



# The Ultimate Guide to Employee Benefit Packages in Hawaii



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## INTRODUCTION:

# State of Employee Benefits in Hawaii

Offering top-quality benefits to employees has always been a challenge Hawaii employers have navigated. But rising costs and disruptions to the talent market that began during the pandemic have only exacerbated already difficult conditions. Employee needs are evolving too.

### EMPLOYERS:

**Health insurance costs are a top concern for the majority of employers. However, the need to attract and retain workers is so imperative that many employers are making enhancements to their overall benefits package.**

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**94%** of employers say managing healthcare costs is their top priority.<sup>1</sup>

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**64%** of employers say they plan on making enhancements to their health and well-being offers to support attraction and retention.<sup>2</sup>

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**58%** of employers are anxious about their employees turning over, trading lower pay for more robust benefits.<sup>3</sup>

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**47%** of employers say remaining competitive with their compensation and benefits package is one of their biggest challenges.<sup>4</sup>

<sup>1</sup> WTW's 2022 Emerging Trends in Healthcare Survey

<sup>2</sup> Mercer's Health & Benefit Strategies for 2024 Survey Report

<sup>3</sup> Aflac's The State of WorkPlace Benefits and Enrollment for 2022-2023

<sup>4</sup> Aflac's The State of WorkPlace Benefits and Enrollment for 2022-2023

## EMPLOYEES:

**Employees continue to see health insurance as one of the most important parts of a benefits package. What's interesting to note is that employee satisfaction with their overall package grew when employers offered low-cost add-ons like voluntary insurances and modern benefits.<sup>5</sup>**

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**79%** of employees ranked health insurance as the most important benefit in their benefits package.

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**86%** of employees see a growing need for voluntary benefits / supplemental insurance benefits as part of a competitive benefits program.

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**However, employees are still willing to explore other options if they're not satisfied – even if it means a pay cut.<sup>6</sup>**

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**57%** of employees would consider accepting lower wages for a more robust benefits package.

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**35%** of employees say improving their benefits package is one thing their employer could do to keep them in their jobs.

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More than ever, today's business leaders need help finding that magic balance of competitive pay, quality health plans, flexibility, development opportunities, and workplace perks to attract and retain the right workers. If it's been a while since you've reviewed your offering, now may be the time to revisit your benefits strategy and explore your options – and we hope this guide will help!

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<sup>5</sup> Aflac's 2020 Workforce Report

<sup>6</sup> Aflac's 2020 Workforce Report

## EMPLOYEE BENEFITS OVERVIEW

# What Hawaii's Top Companies are Offering—And What Really Matters to Employees

There's no silver bullet when it comes to employee benefits. What you offer depends on a variety of factors – from company culture and budgets, to employee demographics and their feedback about your offering. What are other Hawaii companies offering? Here's some insights into tangible benefits companies on Hawaii Business magazine's Best Places list are offering.

### According to the 2023 list:

**22%** offer health insurance the first day on the job

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**25%** cover at least 75% of dependents' health insurance costs

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**25%** provide maternity leave at full pay, and 16% provide paternity leave

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**55%** train managers to spot and deal with burnout

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**39%** prohibit people from working on vacation

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**38%** allow at least half of their staff to work from home

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**64%** pay for community service during work hours

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**11%** grant sabbatical leaves

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**100%** organize fun activities

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### According to the 2022 list:

**56%** Pay 100% of employee medical coverage

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**40%** Pay 75-99% of employee medical coverage

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**4%** Pay <75% of employee medical coverage

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**67%** offer 10 or more paid holidays/year

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**78%** Offer a retirement contribution match

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**Pro-tip:** Employee benefit packages can vary even within a single company. For example, the package you offer front line workers might look different from the package you offer supervisors and managers. Based on your hiring or retention goals, **consider building role-based or even retention-based packages.**

But what do employees *really* value? According to Fractl's Workplace Benefits Study<sup>7</sup>, the top ten benefits that matter most to people include:

1. Good health insurance
- 2. Paid vacation**
3. 401(k) match
4. Paid overtime
5. Dental insurance
- 6. Flexible work hours**
7. Vision insurance
8. Professional development reimbursement
9. Casual dress code
- 10. Work-from-home**

The study shows that employees actually place a *high value* on benefits that are relatively low-cost to employers, such as flexible hours, more paid vacation time, and work-from-home options.

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<sup>7</sup> Fractl's Employee Benefits Study: The Cost and Value of Employee Perks



## HEALTH INSURANCE 101

# What You Need to Know About Employer Healthcare in Hawaii

According to a national survey, 67% of employees and 68% of employers believe that employer-covered health care is the *most* important benefit in their overall offering<sup>8</sup>. But in Hawaii, health insurance is not only important to workers, state law requires employers to provide it.

In this section, we outline the **top five things** Hawaii employers need to know about offering health insurance to employees – from who is eligible to how much each party contributes toward monthly premiums.

### Key Highlights

- Employees are eligible for HC if they work **20+ hours/week for 4 weeks in a row**
- Employers must pay **at least 50% of the premium cost** for single coverage
- Employees can contribute to premiums costs, but can't exceed the lesser of **1.5% of their wages** or **50% of the coverage cost**.

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<sup>8</sup> Forbes' Best Employee Benefits In 2023

## #1. Hawaii Prepaid Health Care Act

A 1974 state law called the Hawaii Prepaid Health Care Act (HPHCA) was the first law of its kind in the U.S. to set minimum standards of healthcare coverage for workers. The HPHCA requires all private employers to offer health insurance to eligible employees and establishes baseline benefits every health insurance provider must include in their health plans. Familiarity with HPHCA rules is very essential for local employers. Why? This 1974 law imposes *stricter* rules on employers than the Affordable Care Act (ACA).

## #2. Employee Eligibility

Hawaii employees are eligible for employer-sponsored health insurance coverage if they work 20 or more hours a week for four consecutive weeks and earn a monthly wage of at least 86.67 times the state's minimum hourly wage (e.g., \$1,040.04/month in 2023\*). It's sometimes called the **4/20** rule for short.

Exemptions: Public employers are exempt from the HPHCA. Said another way, federal, state, and county workers aren't protected by the provisions outlined in the 1974 law. Additionally, certain employees of private employers are exempt from the HPHCA, including:

- Seasonal agricultural workers
- Insurance or real estate salespeople paid solely by commissions
- Individuals working for a son, daughter, or spouse
- Children under the age of 21 working for a father/mother



**Pro-tip:** With a partner like ProService, **the tedious work of tracking employee benefits eligibility is done for you.** We have systems in place to track employee hours and notify and enroll them when they become eligible to receive healthcare. With us, you're always compliant with Hawaii's Prepaid Health Care Act.



### #3. Premium Costs

How much your business contributes toward premium costs is something you control and likely dependent on your strategy to attract and retain employees. However, if your business requires employees to contribute toward the cost of their healthcare premiums, that's where HPHCA rules enter the picture. According to the law, employee contributions can't exceed certain limits, specifically the *lesser* of 50% of the coverage cost OR 1.5% of the employee's monthly wages.

Example 1:

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Sarah meets the 4/20 rule and earns \$1,800/month. Her health plan premium is \$300/month. In this example, Sarah's contribution isn't allowed to exceed \$27 (1.5% of her monthly wages) since \$50 (50% of her premium) is higher. Her employer pays the difference which is \$273.

Example 2:

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Erik meets the 4/20 rule and earns \$4,000/month. His health plan premium is \$100/month. In this example, Erik's contribution isn't allowed to exceed \$50/month (50% of his premium) since \$60 (1.5% of his monthly wages) is higher. His employer must pay the remainder of the premium which is \$50.

### #4. Waiving Coverage

While you're required to offer health insurance coverage to all eligible employees, workers can choose to waive coverage. If an employee wishes to waive medical coverage, they must complete and submit an HC-5 Waiver form – both to document the exemption, and to make sure you're not penalized. The most common situation for an employee to waive coverage is if they're covered by their spouse's employer-sponsored plan.

#### Acceptable reasons for waiving coverage:

- They are covered by another plan as a dependent
- They are covered by a federally established plan like Medicare, Medicaid or medical care benefits provide for military dependents and retirees
- They are covered by a state-legislated health care plan
- They depend on prayer or other spiritual means for healing

## #5. Selecting Providers & Health Plans

There's lots to think through when shopping for the right health plan for your team and budget. Here are some three things to consider when you weigh your options.

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### **Think about how your company's unique demographics may influence which plan or provider option is a better fit for your workers.**

What is the makeup of your workforce and how may it impact your offering? Younger employees may be willing to pay higher copays because they don't go to the doctor often. Meanwhile, older employees that go to the doctors more frequently may want to minimize out-of-pocket costs and opt for a low-deductible, high-premium plan.

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### **Think about how coverage levels can impact your labor costs.**

Employers can offer multiple levels of healthcare coverage – medical only, medical/drug/vision, medical/drug/vision/dental etc. Some employers offer medical coverage only and allow employees to purchase Drug, Vision and Dental as a voluntary benefit paid for via payroll deductions. Shifting costs to employees is one way employers are managing rising healthcare costs. However, given our current talent market, employers should weigh the pros and cons and consider if this strategy is truly beneficial or would negatively impact their attraction and retention goals.

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### **Before selecting a plan option, consider how your network of doctors, hospitals, and providers impacts your decision.**

There are two main types of health plans employers can offer – HMOs and PPOs. The key difference between the two comes down to cost and choice.

#### Health Maintenance Organizations (HMO)

- Typically means lower premiums
- Most stay in network
- Must select a PCP
- Must get a referral to see specialists

#### Preferred Provider Organization (PPO)

- Typically means more flexibility
- Not required to stay in network
- Don't select a PCP
- No referral necessary

## VOLUNTARY BENEFITS

# Low Cost, No Cost Benefits To Boost Your Offering

With the cost to provide health insurance rising, how can employers afford to offer *additional* benefits without breaking the bank?

Introducing voluntary benefits.

## Voluntary benefits are mostly or 100% paid for by employees

Voluntary benefits are products and services that are offered by employers but **paid for mostly or 100% by employees directly**, or via payroll deductions. It can include things like 401(k) retirement contributions, life insurance, disability insurance, cancer insurance, and more.

Voluntary benefits are great low cost add-ons to health insurance. As an employer, you can get cheaper rates for these benefits than your employees could on their own, which makes it a good deal for employees who want the coverage. By giving employees access to these low-cost add-ons, it's an inexpensive way many local businesses can look after their team.



**Pro tip:** With ProService, you get **access to affordable healthcare plans** not found on the open market, and you get a **robust selection of voluntary benefits**. Things like *life insurance, accident insurance, cancer insurance, short-term disability insurance, hospital insurance, discounted gym membership* and more! If your employee opts-in, we **set-up their payroll to automatically deduct** these benefits too!

HOW PROSERVICE HELPS

# Nobody Knows Employee Benefits Like ProService Hawaii

Overwhelmed by employee benefit options and cost? Let ProService Hawaii help. We'll help you figure out the right mix of healthcare and benefits that make your team feel valued and secure—all at an affordable and competitive price for your business. Unlike other local providers, we are the largest HR partner in the state, and we use our buying power of 40,000+ worksite employees to help local employers maximize their offering.

## Quality Health Insurance

Give employees medical, dental and vision coverage through Hawaii's top providers like HMSA, Kaiser and HDS. Help them enjoy healthier lives with an extensive network of doctors—whether they work on Oahu or on the neighbor islands.

## Voluntary Benefits They Love

With multiple generations working side-by-side, provide a rich array of voluntary benefits that address a host of employee needs and allow them to personalize their rewards—from Life and Accident Insurance, to Flexible Spending Accounts, Student Loan Repayment programs and more!

## Seamless 401(k) Contributions

Help your employees save for the future with rich 401(k) plans through Transamerica, which boasts over \$100 million in assets, thanks to our large buying power.

## Everyday perks & discounts

Make discounts and special rates available to your team from everyday local businesses. From fitness memberships and movie tickets, to orthodontic treatment, chiropractic care, and more.



Lari Jarvis  
Massage Envy

*“My mother worked for years as an esthetician and a 401k was unheard of in her field. To now be able to provide **401k to my team is incredibly rewarding**. And we’re only able to offer the level of benefits we do because of the **affordable cost** ProService provides to local employers.”*

## More ways we support your business!

Learn why 2,500+ companies trust ProService Hawaii as their all-in-one HR provider.

<b>Payroll</b>	<b>Business Insurance</b>	<b>Worksite Safety</b>
Pay your team easily. We'll take care of certified payroll, benefits deductions and tax withholdings for you.	Protect your bottom line with affordable healthcare, workers' comp and TDI coverage, only at ProService.	Keep your team safe and accident free with live or on-demand employee training at no extra costs.
<b>Risk Management</b>	<b>Labor Reporting</b>	<b>Human Resources</b>
Stay out of trouble with a team of experts that advocate for your needs and shield your business from the unexpected.	Easily manage labor costs with instant reporting that helps manage teams and projects on time and under budget.	Check off tedious HR and employee tasks from your to-do list. From hire to retire, we do the heavy lifting for you.

## Learn more about ProService Hawaii

[www.proservice.com](http://www.proservice.com)