

Michigan Manufacturers Association

# ENTERPRISE

JUNE 1998

## Taking a Proactive Approach to Safety



Workplace Safety  
Programs: Don't  
be Afraid to Ask  
for Help

The Changing Face  
of Employee  
Benefits

Virtual  
Manufacturing  
Increases  
Competitiveness





by Edmund B. Ura  
President, Management  
Resource Center, Inc.

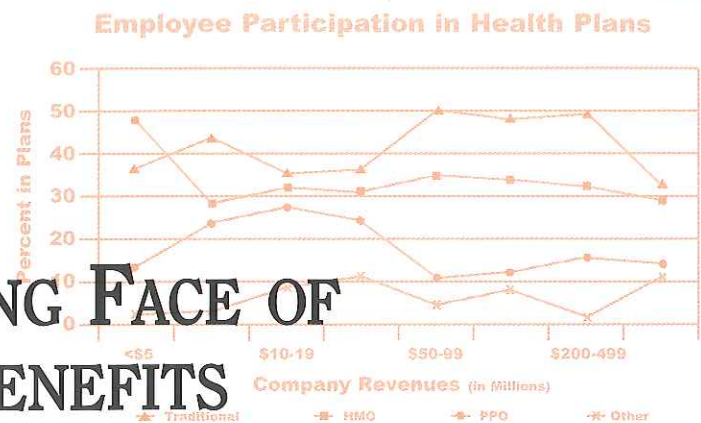
Troy-based Management Resource Center, Inc. (MRC) offers business and compensation strategies, along with planning, research services and management consulting. MRC collects the data and analyzes the information supplied by Michigan manufacturers for a variety of survey reports ranging from executive compensation to employee benefits. For more information, call MRC at 248/362-6746.

## THE CHANGING FACE OF EMPLOYEE BENEFITS

Although Michigan manufacturers provide comprehensive benefit programs designed to attract and retain employees in a labor market where competition for dwindling skill-sets is fierce, the makeup of these programs has changed significantly over the last few years. Nowhere is this more noticeable than in the area of health and welfare insurance benefit plans.

It is clear that times are indeed changing. Results of the 1998 MMA Employee Benefits Survey, conducted by Management Resource Center, Inc., indicate that changes to benefit plans (deductibles and co-pays) and increases in employee premium sharing have been decreased significantly. Additionally, changing programs for reasons unrelated to cost has decreased dramatically since 1996. The survey also revealed:

- The majority of benefit program cuts due to rising health care costs were made earlier in the decade. Only about a quarter of the participants (vs. more than 80 percent in 1996) reported changes made due to rising costs.
- Less than 15 percent of companies reported changing the deductibles and co-pays in their health care plans. This represents a significant reduction from 1996, when nearly three-quarters of the participants reported increasing the deductibles and co-pays.
- Very few companies (less than three percent) reported changing their benefits programs due to substance abuse problems; almost none (.2 percent) have changed because of concerns over AIDS or other communicable diseases. About eight percent reported making changes for these reasons in 1996.
- Only about a third as many companies (10 percent in 1998 vs. 30 percent in 1996) changed benefits programs due to changes in tax laws, or involving accounting rule changes.



### Health Insurance

Michigan manufacturers have cut back dramatically on the type and number of health insurance plans offered, and an increasing number of employees are covered by "non-traditional" health insurance programs. Nowhere else does the size of the company have as much impact on benefit provisions as in this area.

### Types of Plans Provided

- Traditional comprehensive (hospitalization and major medical) plans are provided by half as many employers today (30 percent) than in 1996 (60 percent).
- The number of employers providing an Health Maintenance Organization (HMO) alternative has dropped significantly (32 to 22 percent); the percentage of employers with Preferred Provider Organizations (PPO) has remained relatively steady (38%).
- The incidence of dental insurance coverage for hourly employees dropped dramatically (70 to 35 percent), but only slightly (71 to 66 percent) for salaried employees. Optical coverage is available at about the same rate (20 percent) as in 1996.

### Where Employees are Covered

- More employees are covered under PPOs (about 38 percent) than any other type of health insurance; 35 percent are covered by traditional plans, and 22 percent by HMOs.
- Smaller companies still rely heavily on traditional coverage; almost half of the employees in companies less than \$5 million in sales are covered by this type of plan. As company size increases, the shift to PPOs is apparent.
- HMOs are most popular among employers with \$5 to \$50 million in sales; smaller companies and large corporations have a relatively low participation rate (15 percent) in HMOs.

Consistent with the participants' reporting of little change in deductibles and co-pays, the median of these employee costs has not changed significantly since 1996. The typical program continues to have a \$100 individual, \$300 family deductible and an 80/20 (insurance/employee) co-pay. HMO plans have either a \$5 or \$10 deductible per visit, with the \$10 plans prevailing.

### **Disability and Life Insurance**

There has been very little change in the incidence of disability and life insurance programs. Approximately two-thirds of the employers surveyed have some type of short-term disability program; about one-third have some type of long-term disability program.

Most employers (more than 90 percent) have a life insur-

ance program, and nearly three-quarters provide accidental death and dismemberment coverage.

### **Paid Time Off**

According to the survey, employees will be paid for nine holidays in 1998, which is consistent with practices throughout the 1990s. Similarly, vacation practices and programs for employees have remained consistent, with the average employee receiving two weeks of vacation after two years of service, three weeks after seven years, and four weeks after 15 years.

Somewhat fewer employers maintain sick day programs (30 percent) than in prior years while the number of companies with paid personal day programs remains unchanged (30 percent).