Understanding Employee Benefits

The cost of employee benefits has risen dramatically; the idea that these benefits are an entitlement to employees is changing. As a result, companies are shifting toward consumer driven health plans. These plans feature high deductibles and involve cost-sharing which requires the employee to pay a percentage of the bill or coinsurance instead of a flat co-payment. In addition to health plans, employee benefits also encompass disability, long-term care, retirement plans and life insurance.

Health Plans

Cafeteria Plans

What It Is: They must offer a combination of at least one qualified benefit which is nontaxable and a cash salary benefit which is taxable. Employees can select different types of benefits similar to how they might select food in a cafeteria line.

What's Included: In addition to health insurance, cafeteria plans can include automobile, group term life, and business travel accident insurance. 401(k) contributions and Flexible Spending Accounts (FSA) may also be offered.

These are nontaxable benefits, but there also is a choice of taxable benefits. Included is discounted group automobile or homeowners insurance, vacation days or even cash. Even though these benefits are taxable they are still benefits because they are only available to employees. The only rollover benefits are for 401(k) contributions, all other unused cafeteria plan benefits must be forfeited at the end of the year.

Employee Value: There is an increase in take home pay. These plans allow employees to select items that fit their lives.

Employer Value: Reduction on taxable income and those results in a reduction on tax liability. Payroll costs decrease, meaning savings on FICA taxes. The more the employee contributes, the greater the savings. There may also be a savings on workers' compensation taxes. An employer can control the company's share of medical costs without limiting employee's choices.

Premium Only Plans (POPs)

What It Is: Employees pay their group insurance premium contributions with pretax dollars.

What's Included: These plans can exist within a cafeteria plan or separately. Often include dental and vision in addition to health premiums. These plans do not discriminate in favor of highly compensated employees.

Employee Value: Taxes are not paid on contributions.

Employer Value: Reduces FICA withholdings.

Flexible Spending Accounts (FSAs)

What It Is: These accounts are reimbursement arrangements established by employers to allow employees to pay their group health insurance premium contribution with tax-free dollars.

What's Included: An FSA reimburses employees for health and/or dependent care over the course of a plan year. Employees decide at the beginning of the plan year what amount they want to contribute to their spending account(s). The money is then automatically deducted from their paycheck before taxes are calculated. The money can then be used to pay for out-of-pocket health and dependent care costs, including certain expenses not covered by other plans, including dental, vision, prescription drug, and some over-the-counter medications.

Dependent Care FSA expenses may only be claimed for dependents that are under the age of 13. For older dependents they must live with the employee at least eight hours each day and be incapable of self-care. Expenses include day care, baby-sitting and general purpose day camps. Unlike the Health FSA, reimbursements for dependent care cannot be given for services that have not yet been received.

Money in an FSA cannot be carried over to the next year. Unused contributions are forfeited. However, employers can allow employees a grace period up to 2 ½ months. Any qualified expenses incurred during the grace period can be applied to those funds.

Employee Value: Money they elect to put into the account is tax-free, making their taxable income lower. Reduces out-of-pocket expenses. Money can be used for expenses not covered by other plans. Full annual election amount is available on the first day of the plan year for Health FSAs.

Employer Value: Savings on FICA, state and federal unemployment taxes.

Health Reimbursement Arrangements (HRAs)

What It Is: HRAs are established, funded and maintained by employers, in conjunction with a high-deductible health plan (HDHP), to cover eligible medical expenses not covered under the employer's health plan.

What's Included: Funds in the HRA are not treated as taxable income and reimbursements are tax-free. Only employers may put money into the HRA. The employer can contribute as much as they want to, subject to anti-discrimination laws. The employee is responsible for proving that the medical expenses are qualified. Funds can be rolled over from year to year.

Employee Value: Greater control over their health care spending. Reimbursements are excluded from the employee's gross income.

Employer Value: They may restrict the scope of eligible expenses (do not have to include all 213d expenses). An HDHP usually costs less that a traditional health plan. Employee reimbursements for medical expenses may be deducted as a business expense.

Health Savings Accounts (HSAs)

What It Is: Tax-advantaged trusts or custodial accounts created for the benefit of individuals covered under a qualified high-deductible health plan (HDHP). Health Savings Accounts essentially replaced the Medical Savings Accounts, a pilot program established in 1996. The program mandated a cap of 750,000 policies, but because of the numerous restrictions only a 10th of the policies were purchased.

What's Included: It works like an Individual Retirement Account (IRA). The participant contributes pre-tax funds to an HSA and those funds can earn interest or investment returns on a tax-advantaged basis. The funds can then be withdrawn to pay for out-of-pocket qualified medical expenses without paying taxes. Another option, the money can be left in the account to accumulate for future use and can be withdrawn without penalty at age 65, to be used in any capacity.

The HDHP is used for major health expenses. Once the deductible is met with the money in the HSA the HDHP takes over for major health costs. Money in an HSA can be used for expenses not cover under the HDHP. Unused HSA balances can carry forward to future years and there is no limit on the total accumulations. Money in an HSA belongs to the employee not the employer so it can be taken from job to job or into retirement. At a minimum age of 55 catch-up contributions may be made, with a maximum of $900 in 2008 and $1,000 thereafter.

Employee Value: Funds can be saved on a tax-free basis and can be used tax-free to pay for qualified medical expenses, including dental and vision care. Funds also grow tax-free as the balance can be rolled over to the next year. Unused funds can stay with the employee and be carried into retirement. Higher deductibles mean lower premiums.

Employer Value: Employers who make contributions on behalf of employees can make deductions on their federal business income tax returns. Employers receive the deductions even if the contributions are not used in that year. Employers get an initial cost savings with an HDHP. HSAs are an incentive for employees to live a healthier lifestyle and make careful health care choices.

Limited Benefit Plans

What It Is: Referred to as a "bare bones" plan, limited benefit plans provide much lesser benefits than a traditional health insurance plan in exchange for much lower premiums. Designed to provide basic but not catastrophic coverage.

What's Included: Provide benefits at a lower cost to the employee and employer. For lower-wage, part-time or temporary workers in numerous industries, such as food service, hospitals, nursing homes, and retail chains.

The premiums are low and usually paid 100% by the employee. Some employers may pay a small portion of the premium. These plans cover much less than most employer-based policies, and have annual limits on what they will pay for all services combined as well as per-day limits on hospital room and board.

There are two types of limited benefit plans:

1. Mini-medical plan (or mini-med) – these plans have many of the same components as major medical plans, such as annual maximums, deductibles, copayments and coinsurance. The annual maximum is often $10,000 some plans may have just a $1,000 annual maximum. In comparison, a major medical plan may have a $1 million annual maximum. These types of plans also require a waiting period from six to 12 months for pre-existing conditions to be covered.
2. Indemnity plan (or fixed benefit) – these plans have a predefined amount to pay for specific services rendered. The predefined amounts are paid directly to the insured. Example: if the plan will by $50 for an office visit and the visit is actually $60 the insured is responsible for the other $10. However if the visit is only $40 then the insured can keep the remaining $10.

Employee Value: Low-cost alternative for everyday medical expenses and some prescription drugs. Provides some coverage for employees who wouldn't normally have the option to have insurance.

Employer Value: Allows an employer to offer insurance or to continue offering insurance if cost becomes a factor. Employers can decide what benefits to provide and how much to contribute to the plan.

Health Maintenance Organization (HMO)

What It Is: In this type of plan the insured must select a primary-care physician to oversee all aspects of their medical care and provides referrals to see specialists. Services received from doctors or hospitals out of the plan's network are not covered, except in medical emergencies.

What's Included: HMO plans usually have co-payments, a flat dollar amount, monthly fees and/or deductibles, and have no limits on coverage. Primary-care physicians can include family practice physicians, internists, pediatricians, obstetricians/gynecologists and general practitioners.

Employee Value: Reduced costs – as premiums and co-payments for office visits and prescription drugs are typically low. No paperwork or claim forms needed.

Employer Value: Reduced monthly premiums. Flexibility in choosing medical and prescription benefits, contribution amounts, and cost-sharing levels.

Preferred Provider Organization (PPO)

What It Is: A network of doctors, hospitals and other health care providers make up the organization, but the PPO also allows an employee to go to specialists, out-of-network doctors or hospitals without needing prior authorization from a primary-care physician. The employee is responsible for more of the out-of-network costs.

What's Included: Employees pay for medical coverage based on the individual medical services used instead of a monthly HMO fee. Employees may be required to meet a deductible.

In a PPO, like an HMO, employees are often required to pay a co-payment. The amount depends on the service received. The amount for a doctor visit generally will not be the same as the prescription-drug rate. Since the PPO involves a deductible, out-of-pocket expenses will likely be higher, and the expenditure amount is set back to zero at the beginning of each year.

Employee Value: If employees leave the network, they are still covered to a certain degree. Employees don't have to have all medical treatment approved by a primary-care physician.

Employer Value: Employers can get reduced costs through negotiated, contracted provider rates and still offer employees in-network and out-of-network benefits.

Point of Service (POS) Plans

What It Is: These combine the features of both HMOs and PPOs. The employee must designate a primary-care physician, but retains the option of receiving services from doctors without a referral, or go out-of-network and still receive some amount of coverage.

What's Included: Like an HMO, the employee chooses an in-network primary-care provider. But like a PPO, patients can go outside of the provider network for health-care services. However, unless the primary care provider has made a referral to the out-of-network provider, the employee will have to pay most of the cost. POS plans can be offered by HMOs, PPOs, or self-insured employer plans.

Employee Value: In-network savings with benefits for covered services outside the network. Referrals aren't generally necessary for out-of-network services.

Employer Value: Able to take advantage of an HMO's benefits while allowing its employees to self-refer to any health-care provider.

Indemnity Plans

What It Is: Before managed-care these plans were considered traditional. An indemnity or fee-for-service plan, there is no network of preapproved providers, so an employee can choose to visit any doctor or hospital he or she wishes. These plans are diminishing, and they are the most expensive.

What's Included: The policyholder chooses a health-care provider, meaning that the insurance company could be charged more than they expected to pay for a particular service. As a result, insurance companies often charge the policyholder a higher annual deductible to protect themselves from the choices the employee may make.

Once the deductible is met, the insurance company pays claims at a set percentage of the "usual, customary and reasonable" (UCR) rate for the service. The UCR rate is determined by the average cost billed by providers in a particular area. Some plans pay 100%, regardless of how much the service cost. The policyholder must often pay the full cost of the service out-of-pocket and then submit paperwork to be reimbursed. If reimbursements are limited, then the policyholder may ay a coinsurance, or a percentage of the total cost.

Employee Value: No primary care providers or referrals are needed. Flexibility appeals to workers who travel often or need to seek care away from home.

Employer Value: They may get an advantage in attracting and retaining employees by giving them complete flexibility.

Disability and Long-Term-Care Plans

Short-Term Disability Insurance

What It Is: It helps provide partial income protection when an individual cannot work due to disabilities that are not job related, such as maternity, illness or injury. Worker's compensation is intended for on-the-job accidents.

What's Included: Employers usually fund a short-term disability plan. Some may pay the entire premium, or they may decide to pay up to a certain amount of coverage. Employers also may require a waiting period, referred to as an elimination period. The elimination period for an illness is usually eight days. There may also be a waiting period before the employee is able to use the benefits to its fullest extent. The duration of benefits vary by policy, but six months is typical.

Employee Value: Allows the employee to take time to recover from a disabling injury or sickness. Plans are usually provided by the employer.

Employer Value: Helps the employer maintain productivity and a competitive benefits program.

Long-Term Disability Insurance

What It Is: This coverage takes over where short-term disability insurance leaves off, typically six months after the policyholder becomes unable to work. Like short-term disability insurance, long-term policies pay a portion of the individual's pre-disability monthly salary.

What's Included: Plans can be purchased to replace approximately 60% of the employee's salary. Some employers allow employees to purchase extra insurance, to raise the total to around 80%. Policies have monthly maximum payouts. A typical plan may pay benefits for five to ten years, or to retirement, with waiting/elimination periods ranging from 30 days to a year, depending on the coverage a short-term plan provides. Policies also can vary in definition of disability. Some differ in how they categorize; mental illness, back injuries, pre-existing conditions or injuries that occur during an activity deemed dangerous.

Employee Value: Allows employee to take the time to recover from a disabling injury or sickness. Plans are usually provided by employer.

Employer Value: Helps employer maintain a competitive benefits program.

Family and Medical Leave Act (FMLA)

What It Is: Allows qualified employees to have 12 weeks of unpaid, job-protected leave per fiscal year for medical reasons, the birth or adoption of a child, or for the care of a child, spouse or parent who has a serious health condition.

What's Included: To be considered eligible, an employee must have completed 52 cumulative weeks of service and have worked a minimum of 1,250 hours during those 52 weeks immediately prior to the leave. Under FMLA, the leave doesn't have to be used in a lump sum. A chronic condition may require leave on an intermittent basis. A serious health condition is defined as any period of incapacity requiring absence from work for more than three continuous days with continuing treatment by a health-care provider; continuing treatment by a health-care provider for a chronic health condition; or any period of incapacity connected with inpatient care or overnight stay in a hospital or residential medical-care facility.

In addition to the 12 weeks of leave, FMLA allows health insurance to continue at the same premium, as it was when the employee was on payroll. Upon returning from FMLA leave, most employees must be restored to their original or equivalent position.

Long-Term-Care Insurance (LTC)

What It Is: Policies help those who are physically or mentally unable to provide independent care for themselves to pay for medical and non-medical assistance. Disabilities that require long-term care can be caused by accidents, illnesses or age, and care is defined as, in-home health assistance or skilled nursing care in a facility.

What's Included: Companies may make long-term-care insurance available as a voluntary benefit. Policies purchased through an employer often are cheaper. Covered services include assistance with activities of daily living, home health care, respite care, care in a nursing home or care in an assisted living facility. Activities of daily living include eating, bathing, and toileting, maintain continence and transferring (from bed to chair and back). The amount, type and duration of care depend on the policy. In addition to care, some policies assist with making a home handicap-accessible.

Employee Value: A source of funds to pay for assistance not covered by medical insurance. Premiums generally lower if bought at a younger age or as part of a group policy.

Employer Value: Policies typically funded solely by employee. Policies guard against drop-offs in productivity or increases in absenteeism of employees acting as caregivers. Employers generally can deduct as a business expense the cost of establishing long-term-care policies for employees, in addition to any contribution they make towards premiums.

Retirement

401(k) Plans

What It Is: An account that allows employees to save for their own retirement through tax-deferred funds. The plans is set up through the employer.

What's Included: The 401(k) contribution is automatically deducted from the employee's paycheck at a percentage determined by the employee and invested in a manner chosen by the employee before the paycheck is taxed. Some employers choose to add to participants' 401(k) through employer matching. Once the money is deducted from the employee's paycheck, it can't be withdrawn without a 10% early withdrawal penalty on top of federal, and where applicable, state income taxes.

Although funds can be withdrawn for certain financial emergencies, or in some cases, borrowed against investments, the money is intended to stay in the account until the employee is at least age 59 ½. During that time the investment compounds tax-free. Money withdrawn at retirement is subject to taxes. If an employee leaves a job, the 401(k) investment can be "rolled over" into an Individual Retirement Account (IRA) or into their new employer's 401(k) plan. By doing this, they avoid paying a penalty or tax.

Employee Value: Pretax deductions mean a reduced income tax bill. There is increased investing power because pretax income amounts are higher than post-tax amounts. Annual contribution levels are higher than annuities or IRAs. 401(k) accounts can also feature loan options, while annuities and IRAs do not.

Employer Value: Employer contributions and administrative expenses associated with the plan are tax deductible. At any time the employers can change their contributions to the plan. If employment is terminated before the employee is 100% vested, or achieving full ownership of the employer's contributions, the non-vested contributions can be used by the employer to offset future employer contributions.

403(b) Plans

What It Is: This tax-sheltered annuity plan is available to employees of public school districts and community colleges as well as some nonprofit church and hospital organizations. The main difference between the 403(b) plan and a 401(k) is eligibility. Participants in a 403(b) plan include teachers, school administrators, school personnel, nurses, doctors, professors, researchers, librarians and certain ministers. 403(b) plans allow for tax-deferral of salary and tax-deferred growth of assets.

What's Included: Individual accounts, or investment options, in a 403(b) plan can be of different types. These types include the following: **Annuity Contract** – a contract provided through an insurance company; or **Custodial Account** – an account invested in mutual funds; or **Retirement Income Account** – An account set up for church employees invested in either annuities or mutual funds.

The requirements for establishing the plan depend on whether the employer will be making contributions or if only elective-deferral contributions will be made to the 403(b) plan. The employee cannot set up the 403(b) account. Employers are the only ones who can set up 403(b) accounts. Contribution limits depend on the type of contributions made to the account.

Like a 401(k), distributions begin at age 59 ½, distributions taken before may be subject to a 10% penalty. There are limits on the total contributions that can be made to the account. Terminated employees may also "roll over" 403(b) funds into a new employer's 403(b), 401(k), or governmental 457(b) plan or to an IRA.

Employee Value: There is a reduction in taxable income. The payment of taxes is deferred until the money is withdrawn from the account. There are options for employees to take loans from the plan. At retirement there is a potential for a reduced tax rate, as the employee may be in a lower tax bracket.

Employer Value: Funding costs are shared between the employer and employee. In some cases only the employees contribute to the plan.

457(b) Plans

What It Is: The employer-sponsored retirement plan is funded primarily by pretax employee contributions. Those funds are invested on a tax-deferred basis. There are two types of 457 plans: governmental and tax-exempt 457(b) plans.

What's Included: 457(b) plans offered by state and local governmental entities operate similar to 401(k) plans, in that they both involve salary-deferral arrangements, but 457 plans are not subject to certain requirements for reporting, disclosure and discrimination testing. These checks are to see if only highly-compensated and/or key employees are economically benefiting. Participants can include local and state government workers, fire fighters, police personnel and public school employees. Plans for tax-exempt organizations such as; hospitals, charitable organizations, unions, or tax-exempt 457(b) plans, are limited to upper management and have different rules for eligibility, vesting and distributions.

Another type is the 457(f) plan. This is generally offered only to very senior management at tax-exempt organizations. Through a written agreement, such as an employment contract, the employer pays out eligible executive benefits when the executive retires, dies or is disabled. The agreement contains certain conditions that executives must meet before benefits are paid. There are no limits on the amount of many that can be deferred on behalf of the qualifying executives.

Despite pretax contributions, 457(b) plans do not impose a penalty on early withdrawals, and can be rolled over into another 457(b) plan. A governmental 457(b) account can be rolled into other retirement plans such as an IRA or a 401(k), but employees with private 457(b) plans can only move them into another tax-exempt organization's 457(b) plan.

Employee Value: There is a reduction in taxable income. Contributions and earnings will grow at a tax-deferred rate. There is no penalty for early withdrawal of funds.

Employer Value: Although employers may contribute there is no mandatory employer matching program.

Roth 401(k) / Roth 403(b) Plans

What It Is: Roth 401(k) and 403(b) plans are made with after-tax dollars, and distributions are not taxed. Traditional 401(k) or 403(b) are opposite as contributions are made with pretax dollars, and distributions are taxable.

What's Included: Like traditional accounts contributions are made through payroll deductions. But since the contributions are after-tax, they do not reduce the taxable income. Distributions begin at age 59 ½ without penalty, and are required at age 70 ½ for minimum distributions. Unless the money is rolled into a Roth IRA which can be passed to their heirs.

The advantage to an after-tax contribution is that the participant knows the tax risk. Income-tax rates in 20,30 or more years could possibly be higher, so a Roth 401(k) or 403(b) plan would protect the participant from that liability.

Employee Value: Roth contributions may be withdrawn tax- and penalty-free. This can result in savings for an employee who expects to be in a higher tax bracket at retirement.

Employer Value: To have the ability to offer employees an opportunity to add to retirement savings, because income caps, which apply to the Roth IRA, they do not exist for the Roth 401(k) or Roth 403(b) accounts.

Keogh Plans

What it is: Established by the Self-Employed Individuals Tax Retirement Act of 1962, or Keogh Act, these retirement plans may be set up by self-employed persons, partnerships or owners of unincorporated businesses, as either a defined benefit or defined contribution plans.

What's Included: A defined benefit Keogh plan is similar to a traditional pension plan. In this plan, 100% of the contributions are made by the employer to themselves and to eligible employees. The employer chooses the specific amount to be received from the fund at retirement. Like other retirement plans, money cannot be withdrawn before the age of 59 ½ without a 10% penalty, and distributions are required to begin at the age of 70 ½. Keogh plans allow for tax-free rollovers into IRAs or other qualified retirement plans, but do not have a loan option.

Value to Employees/Employers: Contributions are deducted from gross income, which reduces the taxable salary. There are high maximum contribution limits. Contributions and earning grow tax-deferred. They have certain lump sum benefits which are eligible for 10-year averaging – a method of calculating income tax on a lump-sum distribution from a qualified benefit plan that reduces a beneficiary's tax liability on the distribution. It is available only to a participant who was 50 years of age or older before Jan. 1, 1986, and had been a participant in the plan for at least five years before the year of distribution.

Simplified Employee Pension (SEP) Plans

What it is: A SEP, or SEP-IRA, is a retirement arrangement where an employer contributes money to an eligible employee's Individual Retirement Account (IRA). It is designed for self-employed persons, partnerships, sole proprietors, independent contractors and owner-employees of an unincorporated trade or business.

What's Included: Despite the types of participant the plan is designed for, it may be set up by any type of business. An employer who establishes a SEP may only have another retirement plan in effect under certain conditions. The employer can make contributions to their own and each employees' plan of up to the lesser of 25% of compensation or $46,000 to an IRA in 2008. The contributions are owned by the employee, and may be withdrawn, or transferred by the employee at any time. Because the accounts are IRAs, the amounts therein are subject to all IRA rules regarding transfer, withdrawal, and taxation.

Generally, catch-up contributions cannot be made, since SEPs are funded by employer contributions only. But a contribution by employees are 50 and older can be made to the IRAs that hold the SEP contributions if the agreement with the financial institution allow for it. In the event, the amount in 2008 is $1,000. There is an investment minimum, of $2,000 per fund, and a custodial fee of $15 per year if the IRA balance is less than $10,000.

Value to Employees/Employers: Contributions are tax deductible by the company and up to 25% of the compensation paid to each plan participant. Earnings can compound on a tax deferred basis. The employer determines the amount, if any, to be contributed each year.

Savings Incentive Match Plan for Employees (SIMPLE)

What it is: A SIMPLE may be set up by employers who do not have another retirement plan and who have less than 101 employees with at least $5,000 in compensation for the previous year.

What's Included: Under a SIMPLE, the employer makes contributions to traditional Individual Retirement Accounts (IRAs), or SIMPLE IRAs, for the eligible employee. The employee may also make a tax-deferred contribution. For 2008, the employees contribution limit was $10,500, and if they are over age 50, a catch-up contribution of $2,500 is also allowed. If the employer chooses to contribute a dollar-for-dollar match of 3% of the employee's pay, then they only need contribute to employees that have elected to make contributions.

Distributions are taxed like those from an IRA. Withdrawals prior to age 59 ½ are subject to the 10% penalty. Unlike an IRA or SEP, employees who withdraw money within two years of their first participation in the plan will be assessed a 25% penalty.

Value to Employees/Employers: Employees may make a tax deduction on their contributions, while the employer may make a tax deduction on the matching amount. If the employer and employee are one and the same, both deductions apply. Contributions are made on a pre-tax basis and will accumulate tax-deferred.

Defined Benefit Plans

What It Is: A defined benefit plan is known primarily as a pension or traditional plan. The employee is promised a specified monthly benefit at retirement.

What It Includes: These plans may use a specific formula to determine final benefits, such as a flat dollar amount, a career average, or a final-pay formula.

Value to Employees: The benefit is predictable and not dependent on asset returns. Employers' contributions are generally higher. Employees can have other retirement plans.

Value to Employers: Employers can deduct more compared with other types of plans. It is a way to reward older and longer-serving employees. Benefit is paid only to employees who are vested (generally after five years of service).

Social Security

What It Is: A publicly financed system that provides financial protection for working Americans and their families when earnings are lost due to retirement, disability or death. The system is funded by a payroll tax. The employee and the employer each pay into the system.

What It Includes: To receive monthly checks, the employee must have worked a certain length of time in a job covered by Social Security (about 10 years). The earliest an employee can receive benefits is age 62, but since that is before full retirement age, payments will be reduced. Social Security benefits are entirely tax-free for most retirees, and are at least partially tax-free for the rest.

Medicare

What It Is: A federal program that provides hospital and medical insurance to Social Security recipients. Coverage takes effect for eligible recipients automatically at age 65. Certain disabled persons are eligible before age 65.

What It Includes: Beneficiaries can select their health care under different Medicare services.

Part A (hospital insurance) helps pay, with certain limits, for inpatient hospital care, and inpatient care in a skilled nursing facility, home health care and hospice.
Part B (medical insurance) covers doctor bills, outpatient treatment, ambulance services and a wide range of other services, including X-rays, some chiropractic services and equipment and supplies.
Part C (Medicare Advantage) – the individual can participate in managed care plans like HMOs. Medicare also offers a variation that works like a PPO, and private fee-for-service-plans and medical savings accounts are also available.
Part D (prescription drug plan) Medicare contracts with private companies to offer drug plans. Participation is voluntary.

Medicare Supplement Plans

What It Is: Medicare supplement plans are also known as "Medigap" plans. They are to help pay some of the health care costs that the original Medicare plan doesn't cover, such as deductibles and co-payments.

What It Includes: In most states, policies are standardized into plans labeled A through L. Each type offers basic benefits but has additional benefits that vary by plan. Plans A-J have one set of basic benefits with higher premiums. Plans K and L have a different set of benefits with lower premiums, but higher out-of-pocket costs.

Life Insurance

What It Is: The employer purchases a single group policy that provides coverage for all participating employees. The employer can get a reduced rate because the risk to the insurance company is spread out among the members of the group, and as a result, medical exams and other screening processes are generally not required.

What It Includes: Besides the primary benefit of life insurance, the funds also can help ensure that are incurred in the event of a funeral, or help pay estate taxes or protect a policyholder's family from mortgages, loans and debts the policyholder may have had.

Value to Employees: Financial protection for the employee's family. No income tax is payable on proceeds paid to beneficiaries, up to a limit.

Value to Employers: Employers can generally deduct group life premiums from taxes.

Critical Illness Insurance

What It Is: Critical illness insurance can be offered as an employer-paid or voluntary benefit. It typically pays a lump sum to someone who suffers a specified critical illness and survives. The money is tax-free and can be used for any purpose.

What It Includes: The policies are designed to pay out 30 days after the initial diagnosis. Covered illness and diseases can include: Alzheimer's disease, heart attacks, kidney failure, strokes, medical conditions arising from serious injury – such as paralysis or specified major surgeries – such as an organ transplant.

Employees can choose to opt-in and pay personally for a variety of Voluntary Benefits. These supplemental benefits can include dental care, vision care, auto insurance, homeowners insurance, legal services, childcare assistance, elder care assistance, and pet insurance.

There are also some products that employers may choose in order to protect the company such as stop-loss insurance. Employers also have some obligations to the employee and need to offer such products as COBRA and Workers' Compensation Insurance.