

Maximizing Your Benefits Investment: Why Health Insurance Literacy is the Missing Link

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Employers invest millions each year in health benefits, but how many employees truly understand the full range of what's available to them? With [more than half of insured adults reporting](#) that they find at least one aspect of how their health insurance works difficult to understand, the gap between benefit design and benefit use remains a costly blind spot for employers.

When employees don't understand their coverage, they underutilize preventive care, overutilize emergency services, mismanage chronic conditions and miss opportunities to leverage voluntary benefits. The ripple effects include inflated claims costs, lost productivity and diminished ROI for employers.

The Literacy Gap: A Hidden Cost

Too often, employees view their benefits in isolation rather than as part of a holistic package. Many people spend time analyzing medical plan options but overlook voluntary offerings, such as hospital indemnity, legal services or employee assistance programs (EAPs). When these pieces are overlooked, employers lose value on the investments they've made to provide a comprehensive package.

Consider the employee who declines a hospital indemnity plan until they face an unexpected hospital stay with a high deductible. Or the employee who never realizes their legal plan covers lease reviews and struggles later without support. These aren't fringe scenarios. They represent a broader misconception: Benefits exist in silos rather than as a coordinated system.

For employers, that misconception has tangible costs. Employees who are unfamiliar with how to use their benefits effectively may overspend on healthcare. For example, they might choose a \$3,000 hospital MRI instead of a \$350 freestanding option. Those choices directly impact overall claims. Ultimately, they influence future premium renewals.

Employee Experience and Culture Matter

The ROI of benefits isn't just financial; it's also human. Employees who feel confident navigating their health plans are healthier, more engaged and less stressed. When employees don't understand their benefits, mistakes accumulate: out-of-pocket costs that can't be reimbursed, misused services or preventive care that remains untapped.

Generational and cultural differences also shape engagement. A 26-year-old enrolling for the first time has vastly different needs—and a different baseline understanding—than a 60-year-old preparing for retirement. For employees who are not native English speakers, terms like “deductible” or “coinsurance” may not resonate in the same way, making it harder for them to connect those concepts to real-world decisions.

To be effective, literacy efforts must be adaptable and culturally competent. Using plain language, relatable scenarios and translated or tailored resources ensures all employees can see how benefits apply to their own lives. Everyone understands the experience of standing at a doctor's office, unsure of what you owe—bringing benefits education down to that level of real-life relevance makes the information more accessible to every employee.

Rethinking Benefits Education

If benefits education is so critical, why is it still treated as an open enrollment exercise? In reality, it often gets crowded out as HR teams juggle recruiting, compliance, culture and countless administrative demands. Cramming everything into a single enrollment period is ineffective. Employees are already overwhelmed during that time, and important benefits can easily be overlooked.

To make benefits education meaningful, employers need to create touchpoints throughout the year rather than cramming everything into a two-week window. Off-cycle education—through summer lunch-and-learns, mid-year all-staff sessions or short reminders about underutilized programs—gives employees the chance to absorb information without the stress of a looming deadline.

The most effective employers plan these touchpoints proactively. As soon as a renewal is finalized, they map out the education sessions that will take place throughout the year, including the topics to be covered and the experts involved. This structured approach makes benefits education a year-round priority rather than a rushed annual event.

Pairing Digital Tools with Personal Guidance

Technology has given employees more decision-support tools than ever, including plan comparison apps, cost estimators and provider finders. But digital tools alone aren't enough to drive real engagement. People learn in different ways—some employees absorb information best in one-on-one conversations, others through visuals and others by exploring resources independently. Without complementary human support, even the best digital tools risk going unused.

The solution isn't choosing between digital or human support exclusively; it's combining them. Employers who layer multiple approaches—charts for visual learners, live Q&A sessions for interactive learners and on-demand PDFs for independent learners—see significantly higher engagement. Meeting employees where they are is what turns information into action.

Measuring Success

How can employers know if their literacy efforts are working? The answer lies in your utilization data. Look for indicators like higher preventive care rates, fewer non-emergency ER visits and stronger voluntary benefit adoption. Employee feedback that reflects confidence in navigating benefits is also important. When employees consistently make choices that balance quality and cost, it's proof that the education strategy is delivering results.

Employers are spending more than ever on benefits, and without health insurance literacy, these investments fail to deliver their full potential. Year-round, culturally competent education, enhanced by both digital tools and personal guidance, empowers employees to understand and use their benefits.

The real ROI is in employees who are healthier, less stressed and more confident in using their benefits. When employees truly understand their benefits, they recognize their full value as a key part of total compensation. By closing the literacy gap, employers strengthen their investment while also empowering their workforce to make informed choices, leading to better health and financial outcomes for everyone.

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