent, this growth has been due to the large number of participants signing up for HMOs in order to escape skyrocketing health care costs. According to DeCenzo, employers and workers can reduce their health care expenses by up to seventy percent by joining an HMO, as opposed to buying the more traditional types of coverage such as the fee-for-service plan (14A).

An HMO provides health services that are paid for by an employer on a flat cost basis for each employee enrolled. HMOs have historically been less expensive than other plans because they negotiate prices with a select group of hospitals and physicians to treat employees and others in the plan (Jenks 43).

There are advantages and disadvantages to HMO type plans. Some advantages are: they tend to emphasize preventive health care and cover a wide range of services, including well child care and routine immunizations that are often not covered under indemnity plans; members are charged only a small copayment for doctor visits; unnecessary and inappropriate treatments can be prevented by working with a primary-care physician who over sees your total medical care, thus decreasing unnecessary utilization (See Appendix B). The major disadvantage to selecting an HMO is that members are usually limited in their ability to choose doctors (45).

Health maintenance organizations work in two basic ways: as a group practice or on an individual practice basis. The main difference between the two lies in how the doctors work. In a group practice, "doctors from various specialties combine their talents and offer their services in one location." (DeCenzo 72). The group of doctors are usually employees of the HMO. On the other hand, individual practitioners continue to operate on an individual basis. The physicians agree to see patients covered under the specific HMO, under special contract arrangements. However the patients pay on a fee-for-service basis (72).

HMOs operate on the principle of preventive maintenance, which means as the members visit their primary care physician more frequently, potential problems can be discovered, or eliminated, before they become major health threats. By doing so, the HMO can make money by minimizing unnecessary operations and keeping health-care costs down by treating minor illnesses before they become a major problem (72).

It is in the best interest of an HMO to keep its members well. The better and the more frequent care a member receives, the better chance of ensuring the good health of that individual. The HMO can continue to operate as a viable alternative if the member stays healthy and subsequently health-care costs go down (72).

An HMO must contain costs to operate effectively. To do this, many HMOs have primary care physicians who serve as gatekeepers and decide when referral to a specialist for care is needed. These physicians must authorize specialized treatment. In an HMO environment, the member chooses his or her doctor from a list of doctors accepting new members in the practice. The primary care physician is responsible for getting another opinion from other specialists in the HMO. The member's primary physician is responsible for the member's care that specializes in one aspect of medicine. To see a specialist, especially one outside the HMO practice, is usually frowned upon. "This holding of the (keys) is necessary to contain costs, but is something many individuals do not like." (74).

At one specific company, GC Services, in the St. Louis metro area, employees are offered Cigma HMO medical coverage. The author feels that although they are covered by a health insurance plan, it is not a very good plan. These employees are paid on a bi-weekly pay period with a deduction of $49.33 for the employee only, and for the employee plus family plan a deduction of $128.47 is made. The summary of co-payments is as follows:

$10 office visit co-payment

$10 specialist office visit co-payment

$10 prescription drug co-payment

$250 per confinement hospital co-payment

$50 emergency room visit co-payment

(Benefits Book GC Services 5).

GC Services is not paying a great deal of the cost for the employee. This could be due to the fact that there is a large employee turnover. However, if GC Services paid for more of the cost of medical insurance they might keep the employees working there longer.

However, at Hussmann Corporation, manufacturing company, they offer an HMO package that benefits the employee. Hussmann pays most of the cost of medical coverage for the employee and dependents. The monthly cost for medical coverage is based on the employees annual salary, as shown on following page:

	Annual Salary		
	Under $35,000	$35,000-$70,000	Over $70,000
Employee	$20	$25	$35
Employee + 1 dep	40	50	70
Employee + 2 dep	60	75	105

As these figures indicate there is very low cost for the employee; this would be especially attractive if the employee were just starting a family. In many, if not most instances this is a major benefit that employees will look at when entering the job market. The summary of co-payments is as follows:

Annual Deductible	
Individual	None
Family	None
Preventive Care	$5 per visit
Well-baby	
Routine immunizations	
Routine health assessments	
Annual well-woman exam	
Hearing screening	
Mammograms	NO CHARGE
Private Physician's Office	
All visits to Physician	$5 per visit
Consultation/treatment	$5 per visit
Lab, X-ray	NO CHARGE
Diagnostic procedures	NO CHARGE
Allergy Injections	$3 per injection

Hospital Services	
No limit on covered hospital days	
Lab, X-ray and other diagnostic	
Drugs, medications	
Medical services	NO CHARGE
Necessary specialists care	
Operating and recovering rooms	
Anesthesia	
Short term Rehabilitative services	
Ambulance	
Surgery	
Physician's Office	$5 per visit
Outpatient Hospital	NO CHARGE
Inpatient Hospital	NO CHARGE

(Hussmann Employee Handbook 1992)

Another health care option that employees can consider would be the utilization of the Preferred Provider Organization (PPOs). In this situation an employer has agreements with doctors, hospitals, and other related medical service facilities to provide services for a fixed fee. In return for accepting this fixed fee, the employer promises to encourage employees to use their services; this will result in additional services being covered. An employee studying what services are offered versus the costs of the different plans may find that belonging to the PPO is advantageous. PPOs are a clear cut case of accepting lower premiums in return for greater quantity of services provided (DeCenzo 76). (Appendix C illustrates the PPO coverage)

PPOs can provide the employer with data to help the employer determine unnecessary plan use through utilization review procedures. These procedures can help assist in health-care cost containment. Through the agreement reached, the PPO can provide much the same service that an HMO provides. The difference between the two would be that with an HMO, an individual would not be required to use a specific facility, such as a particular hospital or doctor. The growth of a PPO is expected to be enormous in years to come, especially as employees see the benefits they have to offer. In the decade ahead there is some speculation that HMOs and PPOs will be the dominant type of health care coverage in the United States (Raymond 247).

It appears that many companies also believe that this is the direction in which health care is moving, in order to control costs for both the patients and the insurers.

GC Services also provides a PPO medical coverage. The employees have three options available to them.

Medical Option A (Premier):

- Annual Deductible = $200 per individual ($600 per family)
- Total Covered Expense Limit = $4,000 per individual ($8,000 per family)

OPTION	BI-WEEKLY
Employee only	$49.33
Employee plus family	$128.47

Medical Option B (Standard):

- Annual Deductible = $500 per individual ($1,500 per family)
- Total Covered Expense Limit = $7,500 per individual ($15,000 per family)

OPTION	BI-WEEKLY
Employee only	$23.19
Employee plus family	$69.59

Medical Option C (Catastrophic):

- Annual Deductible = $1,000 per individual ($3,000 per family)
- Total Covered Expensive Limit = $15,000 per individual ($30,000 per family)

OPTION	BI-WEEKLY
Employee only	$9.64
Employee plus family	$46.61

(Benefits Book GC Services 2).

EMPLOYEE ASSISTANCE PROGRAMS

Employee assistance and health promotion programs are increasingly being used as health care cost management measures and as tools for improving employee productivity, morale and job satisfaction. The two types of programs have similar goals, while their structures are quite different (Jenks 56).

Employee assistance programs (EAPs) are generally counseling services directed toward acute problems that affect job performance such as drug and alcohol abuse, and emotional and financial problems. Health promotion programs, on the other hand, emphasize prevention of physical and emotional illness through healthier lifestyles. Many health promotion programs are called "wellness" or "fitness" programs (56).

Some firms provide specialists such as social workers or alcoholism counselors to provide services for employees who are referred through the EAP, while other companies offer direct assistance through their own staff counselors. A community agency may also provide services to employees (Kuzins 17).

As mentioned previously, the areas that are usually covered in an EAP include: 1) alcoholism and drug abuse; 2) emotional problems; 3) marital and family relations; and 4) legal or financial issues. Sous in her work "EAPs gaining ground in effort to reduce workplace cost" states that the most frequent problem covered in EAPs is substance abuse but coverage also exists for such additional areas as job performance, eating disorders, employment termination and retirement (Sous 16).

The services of an EAP must be structured to guarantee confidentiality and trust. In addition communication with employees about the program needs to emphasize the EAPs role in assisting employees who need help with problems (Hayes 59).

As Jenks describes, programs begin with an assessment of all employees' needs. "This can be done by reviewing claims for mental health treatment, absenteeism rates, accident rates and employee interest in programs that deal with issues such as stress and caring for elderly relatives" (172). The beginning steps in setting up a program also involve deciding whether to develop an in-house program or contract out for services (172).

Supervisors and managers must be trained on how to effectively refer an employee to the EAP for problems that are affecting job performance. Supervisors who label employees as alcoholics or drug abusers and who try to force employees into treatment programs could create legal problems for the employer and themselves (Sous 16).

The confidentiality of employee records makes the collection of information for evaluation difficult. Ultimately management will want to know how many employees use the EAP, what the effects are on job performance, and how employees feel about the program

(16).

Some of the advantages of using EAPs are: the program may help employees deal with serious problems that could be interfering with their work performance, costing them and their employers several billion dollars in productivity each year; the program costs are minimal for organizations that mainly use referral to outside agencies; for those hiring professionals or contracting outside the company, costs will be somewhat higher, although the EAP will be more comprehensive (16).

Many companies are helping to control their medical expenses by implementing wellness programs or health promotion programs. Many experts agree that a wellness program should consist of much more than an exercise program; it should be a combination of activities that focus on employee health promotion and disease prevention. It can provide a wide range of health education services, customized to the needs of the firm and its workers. Kuzins states in her article, " Firms Feel Just Fine about Fitness," that a successful program requires at a minimum an expert health care provider to organize and develop the program, top management support and participation, a knowledgeable and enthusiastic coordinator and an advisory committee. The results can be very good for employees and for business (17).

Types of programs that fall under the heading of wellness or health promotion range from modest efforts such as distribution of pamphlets on health issues or provision of showers or changing facilities for employees who exercise, to an elaborate, well equipped gym facility and a full package of physical fitness activities (Busbin 22).

Health risk screening can be one type of program that relates directly to health care by providing testing for high blood pressure, breast cancer, diabetes and high cholesterol levels. Screening is sometimes followed by education on how to reduce identified risks. Other programs might involve seminars on how to stop smoking, lose weight, manage stress or learn about good nutrition (Morrison 81).

Some companies may have their own gymnasiums for employees, with swimming pools, saunas, work out rooms, racquet ball, and jogging tracks. If they do not have their own facilities there may be payment of a share of an employee's health club membership (82).

Setting up this type of program takes careful planning to ensure high levels of employee participation. The planning should include:

1) involving employees at all levels in the planning process;
2) tailoring the program to the organization and to its work force;

3) communicating commitment to the program and belief in its importance;
4) providing a variety of options and developing incentives for employee participation;
5) conducting periodic health assessments for employees to measure progress in achieving goals; and
6) evaluating the program. (Busbin 23)

A variety of incentives can encourage employee participation. Some companies may set up competitions among employees with prizes awarded to winners, or offer bonuses to employees who complete a specified number of hours of exercise (23).

Studies have indicated that there are many advantages to an organization having health promotion programs such as: lower absenteeism rates, lower health care costs, and more productive and satisfied employees. The programs can be evaluated by establishing control groups and then checking the fitness of those in the exercise program against the control group for such factors as weight control, smoking, elevated blood pressure, and number of sick days used (25).

In a survey done by the American Council of Life Insurance,

> Researchers established that wellness programs have a positive effect on employee morale. They found that successful wellness programs had common characteristics: strong administrative support, education association backing, community involvement, well-developed communications systems, enthusiastic program coordinators and an

encouraging atmosphere. (Busbin 25)

Employees who are already in shape and exercise on a regular basis are the employees most likely to sign up and remain fit.

To make wellness health promotion programs cost-effective, employers must encourage employee participation. The drop out rates can be high unless employers are careful in the choice of programs and the incentives offered to employees to take part in the program (Caudorn 54).

Wellness programs can be valuable in providing early detection of health problems and the incentive for employees to reduce the risks from such problems. In order to improve productivity and reduce health care costs the employers must modify the program to the needs of the employee (54).

Caudron states that businesses with wellness programs have shown substantial health-related cost savings, including decreases in employee absenteeism and turnover and reduced insurance premiums. Employees report greater motivation and improved morale, as well as the most important benefit, which is a healthier lifestyle. In addition, firms may find they have enhanced their community reputations as well as created more effective recruiting tools (54).

Some employers are implementing plan design changes under which employees with unhealthy lifestyles pay more for their health care benefits, especially those who use tobacco, have high blood pressure or cholesterol levels, or are overweight (Miller, Richard 64).

Others have taken a more positive approach by rewarding healthy employees for their healthy habits. Caudron stated that some companies found that financial incentives can be a powerful way to motivate employees to adopt healthy lifestyles (64).

The good news is that employers are saving substantial amounts of money as a result of these incentives. One company that has found these incentives to be worthwhile is the Adolph Coors Company, which implemented a comprehensive wellness program in 1981 with many fitness features. It has reported an estimated annual savings of one point nine million dollars, decreasing medical costs, reduced sick leave and increased productivity (65).

Bill Coors, Chairman and CEO of the Adolph Coors Company states that providing his ten thousand five hundred employees with the opportunity to improve their health and physical well-being is not an expense, but money wisely spent (65).

At the Coors facility there is a twenty-three thousand square foot wellness center which is open ninety-seven hours a week; it can be used by employees and members of their families. Employees can get flu shots for four dollars in the on-site medical center, and mammograms costing sixty dollars are offered to employees and family members for only five dollars. In addition, a dental wellness center provides routine checkups and cleanings at no cost. With the help of medical providers, Coors has developed on-site cardiac-rehabilitation and back-rehabilitation programs (65).

As R. Miller states over time it has been shown that the sixty dollars per employee or the six hundred thousand dollars that Coors spends annually to operate the center and its health education programs is a relatively small investment. The company's increases in health-care costs in 1989, 1990 and 1991 were six percent, eight percent, and seven percent respectively. Of great importance, a study by the University of Oregon found that for each dollar spent on wellness by Coors, there was a six dollar and fifteen cent return (66).

Coors also relates its thirty-seven million dollar annual health-care bill back to the individual. Each employee receives a year-end statement that shows his or her personal health-care costs, and Coors employees who develop and maintain healthy lifestyle habits receive a five percent reduction in their insurance copayment (66).

Although a number of companies are adopting programs similar to the Adolph Coors Company, many companies are not. It may be that they have not taken the time to educate themselves about health-management issues, or because of financial constraints they do not feel they can make this kind of commitment (66).

At Hussmann Corporation they do offer a wellness training program. The employer offers a discount to the employees to join a health club in the area. Unfortunately although there is a fitness center located at the facility, it can only be used by top management. You would think that top management could afford to buy a health club membership, while other lower salaried employees can not. However it remains a perk for top management (Hussmann Handbook 1992).

Interest in child care centers for employees was displayed in the mid-1960s and early 1970s when several U.S. corporations established on-site day care centers. However, most of the corporate day care centers closed due to management problems and insufficient use by employees. Today there is renewed interest in child care on the part of government and private employers. As a result of the changing needs in the work place, and as women participate in the work force at a greater rate then ever before, child care is emerging as a valuable employee benefit offered by a relatively small, but growing, number of employers and increasingly addressed in collective bargaining agreements (Milkovich 111).

Now more than ever before women with children are in the paid labor force. According to the Department of Labor more than one-half of married mothers (sixty percent) with children under age three were in the work force in 1990. Current estimates show that eighty percent of women in the work force are of child-bearing age, and that ninety-three percent will become pregnant at some time during their careers (111).

Due to the growing number of families in which both spouses work, employers providing child care benefits may have an advantage in attracting young employees and professionals.

Child care is usually provided through one of these options: 1) in home care-where someone other than the parent comes into the child's home for care; 2) family care-where a child is taken to the home of another adult; or 3) child care centers-where the child attends a facility for care with other children. "Child care provided in the parents' home or in another adult's home is the most prevalent type of child care arrangement" (111). Most of this care is unlicensed (111).

Child care could be provided by corporations through a number of options. These programs could range from operating day care centers to rendering indirect services, such as information and referral services, financial assistance programs and contributions to local community child care programs (111).

Employer-sponsored child care is not a common employee benefit, but it is growing. For example, some school districts have agreed to make flat-rate monthly contributions to employees for the purpose of purchasing child care (Miller T.I. 277).

It would appear that there are several reasons why more companies do not offer child care services. Some may be unaware of the growing need for and the available options in child care. In addition, there are potential liabilities and administrative burdens involved in offering on-site child care. "Also, it is estimated that in the average work force of a large organization, less than ten percent of employees will be able to use a child care program at any given time." (277) The demand for employer sponsored programs is small but there are those employees who have the need for child care. An additional reason that employers are not sponsoring this type of program is that a facility for child care must be licensed (277).

Some advantages to the organization offering child care benefits might include: a decreased rate of employee turnover and absenteeism, higher morale in the workplace, better relations, and attraction of better employees.

> According to a 1984 survey of 415 businesses in which 178 employers responded, 90 percent reported that child care had a positive effect on employee morale; 79 percent of employers felt that child care programs had a positive effect on their ability to attract employees; 65 percent reported a positive effect on job turnover; and 43 percent reported a positive effect on absenteeism. (278)

Other options that the employer can offer to employees to reduce expensive child care are the flexible personnel policies, flextime, job sharing, part-time work, work at home and flexible leave policies. Flexible Benefits or Cafeteria Plans are another way to offer child care assistance which allows employees to choose among a variety of benefit options paid for by employer contributions or employee pretax contributions. Flexible Spending Accounts, also known as reimbursement accounts, are a way of funding child care and other benefits within a cafeteria plan. This is done by payroll deduction, where the employee contributed a portion of pretax salary to their flexible spending account to help fund the child care. The employee pays no federal income tax on the contribution (278).

American businesses spend more than five billion dollars each year to help their employees earn a college education, according to the American Society for Training and Development. Unfortunately, many employers waste their educational assistance dollars by not managing their programs effectively. In fact, according to Vicere in his article "Executive Benefit Plans," companies overspend an average of eight thousand three hundred dollars per employee on poorly planned or ill-advised adult learning (Vicere 67).

The job readiness and overall competency of applicants for entry level jobs has been seriously questioned by many employers in the United States. As discussed in Vicere's article not only is educational reform seriously wanted, but also, pace setting employers feel that they can no longer wait for professional educators and the public school system to respond to their needs. The many demoralized and underfunded school systems of the nation have consequently been bypassed by impatient, serious minded corporations that demand action and have already taken it on their own. One of the most important and obvious actions has been the establishment of corporate learning development centers for employees (68).

Before tough economic times demanded that companies turn their attention to cost containment, many businesses paid little attention to the management of benefits like educational assistance. But now that more people are taking advantage of tuition assistance, almost half of all college enrollments are classified as adult learners. Tuition costs are increasing between eleven percent and fourteen percent annually, and employers have started to monitor their tuition assistance plans more closely (68).

Employers face a three-fold problem. First, they find that more employees are using the company's tuition dollars both because of hard economic times and the push for lifelong learning. Secondly, employers have the added expense of rapidly increasing tuition costs, and thirdly, employers have to contend with the variety of options available to adult learners, about which they may be unaware (69). In many cases employers have responded to these problems by cutting back or capping the amount of funds that their employees can use.

At times employees appear to do more research on buying a car than on their education. Part of the reason might be because they see it as free money from the company, so they are not as concerned as to whether they go to an expensive school or not. However that is surely inappropriate both for the employee and for the corporation.

Employers should investigate their options. For instance, instead of only reimbursing traditional classroom learning, companies should look into a wide variety of nontraditional ways to earn college credit, such as correspondence courses, computer-assisted instruction and/or cable and public television stations. This type of approach can save them money and save their employees time in the classroom. In addition, these methods can help employees to learn on their own time and at their own pace, especially if employees travel frequently or cannot conform to regular classroom schedules (Barshatky 20).

Exabyte is one such firm that utilizes in-house training as well as training employees with outside programs. Exabyte's reasoning for providing training to its employees is very simple; they wish to stay on top of competitors in a competitive marketplace (Gonzalex 17).

Exabyte has eight hundred and fifty-one employees; about ten percent are in some type of training program at any one time. On the average, the regular employee at Exabyte undergoes about twenty hours of training classes a year (17).

This company, in addition to other types of training, helps guide its production employees through changes in manufacturing. For example, when a new product is introduced that requires new assembly methods, Exabyte trains its employees in the new manufacturing methods as well as educates the employees in the purpose of the new product. Employees not only know the impact the new product has on their job, but the impact the new product has throughout the company (17).

Hussmann Corporation also utilizes an in-house training center for its employees. The training center is used for a variety of classes such as classes for computer training to educate the employees on new software programs. In addition, the training room can be used by other departments when the need arises. Although Hussmann does not have the training that Exabyte Corporation has, it does offer tuition reimbursement.

Hussmann Corporation's tuition reimbursement policy is for all salaried employees who have worked for the company for one year. Their new policy for 1996 is:

*Tuition reimbursement limits have been raised by three hundred dollars.

*Graduate programs have a four thousand dollar limit per employee, per year. Undergraduate programs will have a three thousand five hundred dollar limit, per year.

*Seventy-five percent of the cost of books will now be reimbursed. This cost will be included in the yearly graduate and undergraduate limits

(Hussmann Educational Financial Assistance Policy, D-11).

Hussmann offers, what the author estimates to be a generous tuition reimbursement program particularly if one chooses to go a community college. If the employee goes to a university the cost of tuition is much higher and the student must cover the rest of cost either through financial aid, loan, or out of pocket expenses.

Currently a relatively new method of educating employees would be through the use of learning centers. A modern corporate learning center would usually be on company premises. It can be used for the formal development of employees at many different organizational levels by use of a classroom, conference room, or laboratory environment. Because the space in a designated learning center can usually be readily converted to instructional usage, in many companies there would be little or no cost for new construction (Cleary 11).

Instructional personnel can be drawn from either the outside world of school, community college, technical institute, and university instructors, on a part-time basis, or from qualified inside-the-company managers and professional or other experienced workers at no additional salary cost. The staffing of courses, sessions, seminars or workshops would thus take advantage of insiders and outsiders, drawing on their combined skills to attain learning objectives. Because there is no buildup of a permanent staff and training and development bureaucracy, costs are controlled (11).

In our present business climate, flexible, inexpensive, and practical tools are needed for the human resources function to fulfill its purposes. The learning center concept seems to be in step with the times because it appears to be both responsive and adaptable. For many organizations these qualities are of primary concern. However learning centers are not workable for everyone. It requires orchestration by a human resources administrator who knows how to deal with austerity. For those administrators from a bureaucratic environment who are more accustomed to slack in the system where they work, and who cannot function without support and resources, the learning center might turn out to be simply one more aggravation at work that is underfunded and understaffed. Yet for those who need to structure some kind of training and development capability in the contemporary lean and downsized firm, the learning center may be the only game in town (Orman 22).

A benefit that many employees feel to be the most important would be their retirement benefits. Many employees have relied on their companies to help arrange for their retirement years in the form of continuing medical insurance and retirement income. But with today's rising medical costs and low-funded retirement plans, many retirees are facing economic crises (Young 57).

Including employer and retiree contributions, the average cost for health benefits for a pre-age sixty-five year old retiree and spouse jumped sixteen percent to four thousand five hundred ninety-six dollars in 1992. Retirees picked up one thousand nine hundred thirty-two dollars of the total cost, twenty-two percent more than they paid out-of-pocket in 1991 (57).

According to Miller in his article, "An Impossible Dream," the rising cost of providing health benefits to retirees is largely due to a combination of increasing health care costs and the fact that employees are retiring earlier and living longer. The number of retirees under sixty-five years of age who are not yet eligible for Medicare continues to increase due to a suffering economy and the resulting need of the employers to downsize their work force. For those employees who retire early, and who consequently are not yet eligible for Medicare, an employer may be faced with responsibility for the full cost of medical benefits rather than simply supplementing Medicare coverage. Additionally, while Medicare is the principal source of health care coverage for individuals over sixty-five, Medicare provides limited medical coverage and retirees are often forced to seek supplemental health care through their former employer such as COBRA, Medi-i-gap insurance plans, Prudential, etc (Miller, Thomas 10).

Because of the escalating cost of providing health care coverage to employees and the recent requirement that employers recognize retiree medical benefit costs on their financial statements, employers have been forced to reconsider the liberal health care plans typically offered to employees since the 1960s. One result has been the attempt by employers to shrink the size of their medical cost liability by amending the terms of the health care plan to include employee contributions, increase deductibles and co-payments, or decrease the level of coverage provided. In extreme cases, employers have chosen to terminate medical coverage altogether. In response, employees and retirees desperate to retain affordable health care coverage have sought to prevent such reductions or termination of health care coverage through the courts (10).

As one example, a group of McDonnell Douglas Corporation retirees are suing their former employer to block its novel plan to eliminate retiree medical benefits for non-union workers (Geisel 55).

McDonnell Douglas' plan would replace retiree health care programs with an employee-pay-all plan financed by surplus defined benefit pension plan assets over a four-year period. The strategy is to soften the blow of the Financial Accounting Standard 106 (55).

Retirees are testifying that McDonnell Douglas' plan violates the Employee Retirement Income Security Act of 1974. By forcing retirees to begin paying for their own medical insurance, McDonnell Douglas is reneging on its promise to provide basic retiree health care benefits for the remainder of plaintiffs' and their spouses' lives (55).

The company has taken the position that the modification and elimination of salaried retiree health care benefits would violate the terms of the applicable employee welfare benefit plan, the contracts between

McDonnell Douglas and plaintiffs, and the members of the class, federal common law, and ERISA (56).

In October of 1993 McDonnell Douglas announced that it would offer retirees a one-time pre-tax pension supplement of eighteen thousand dollars that could be used only to prepay the cost of health care coverage for the next four years. Those retirees who reject the offer would get no payment and would lose their retiree health benefits (56).

The four-year period was chosen because the company felt four years was a solid length of time to give retirees assurance that their medical benefits would be paid for (56).

Workers who retire within the next four years would be eligible for pro-rated payments from the pension fund to finance retiree health care coverage. Active workers who do not retire within four years would not be guaranteed retiree health care benefits under the plan (57).

As the rising cost of medical care continues to economically crunch employers, retirees will struggle with the ongoing battle of losing medical benefits that were once counted on.

But escalating health-care costs are not the only reason that companies are deciding to trim their benefits programs. In 1992 the Financial Accounting

Standards Board, a national group of certified public accountants who set professional standards designed a new rule, the Financial Accounting Standard 106. This new rule requires companies to account for retiree medical expenses on an accrual basis rather than a pay-as-you-go basis. For example, companies have raised current and/or future retirees' contributions for medical care. Also, companies are subjecting their future and current retirees to managed health care techniques, while others are tightening eligibility for future retirees (Quint 136).

Other ways to control costs related to future retirees are capping employer contributions, changing the level of Medicare integration, using a defined dollar approach for benefits, and lowering lifetime caps on benefits. Also, other companies are taking the extreme of completely canceling medical coverage for future retirees (Benna 34).

Another form of retirement benefit that has surfaced throughout many companies would be a tax-deferred savings plan, the 401 (K). The 401 (K) plan is a deferred compensation plan which means that an employee can set aside pre-tax dollars for retirement; all of the employee's investment earnings invested in the plan are tax-deferred. What is more, the payroll deduction for the plan reduces take-home pay, so the employee may wind up in a lower tax bracket (Boyd 35).

Although this plan seems to be ahead of the race for many people as a form of retirement savings, there are some issues that need to be considered when a retiring person is ready to receive distribution from their 401 (K) plan.

The first issue pertains to early distribution. With many companies offering early retirement programs for their older employees, retirees are receiving distribution from their 401 (K) plans earlier. Earlier distribution of a plan causes an individual prior to the age of 55 to be subject to a ten percent tax penalty on the distribution taken. Also, if less than the minimum required distribution occurs after the age of seventy and a half, a fifty percent penalty is charged to that retiree (Benna 33 & 34).

If the distribution received by the retiree is taken in a lump-sum or annual installments from all qualified tax preferred sources exceed the permitted maximum amount, a fifteen percent tax penalty is incurred (34).

Certainly the retiree should be advised of these tax penalty situations so that whichever ones may be applicable can be incorporated into their retirement planning.

It would appear that the 401 (K) remains an excellent retirement vehicle in which employees can participate. Younger employees tend to gain the most benefit from this plan due to the compounding of earnings which will help to set their retirement plan on a firm ground.

Chapter 4

A survey was conducted to evaluate the mixture of benefits an individual would prefer, and the differences occurring within the work-force. For this survey to be true and random sampling to occur, current working managers were selected for participation in the survey, who were randomly picked out in the St. Louis area. The author went to several companies and shopping centers to distribute the survey and got cooperative responses. The subjects were encouraged to respond by being given self addressed envelopes in which to mail their surveys back to the author.

This type of survey is typically done for a thesis research only. There will not be any specific organization's input as to what benefits they prefer or offer their employees. There will be some acquiescence bias since there are some people out there who do not disagree with anything. In a case like this it will be hard to reverse the questions since this is a written survey. The questions are already prepared for the subject to answer.

In order to decrease/eliminate order bias the survey is constructed so that general questions are positioned before specific questions, in order to obtain the freest of open ended responses. The survey is as follows:

Survey Of Benefits

1. Circle the following that applies.

   A Male

   B Female

2. Circle the following that applies.

   A Single

   B Married

   C Divorced

3. Are you currently employed?

   A Yes

   B No

4. If employed, circle the type of company.

   A Manufacturing

   B Sales

   C Retail

   D Other

5. Rank the following benefits according to importance. Put a "1" next to the one you consider most important, a "2" next to the one you consider second important, etc. Please rank all of the benefits listed.

Bonus Pay
Paid Vacation
Health Insurance
On Site Day Care
Retirement and Savings Plan
Flex-Time
Jury Duty/Military Pay
Life Insurance
Tuition Reimbursement
Flexible Spending Accounts
Parking
Funeral Leave Pay
Employee Discounts
Short/Long Term Disability
Personal Leave
Sick Leave
Holidays
Health Programs

6. Do you currently have health insurance?

   A Yes

   B No

7. Does your company provide health insurance for you?

   A Yes

   B No

8. Do you agree with the following statement? "HMOs are better than PPOs."

   A Strongly Disagree

   B Somewhat Disagree

   C Neither Agree nor Disagree

   D Somewhat Agree

   E Strongly Agree

9. Would a particular benefit influence your decision of whether or not to accept a job at a particular organization?

   A Yes

   B No

10. If employed does your company provide any type of a health program?

    A Yes

    B No

11. Do you agree with the following statement? "I am in favor of flexible spending accounts."

    A Strongly Agree

    B Somewhat Agree

    C Neither Agree nor Disagree

    D Somewhat Disagree

    E Strongly Disagree

12. Does your company provide any type of day care benefit?

    A Yes

    B No

13. Is tuition reimbursement an important benefit to you?

    A Yes

    B No

14. Rank the following as a percent of a compensation package you wish to be devoted to the various benefits. The total should equal 100%.

    Paid: Vacations, Holidays, Jury Duty, Funeral Leave, Rest Time, Military Leave, Sick leave, Personal Leave, Lunch Time.

    Insurance Plans: Health, Life, Long-term Disability

    Retirement & Savings Plans: Defined Benefits Pension, Non-Contributory, Defined Contribution, Employee Stock Ownership, Profit Sharing.

    Additional Benefits: Parking, Educational Assistance, Employee Discounts, In-House Infirmary, Severance Pay, Recreational Facilities, Non-Productive Cash Bonus.

15. Circle your age group

A 20 - 30

B 31 - 40

C 41 - 50

D 51 - 60

E 61 - Over

16. Circle your current family income level.

A $10,000 - $20,000

B $21,000 - $25,000

C $26,000 - $30,000

D $31,000 - $35,000

E $36,000 - $40,000

F $41,000 - $45,000

G $46,000 - $50,000

H $51,000 - $55,000

I $56,000 - $60,000

J $61,000 - $65,000

K $66,000 - $70,000

L $71,000 - $75,000

M $76,000 - $80,000

N $81,000 - $85,000

O $86,000 - Up

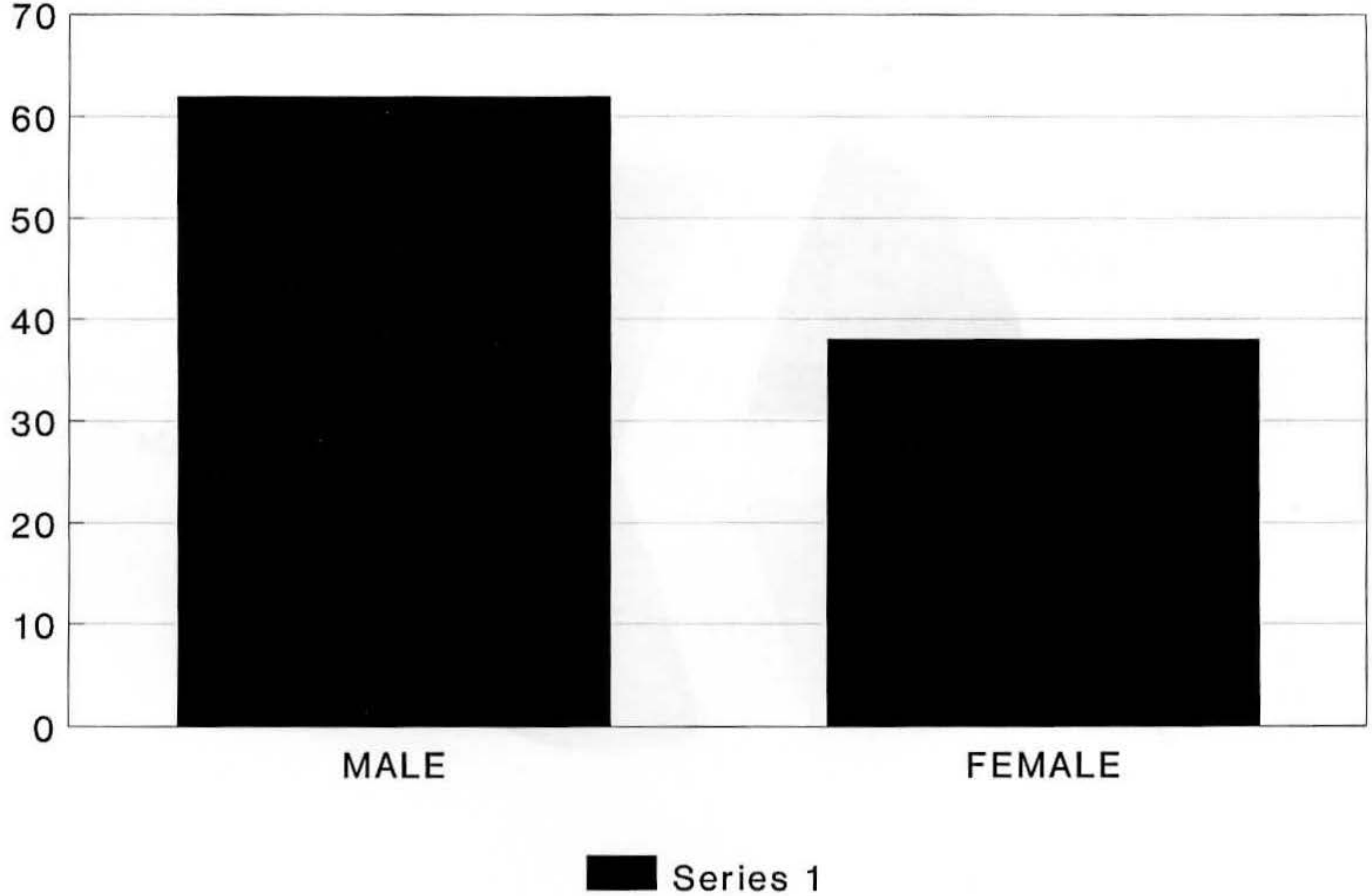
The results of the survey are as follows. One hundred surveys were distributed and one hundred were received back. Sixty-two percent were male and thirty-eight percent were female subjects. Sixty percent were married, twenty percent were single, and twenty percent were divorced. These number were rounded to nearest five percent or ten percent to graph them easier. Ninety-five percent were currently employed and five percent were not. Sixty percent of the subjects were from a manufacturing and sales company. Forty percent worked for retail or other companies in the St. Louis area.

When ranking the benefits in order of importance, health insurance was the most important. Ninety-five percent of the employees have health insurance and five percent do not. Eighty percent said that their company provides health insurance for them and twenty percent does not provide health insurance. To graph these numbers they were rounded to the nearest five or ten percent. Forty percent strongly agreed that HMOs were better than PPOs. One hundred percent agreed that a benefit would be a choice whether or not to accept a particular job or not. Sixty percent said that their company provides some sort of health program and forty percent provides nothing for their employees. The results were rounded to graph easier. Sixty percent of these surveyed strongly agreed that they were in favor of flexible spending accounts, ten percent somewhat agreed, and thirty percent had no opinion. Forty percent of the employers provide some sort of day care for their employees and sixty percent do not. To graph easier the results were rounded. Sixty percent said that tuition reimbursement was an important benefit to them and forty percent said it was not.

When ranking the benefits as a percent of a compensation package, the results were as follows: fifty percent should be devoted towards the insurance plans, thirty percent towards the retirement and savings plans, and twenty percent towards the paid and additional benefits. To better graph these numbers were rounded.

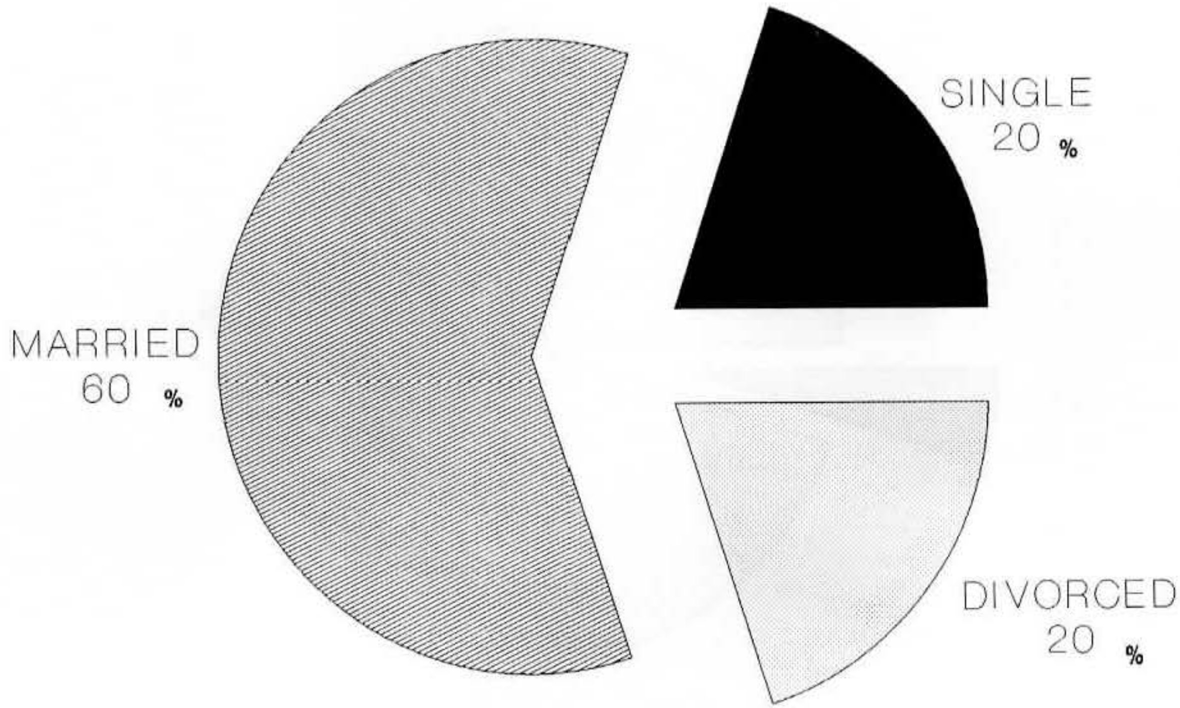
Five percent of the subjects were between the ages of twenty to thirty, twenty percent were between the ages of thirty-one to forty, forty percent of the subjects were between the ages of forty-one to fifty, thirty percent were between the ages of fifty-one to sixty, and five percent were sixty-one or older. The family income levels were sporadic, ranging between twenty-one thousand to seventy thousand dollars a year, as indicated by the following graphs.

MALE OR FEMALE



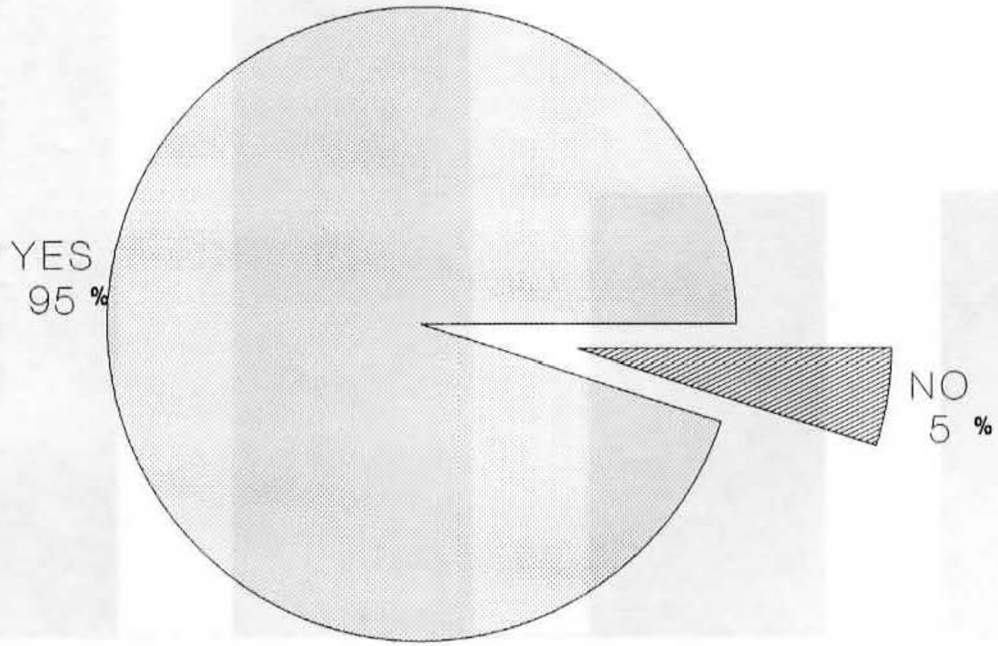
SURVEY RESULTS - #1

MARITAL STATUS



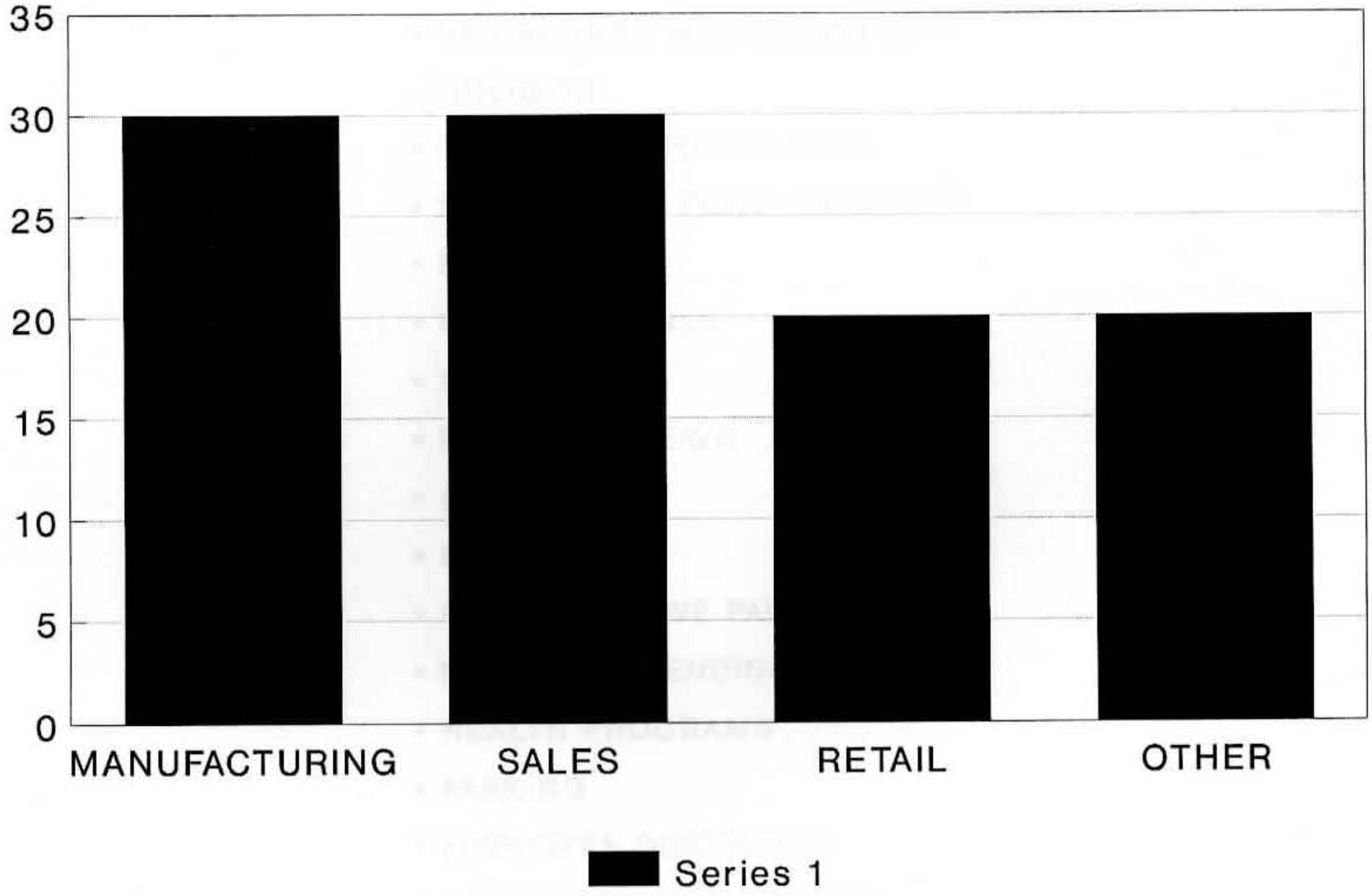
SURVEY RESULTS - #2

CURRENTLY EMPLOYED



SURVEY RESULTS - #3

TYPES OF COMPANIES



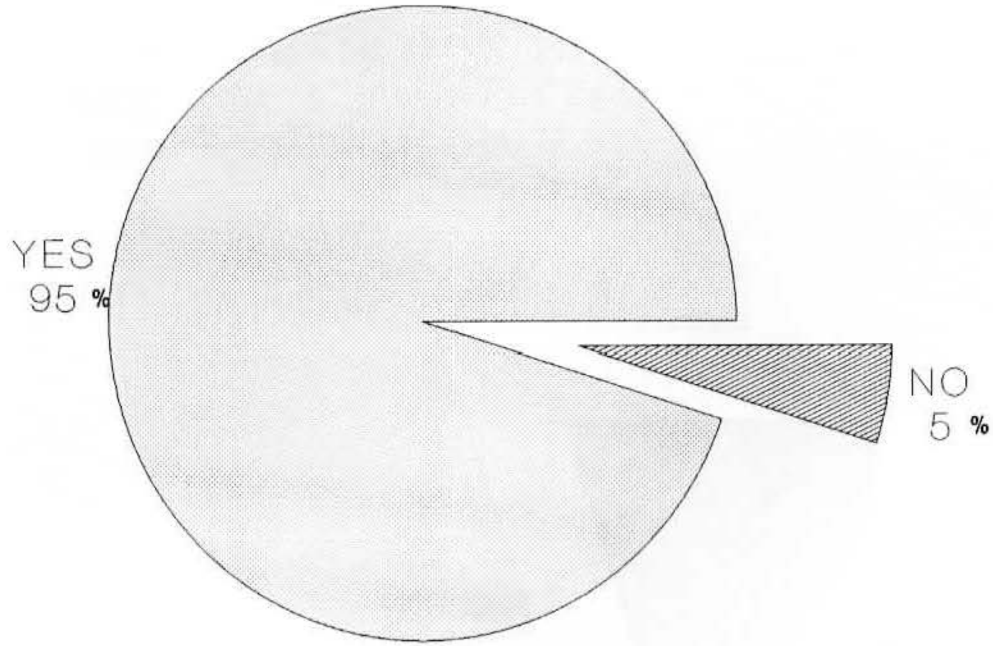
SURVEY RESULTS - #4

RANKING BENEFITS

- HEALTH INSURANCE
- PAID VACATION
- RETIREMENT & SAVINGS PLAN
- HOLIDAYS
- TUITION REIMBURSEMENT
- SHORT/LONG TERM DISABILITY
- FLEX-TIME
- LIFE INSURANCE
- SICK LEAVE
- PERSONAL LEAVE
- DAY CARE
- BONUS PAY
- FUNERAL LEAVE PAY
- FLEXIBLE SPENDING ACCOUNTS
- HEALTH PROGRAMS
- PARKING
- EMPLOYEE DISCOUNTS
- JURY DUTY/ MILITARY PAY

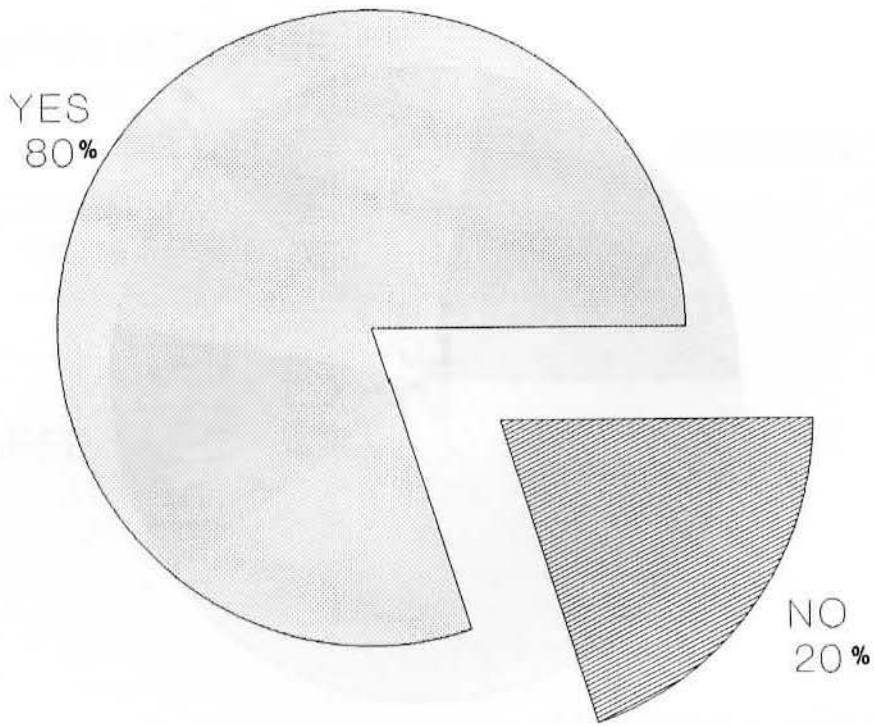
SURVEY RESULTS - #5

HEALTH INSURANCE



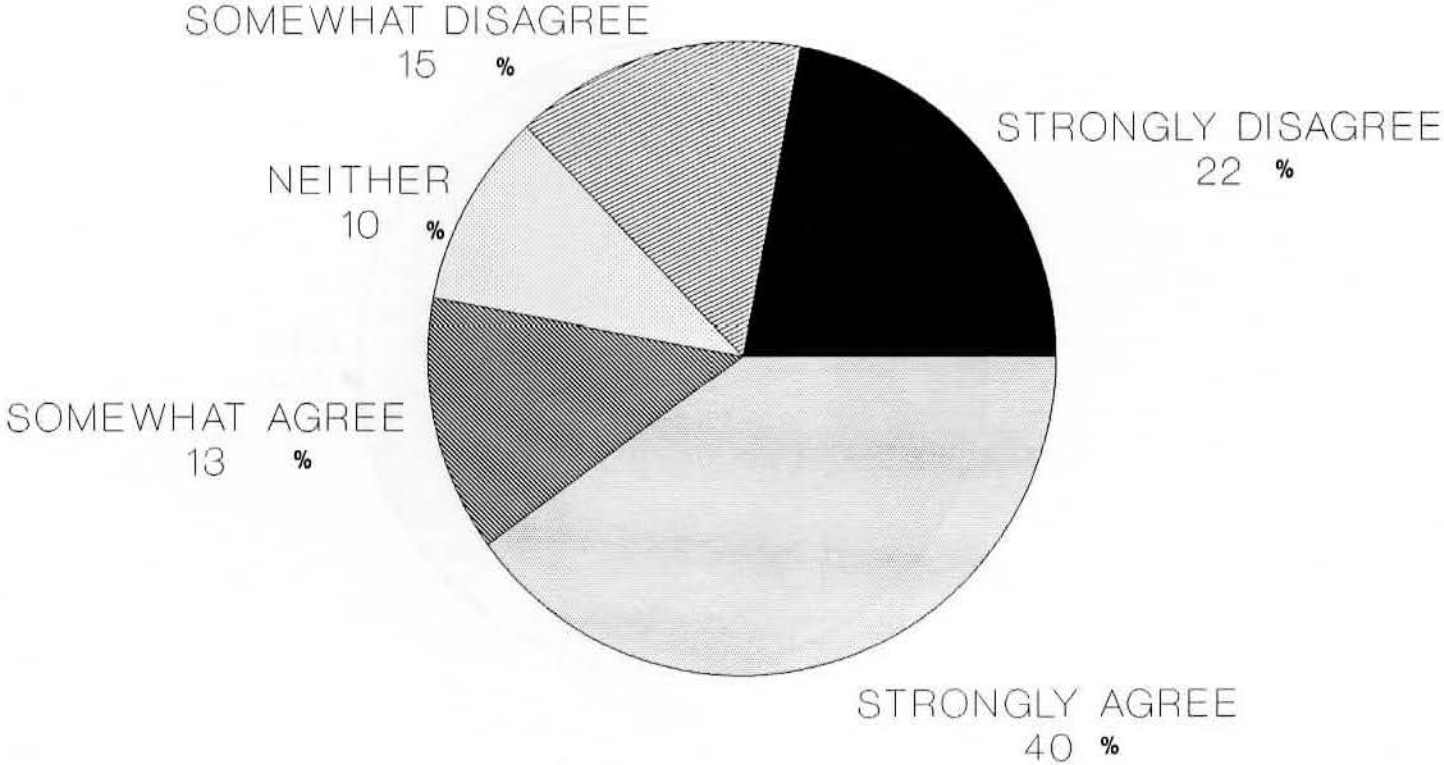
SURVEY RESULTS - #6

COMPANY PROVIDE
HEALTH INSURANCE



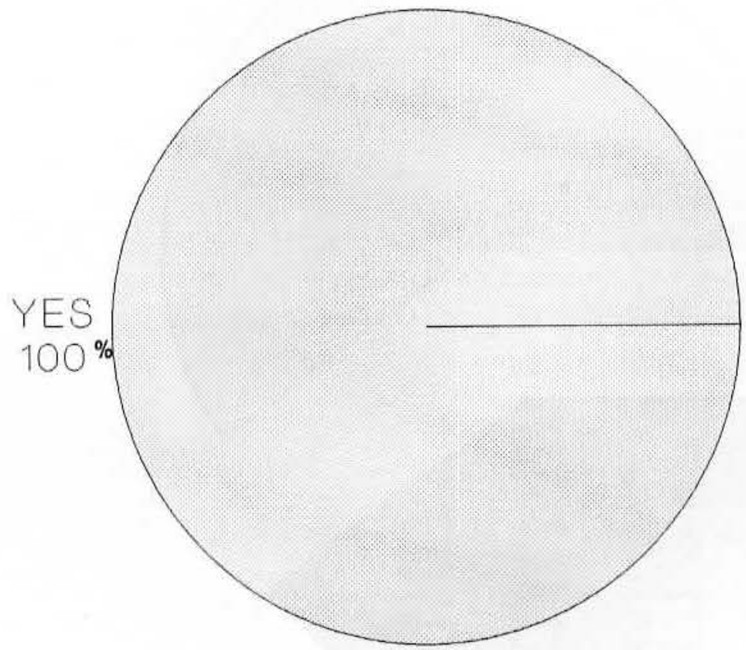
SURVEY RESULTS - #7

HMOS ARE BETTER
THAN PPOS



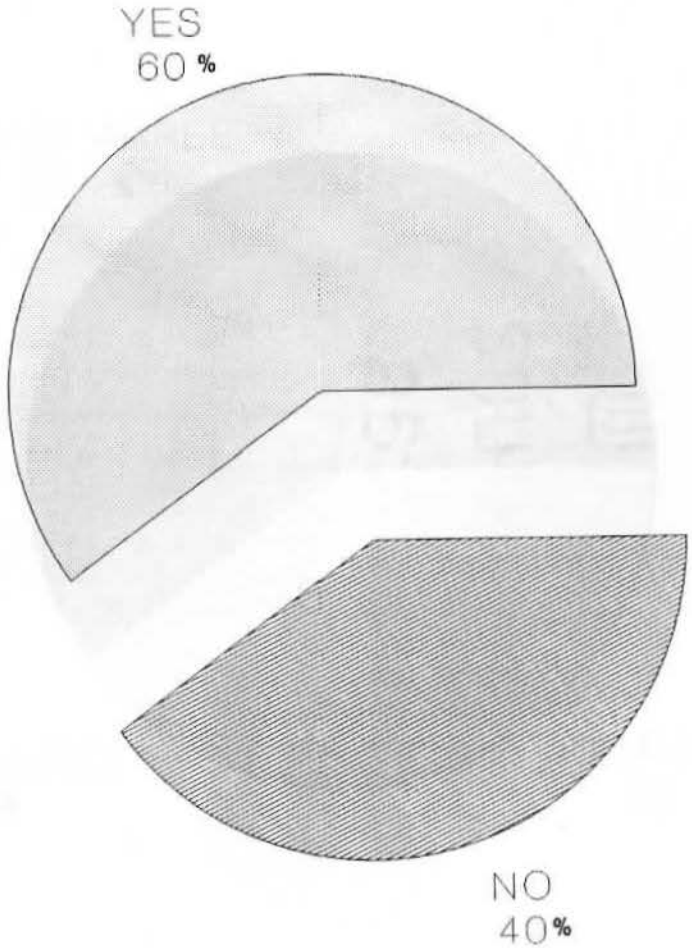
SURVEY RESULTS - #8

BENEFIT CHOICE TO ACCEPT JOB



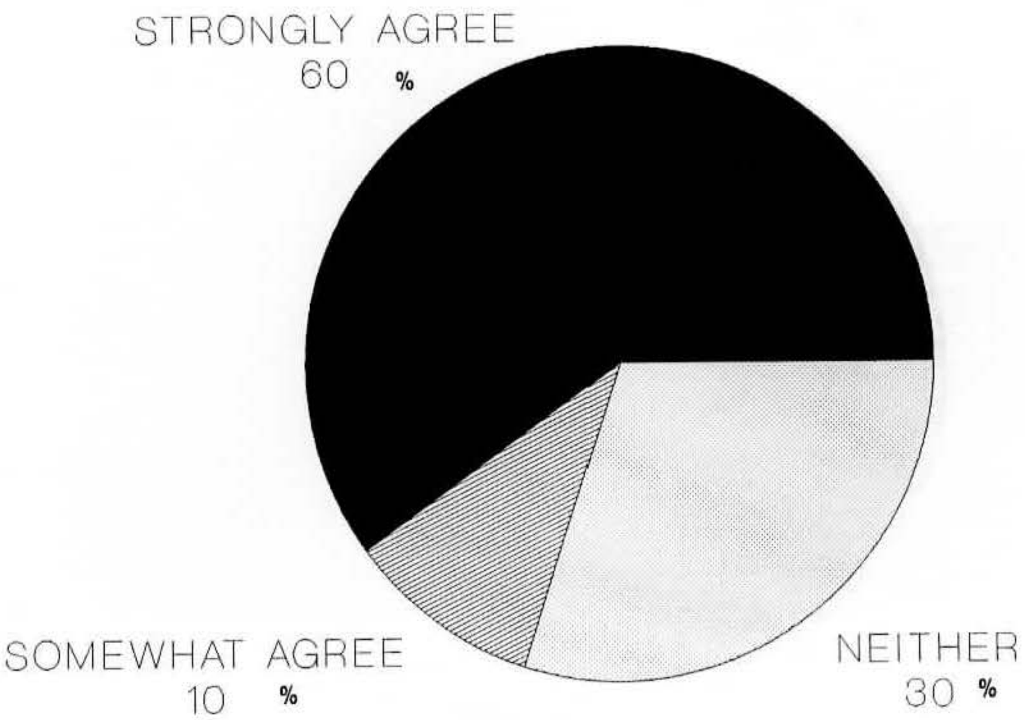
SURVEY RESULTS - #9

COMPANY PROVIDE
HEALTH PROGRAMS



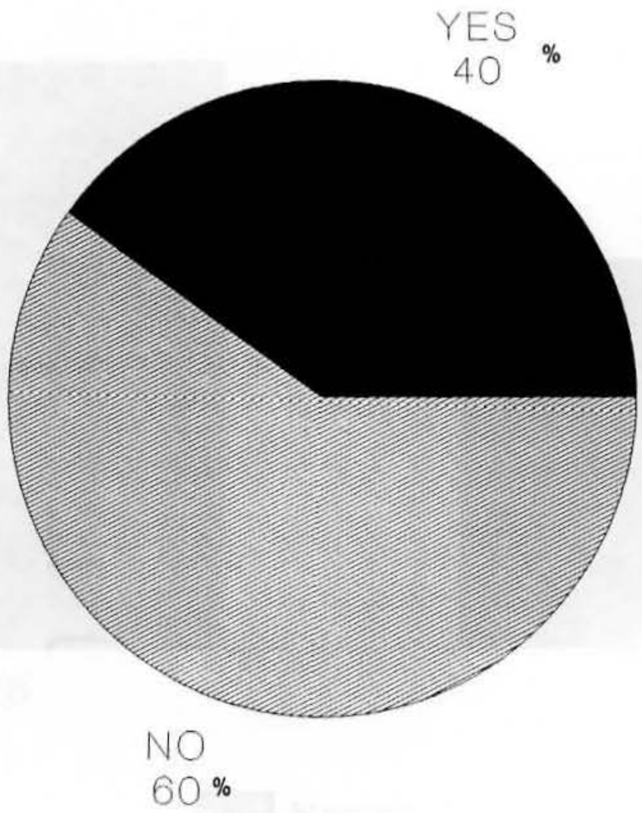
SURVEY RESULTS - #10

FAVOR OF FLEXIBLE
BENEFITS



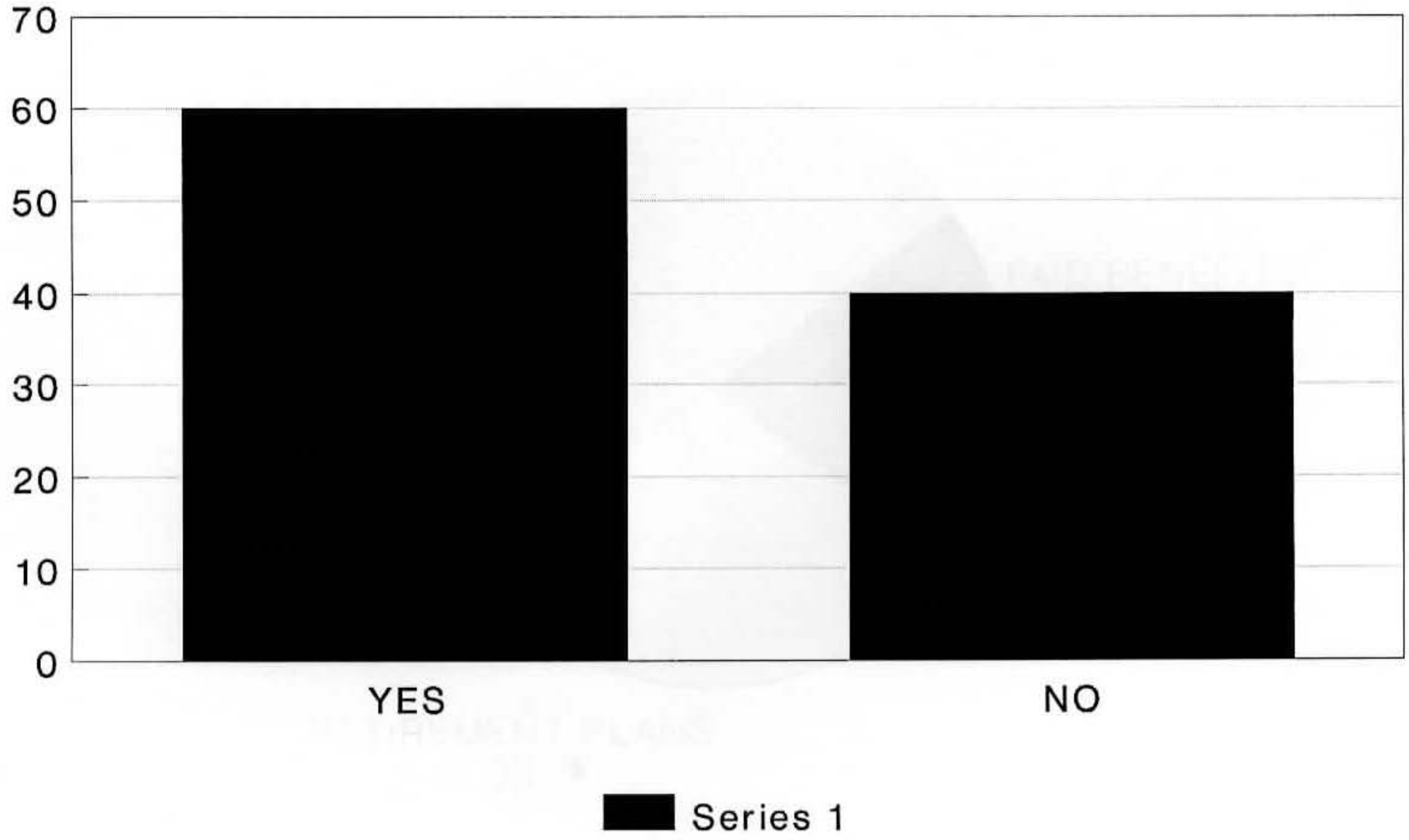
SURVEY RESULTS - #11

CO. PROVIDE DAY
CARE BENEFITS



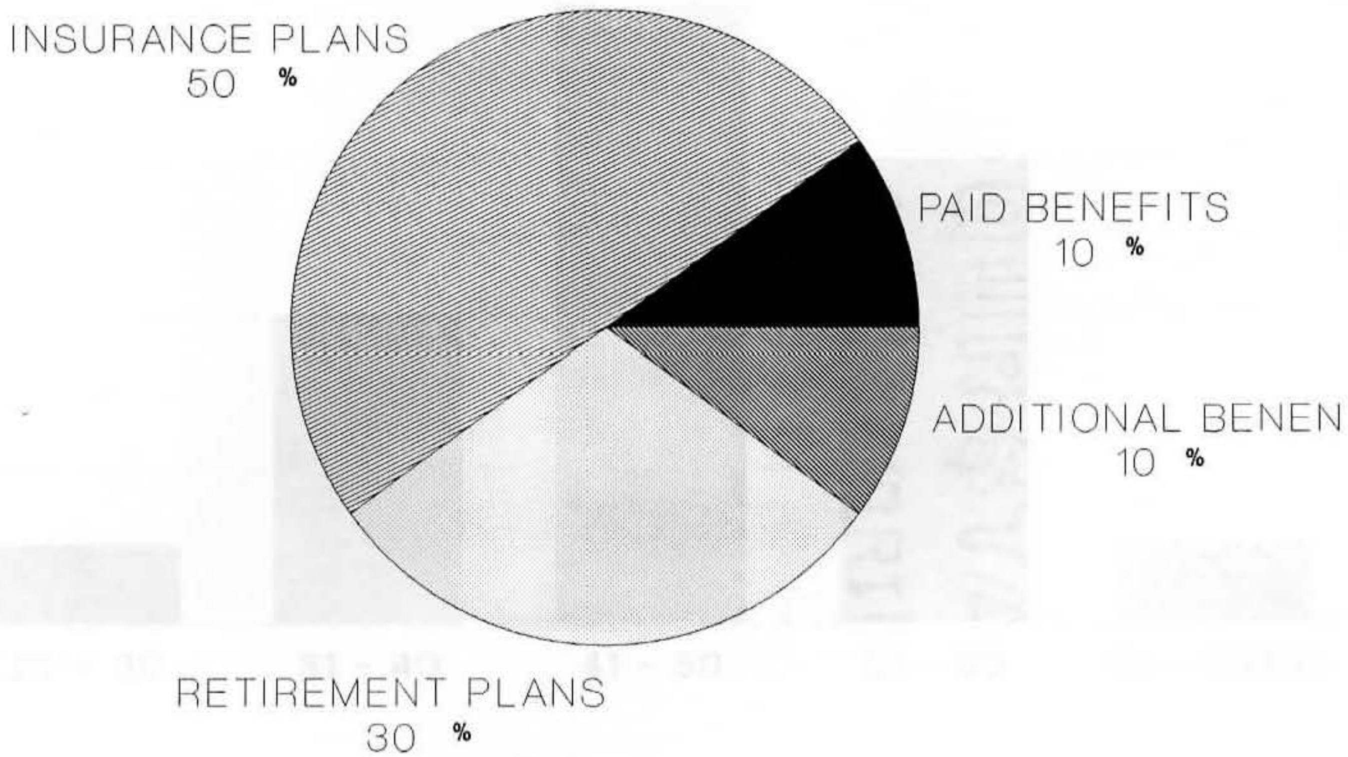
SURVEY RESULTS - #12

TUITION
REIMBURSEMENT



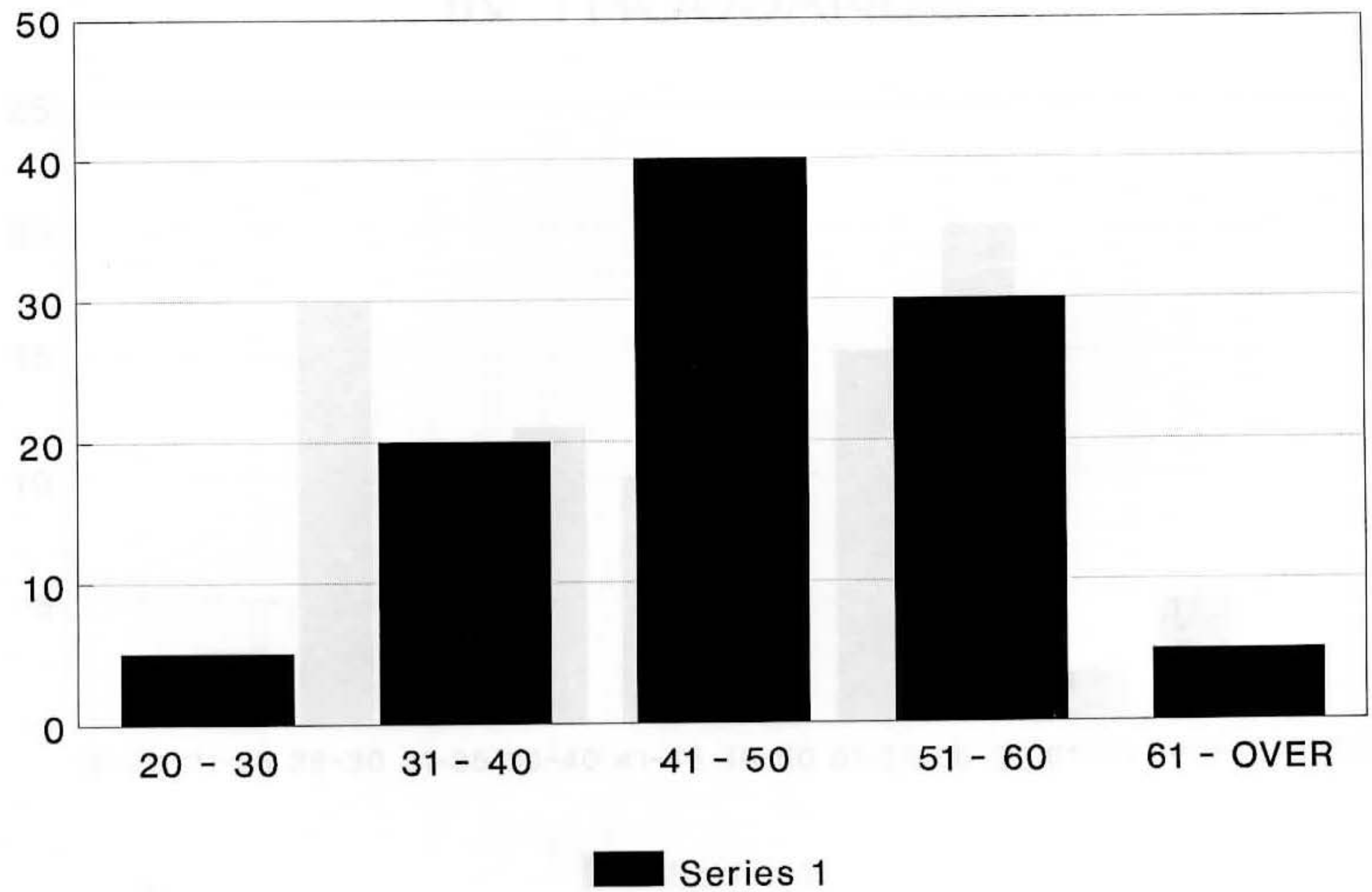
SURVEY RESULTS - #13

RANKING BENEFITS



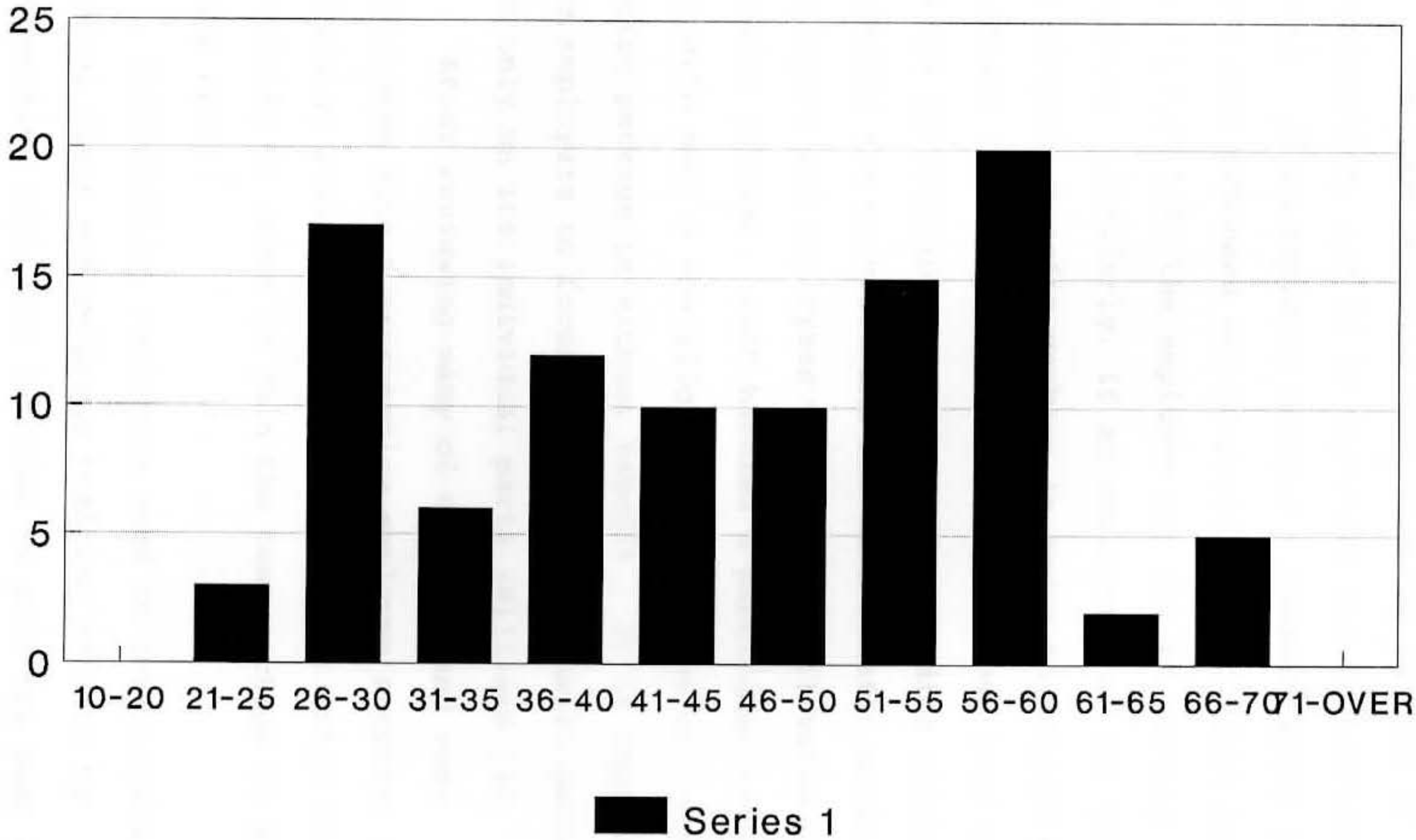
SURVEY RESULTS - #14

AGE GROUP



SURVEY RESULTS - #15

FAMILY INCOME
IN THOUSANDS



SURVEY RESULTS - #16

Employee benefits make up a big portion of total compensation, and it is important not to overlook their worth. If an employee accepts a higher paying job and pays more expenses out-of-pocket to duplicate benefits at a prior job, the employee may not be gaining anything. Similarly, if an employer does not provide an adequate benefit package in order to attract and maintain employees, the employer may lose good workers to the competition. Only by understanding which benefits are provided and how each benefit works can employers and employees utilize the full value of a benefit package. Just because a particular benefit fails to meet a specific need, that does not mean the entire package is without benefit. It is important for the employers to focus on the whole benefit package and not only on its individual parts (Williams 29).

After reviewing many of the pros and cons associated with a prospective employee's option in obtaining group benefits, a person must weigh each item carefully in order to gain the best package to suit their needs.

Economically, employees need to investigate medical plans and wellness training offered by prospective employers in order to gain the most optimal plan so that they can cope with today's rising cost of medical coverage.

For career and income advancement, educational reimbursement gives the employee the added income to help combat the rising cost of education. This is especially so in today's workplace where a degree is becoming a high priority in order to be considered for advancement.

Lately, with many of today's companies unable to provide continuing benefits for their retirees, employees need to evaluate and research in-house company retirement plans. They must also research outside plans early in their employment, to help set the stage for their retirement years.

Employees should evaluate the benefits package being offered by their employer. This requires detailed knowledge of the benefits offered and a clear understanding of personal and family situations. Employees should also look at the summary description of benefit plans available from their employer (Williams 29).

When evaluating a benefit package there are general factors to take into consideration such as family composition, career plans, age and the tax treatment for the benefits. Since employers are not required to offer dependent coverage, employees with a family should check which benefits cover dependents (29).

Unmet needs, rising costs, and retirement planning have forced both employees and employers to take a closer look at what they have in their benefit packages and to take more responsibility for providing what they need. The importance of various benefits depends on individual needs and preferences. Employees should look at their total benefit package when evaluating the value of their benefits (30).

In a society where rising costs for outside services are reaching an all-time high, many employees feel the real advancement to economic success are the benefits being provided by their employers.

Chapter 5

The author believes that if corporations continually evaluate their benefit packages they will be better able to attract and maintain good workers. Benefits and specific needs are changing all of the time. Corporations should be trying to constantly reevaluate their benefits, to offer the best for their employees and for the corporation. In addition, the employer and employee should understand exactly how each benefit works so they can utilize the full value of the benefit.

For future considerations corporations should also consider having not just one employee evaluate the benefit plan. They are continually changing and organizations need new and innovative ways of doing things. Companies should survey their employees and see what they would like; communication plays a big part between a company and their employees.

The author feels that employers need to extend the boundaries of thought regarding benefits and anticipate benefits packages that workers value. Wherever possible and practical, these should be incorporated into the benefits offered. Before any particular benefit is downgraded on the basis of cost, employers need to recognize that some employee wants may be more nontraditional in nature (DeCenzo 2).

Take into consideration that no one can predict the future. But as corporations look back to where they have been, they can generate some direction as to where they are going. Looking back over the history of benefits, companies can see that major changes in benefit packages came about because of changes in worker needs and government legislation. These factors will continue to affect how benefits are offered. Certainly, for corporations to recognize this tends to be the first step in the right direction.

Corporations would be well advised to follow these changes and continue efforts to seek ways to have better benefits for their employees. In the final analysis, cost effective benefit plans must benefit both the organization and the employee.

Appendix A

MAJOR EMPLOYEE BENEFITS OFFERED

PAID:	
Vacations	100
Holidays	99
Jury Duty Leave	93
Funeral Leave	88
Rest Time	72
Military Leave	66
Sick Leave	70
Personal Leave	25
Lunch Time	10
Insurance Plans:	
Health	95
Non-Contributory	54
Dental	67
Vision	38
Life	96
Non-Contributory	87
Long-Term Disability	48
Non Contributory	38
Retirement & Savings Plans:	
Defined Benefits Pension	76
Non-Contributory	71
Defined Contribution	60
Employee Stock Ownership	30
Profit Sharing	22
Additional Benefits:	
Parking	86
Educational Assistance	76
Employee Discounts	57
In-House Infirmary	46
Severance Pay	45
Recreational Facilities	33
Non-Productive Cash Bonus	20
Mean Number of Holidays:	10.0

Source: DeCenzo, David E. Employee Benefits. Prentice Hall Inc, 1990: 3

Appendix B

HEALTH MAINTENANCE ORGANIZATION COVERAGE

Office Visits for Routine and Preventive Care
Periodic health evaluations, covered in full
Routine immunizations, covered in full
Well-baby care, covered in full
Allergy testing and treatments, covered in full
Medical and surgical procedures, covered in full

Inpatient Hospital Services
Room and board, physician visits, surgery, and special services, covered in full, unlimited days

Maternity
Inpatient and outpatient, including prenatal and postnatal, nursing charges, covered in full

Physical and Speech Therapy
Maximum twenty visits during a sixteen week period

Mental Health Services
Inpatient, covered in full, thirty days per year

Medical Emergency Services
Emergency room and hospital physician and facility services for emergencies if the services provided are authorized in advance by a primary-care physician or if the condition is at an unanticipated nature and requires immediate attention. Twenty-five dollar copayment if hospitalization is not required

Medical Exclusions

Any charges in excess of usual, customary, and reasonable
Experimental and/or investigational medical or surgical procedures/services
Non-plan sponsored health education programs
Cosmetic surgery
Reversal of voluntary sterilization
Acupuncture
Whole blood or blood products
Routine foot care

Source: DeCenzo, David A. Employee Benefits. Prentice Hall, 1990: 73

Appendix C

PREFERRED PROVIDER ORGANIZATION HEALTH COVERAGE

Office Visits for Routine and Preventive Care
Medical office visit, $10 copayment per visit
Dental exams, not covered
Well-baby care, including vacations, covered in full
GYN exam, covered in full

Inpatient Hospital Services
Semiprivate room and board, physician's visits, surgery, and special services, covered in full
Diagnostic services (x-rays, lab services), covered in full

Maternity Care
Covered in full

Physician and Occupational Therapy
Inpatient, covered in full
Outpatient, covered in full for 100 visits in calendar year

Speech Therapy
Inpatient, covered in full
Outpatient, covered in full for 50 visits in calendar year

Mental Health Services
Inpatient, covered in full
Outpatient, covered at 50% of reasonable and customary not to exceed $30 per visit for 100 visits per year

Medical Emergency Services
Emergency room, if admitted, covered in full; if not admitted, covered at 50%

Covered Services
Private duty nursing and durable medical equipment
Prosthetic appliances
Whole blood and medical supplies
Ambulance services
Deductible: $100 individual per calendar year
Co-insurance: 20% of reasonable cost up to a yearly maximum of $500

Other Copayment or Fees

When using nonpreferred providers without a referral from a preferred provider, the benefits are provided subject to copay rate and/or coinsurance.

Source: DeCenzo, David A. Employee Benefits. Prentice Hall, 1990: 75

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