

COMMON JOB BENEFITS

Benefits are the set of supports, sometimes referred to as “perks,” offered to employees in addition to salary. The total package of salary plus these benefits constitute “compensation.” Because benefits can have a high economic value – with health insurance alone often costing an employee several hundred dollars a month, with additional out-of-pocket expenses when healthcare is used – it’s critical to take in to account what a prospective employer is offering in the way of these benefits as you review (and negotiate) a salary offer.

This handout focuses on 3 major, common benefits: health insurance, retirement savings, and paid time off.

Some General Considerations:

- From one organization to another, benefits vary in their start or “effective” date – meaning when access to them by the employee begins. This is also sometimes called a “waiting period.”
- “Open enrollment” periods are the one time of the year – other than right when an employee gets hired, and times when their “status” (e.g., marital or parental) changes – when an employee can adjust aspects of their benefits selection. The rest of the time, an employee is locked into a given benefits selection (esp. insurances), so choose well when you can.

Health Insurance

Concepts:

- PPO (Preferred Provider Network): These plan options allow comparative flexibility in terms of the range of providers that an employee can choose (often allowing her to continue seeing a pre-established doctor, for example, and qualifying a large network of providers from which employees can choose), and have less restrictive requirements for seeing specialists (e.g., the employee isn’t required to secure a doctor’s referral or obtain pre-approval from the insurance company). In exchange, out of pocket costs are generally higher with these plans, often considerably, compared to other options. PPOs are generally considered good for those with substantial, chronic and/or specific healthcare needs.
- HMO (Health Maintenance Organization): The key feature of HMOs is the agreement that an employee will utilize – will keep her care within – an insurer-specified network of providers. That is, the choice of doctors is generally limited to “within-network” (some exceptions are occasionally made if a certain type of provider – which the insurer agrees the insured needs access to – is unavailable in the established network, and then may seek and get permission to find beyond the network). Employees generally choose a primary care provider (main doctor) who coordinates overall healthcare, including providing required referrals for specialized care. In exchange for these gatekeeping and other limitations, out-of-pocket costs to employees tend to be lower, sometimes by quite a bit.
- Premium: The monthly charge (for the employer as well as employee) for having the health insurance.
- Employer contribution: What the employer pays toward the premium; employees cover the rest. Sometimes employers cover all of it; other times, the employees pay for everything and the employer merely has lined up a third party health insurance provider for employers to have the option to use. (In some cases – refer to the ACA or healthcare reform law – employers may be permitted to have employees go to state or federal health insurance “exchanges” to access health insurance rather than offering them directly.)
- Deductible: The annual amount that the insured (employee) must expend before insurance covers any care costs. For example, if a deductible is \$500, the employee must obtain and self-pay for \$500 in healthcare services before insurance pays for anything. NOTE: Recent years have seen an upsurge in “high deductible” plans, where an employee may accept a very high annual deductible – on the order of \$5,000, say – in exchange for a greatly reduced premium, but also more limited medical care choices. The unknowable risk of these plans is that if one faces an unexpected healthcare issue, costs can be expansive and healthcare choices quite limited.

- **Co-pay:** This is a flat dollar amount charged to the employee for accessing care – either at a doctor’s office visit or for filling a prescription for medication. A doctor’s visit might come with a \$15 co-pay, for example, while a generic prescription might have a \$5 co-pay. These are typically paid up front, at the time of service.
- **Co-insurance:** This is insurance coverage provided as a percentage of cost. For example, an employee may be responsible for 20% of medical care charges (you will often see the term “negotiated charge,” which indicates that the insurer has made a deal with the healthcare provider for a reduced fee for medical services relative to the provider’s “rack rate,” or what they would charge someone walking in off the street). In this case, rather than the employee paying a fixed fee per visit, they will be charged – usually through a bill in the mail – for each aspect of service rendered; during a “sick” visit to a doctor, there may be several services offered, each at different costs.
- **Dependent coverage:** When an organization chooses to include employee dependents in its health insurance program offering, those eligible (per ACA or health insurance reform law) include spouses (including same-sex), or party to a civil union; and dependent children to age 26 (no age limit for children with a disability). The amount that an employer contributes toward health insurance costs for employee dependents is not necessarily the same as it contributes toward employees’ – that is, it could be 100%, or it could be nothing, or something in between.
- **Out-of-pocket maximum, or cap:** This is an annual figure, placing a limit on how much an employee is required to self-pay in healthcare costs (above which the insurance pays 100%; this number generally tends to be fairly high; barring medical emergency or chronic care, it is rarely exceeded, but still important to have in place and be aware of).
- **Mental health services/Employee assistance programs (EAPs):** Some employers offer employee assistance programs, typically set up with an outside contracting agency, to provide confidential counseling in dealing with stress, substance abuse, relationship problems, and family issues and/or personal concerns.
- **Other services:** If you have specific, recurring medical needs (physical therapy, allergies, prescriptions, etc.) check to see that your treatments are covered by an employer’s plan.
- **Dental and vision insurance:** With some health plans, dental and vision coverage is included, while in others it may be only partially covered or not covered at all. Consider whether preventative care and surgical care are covered and to what extent (deductibles, co-pay, and annual and lifetime maximums).

Retirement Benefits

Retirement benefits are funds set aside to provide people with an income when they end their careers. Retirement plans fit into two general categories:

- In Defined Benefit Plans (sometimes called pension plans), the benefit amount is predetermined based on your salary (often using several of your highest years of earnings) and your years of service to the organization. Employer and often employee contributions are specified, usually as a percentage of an employee’s gross income. In these plans, the employer bears the risk of the investment.
- In Defined Contribution Plans (such as a 401k plan, called a 403b plan in nonprofit organizations), An employer contribution (often a percentage of the employee’s gross income) is specified, sometimes as a match of what an employee chooses to contribute (sometimes employers will offer a contribution without employees’ having to contribute themselves; in other cases, employees must make a minimum contribution in order to qualify for an employer contribution; and in still other cases employees can contribute, but employers do not). The benefit amount is usually tied to investment returns, which are not guaranteed. That is, the employee bears the risk of the investment.
- In some cases where DBPs are offered, there are supplemental DCP plans available as well (that is, employees earn a pension, and can also put money into a 401k or 403b plan).

Other concepts:

- Employer matching: This is typically a percentage of the employee's gross annual income, sometimes a percentage of the employee's own contribution, that an employer offers to contribute toward the employee's retirement savings (through the investment vehicle that the employer offers and employee chooses).
- Vesting: The period of time (typically several years) that an employee must work at an organization before they are eligible to keep an employer's contributions to her retirement savings there.

Paid Time Off

- Paid time off (also referred to as PTO) is earned by employees while they work.
- 3 most common types of paid time off are holidays, sick leave, and vacation leave.
- In some cases, PTO is counted by the day (e.g., 10 sick days per year); in others, organizations present it by the week (e.g., 2 weeks of sick time). The time unit is important to consider in preparing for negotiation – be sure to calculate numbers in both days and weeks to avoid being thrown by the conversation.
- Most employees earn these as separate benefits, but some employers instead offer PTO "banks." The latter means that all the different uses for paid time – sick, vacation, personal – are combined. Often, this also means that the employer steps away from regulating why an employee takes a paid day off, but in some cases employees with banked time off receive less time in total than those with separated time (vacation, sick, personal, etc.).

Other concepts:

- Accrual rate: The speed at which a benefit – particularly paid time off – is earned by the employee: e.g., X number of hours of paid sick leave per pay period; Y number of weeks of paid vacation per year. Accrual rates often increase with time at the organization ("seniority"), so that you may get 2 weeks of paid vacation in Years 1 through 3, then 3 weeks as of Year 4 onward.
- Rollover, and rollover caps: This refers to whether an employee can carry over any unused paid time off from one year to the next, and if so, how much. An organization may have a policy to allow an employee to rollover all unused time; or may (more typically) cap the amount of vacation rollover (say to 10 days), and prohibit rolling over any sick time.

Miscellaneous Benefits

- Life and disability insurance
- Accidental death insurance
- Flex time or comp time
- Professional development programs
- Relocation expenses
- Retirement investment plans
- Tuition reimbursement
- Flexible spending accounts

Sources

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