

## Translating HR's Alphabet Soup

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I recently read a humorous cartoon where a typical employer is sitting at her desk while a young employee stands before her. "Congratulations," says the caption, "You've got the job. Would you like Salary or Benefits?"

While most recent grads look at salary as the most important aspect of the job offer, it is important to realize that an organization's benefit package can add up to 30% to your overall compensation. Understanding your benefits and more importantly, taking advantage of those benefits will have far reaching impact to your health, leisure and even retirement!

### **Your Human Resource Department is your Friend!**

The Human Resource department is your best resource for all your benefit questions. If you have a question about how many vacation days you have, what the sick leave policy is or how to translate the PPO/HMO/POS/SEP/FMLA alphabet soup, don't be afraid to contact HR.

### **Assessing the Benefits Package**

Typically, when you accept a full-time job offer, you will receive a packet which will outline all of your benefit choices. **It is important to read all of the information and understand your choices.** Make a list of all of the questions that arise and either check out your organization's HR website, or talk to your HR representative for clarification.

Most benefit packages include the following components:

#### ***Health Insurance***

The cost of healthcare is skyrocketing and Health Insurance is your guardian against those high premiums. You'd be surprised how much a single visit to the Urgent Care Clinic can cost you!

Most employers underwrite most of the costs of insurance for their employees. However, you may have to contribute a relatively small monthly amount which is usually deducted from your paycheck. In some organizations, the monthly amount deducted will depend on healthcare choices you make:

**Health Maintenance Organization (HMO):** Usually the most cost effective, but least flexible option. Your care must be coordinated with a primary care physician; within the network services are generally covered in full or after a small co-payment. Although you can go outside the network for care, in most cases will receive little or no reimbursement from the insurer.

**Preferred Provider Organization (PPO):** Usually a higher cost than HMO, but you can at least choose a healthcare provider within a set network. Although you can use professionals outside the network you will incur higher costs.

**Point of Service (POS) or Managed Care:** Usually a higher cost than PPO, this option gives the most choice within a managed care system. In this option, your care must be coordinated with a primary care physician and authorized care within the managed network is covered (often in full, after a nominal co-payment). You can go outside the network, but your costs will be higher.

**Traditional Plan:** Your costs are determined by your healthcare needs and you can choose any physician. In this plan you must meet a pre-determined deductible, then the plan pays a percentage of covered charges. **You** are responsible for the rest.

**Primary Care Physician:** The physician managing your care. Generally practices in any of the following medical fields: internal medicine, family practice, pediatrics or general practice.

**COBRA (Consolidated Omnibus Budget Reconciliation Act of 1985):** Legislation whose health care coverage provisions include the opportunity to continue your health coverage after leaving an employer's plan. Typically you must pay the full cost of coverage, and may continue coverage for up to 18 months.

### ***Other Health Insurance Options***

Some organizations also provide the following coverage for their employees:

- **Dental Insurance:** usually covers preventive maintenance and a percentage of repair costs.
- **Disability Insurance:** will pay out an amount if you're either temporarily or permanently disabled.
- **Life Insurance:** will provide for those you leave behind; must designate a beneficiary.
- **Pharmacy Plan:** will cover percentage or total costs of prescription medication

### ***Retirement Plan***

Retirement plans and their disbursement are a complicated issue and should best be discussed with your HR representative and a financial professional. However, many companies offer retirement plans that allow you to save pre-tax dollars into an account that can then be invested and then disbursed upon retirement age. Sometimes, your employer may contribute to your account as well, usually matching a percentage of your contributions, thereby increasing your retirement fund.

### ***Paid Time Off***

Most employers grant you time off for designated holidays, sick days and vacations. Depending on the organization, this time off takes effect once you've been with the organization a certain amount of time, or accrue the longer you have worked there.

Some organizations allow you to "bank" time off not taken from one year to the next. Example: you had 2-weeks vacation in 2006 but only took 10 days; you may be able to carryover 4 days into 2007. Check with your HR professional to see if your organization allows this.

I also want to quickly note that the Family and Medical Leave Act (FMLA) entitles employees up to 12 weeks of unpaid time-off for very specific reasons. See your HR representatives to understand your rights under this Act.

### ***Flexible Spending Accounts***

This type of account permits you to pay for IRS-approved expenditures on a **pre-tax basis**. You authorize pre-tax contributions from your pay into this account and then file claims for eligible expenses to be reimbursed from the account.

Approved expenditures include health insurance deductibles, child or dependent care costs and even over the counter medication. By designating pre-tax dollars, you reduce your income tax bill at the end of the year.

### ***Tuition Assistance/Reimbursement***

Some employers offer partial or even full tuition reimbursement for educational activities. Most companies must determine a benefit to their organization before they will approve this benefit.

***Conclusion***

I have tried to include some of the more common benefits in this little primer. Each organization will have variation of these and more! Benefit packages are often used by organization to retain their employees.

Please contact the human resource professional in your organization for more information regarding these and all other benefits for which you may be eligible.