



# Espresa

Powering Great Workplaces®



Increasing Employee Engagement  
with LSAs and Reimbursements



## Learn how to improve your organization's health, retention and overall well-being with a successful reimbursement allowance program.

In today's competitive market, employee retention is the key to operating a successful business. People are the heart of any organization, and it's critical for companies to do as much as they can to ensure their employees are happy and engaged at work.

Increasing employee engagement helps to increase productivity, creativity and loyalty, leading to higher employee retention. Employees who feel valued do better work. They're more likely to form relationships with their colleagues, and less likely to leave a company that shows them appreciation.

Employers can show that appreciation through a number of outlets, including competitive compensation and core benefits, fitness and wellness programs, Employee Resources Groups (ERGs), workplace benefits and company events. But is that enough?

According to an article on Forbes, employers need to stand out by offering career advancement opportunities and employee benefits that help limit their out-of-pocket costs while promoting healthy, low-stress lifestyles.

**Reimbursement programs** do just that by allowing organizations to give back to employees for participating in self-initiated activities that enhance their well-being.

## What Are Lifestyle Spending Accounts (LSAs)?

Simply put, Lifestyle Spending Account (LSAs) reimbursement programs are a way for companies to pay their employees back. Unlike typical business expense reimbursements, which cover activities like corporate travel and client entertainment, HR-driven reimbursements cover activities like fitness, health, volunteerism and continuing education.

By paying employees back for engaging in the kinds of programs that help them better themselves, companies are investing in their teams' overall growth and wellness. These programs also give employees the autonomy to decide what they want to use their allowances or reimbursements on. Most companies on the "Fortune 100 Best Companies to Work For" list offer reimbursements.

No company can please every employee with workplace programs, company events or ERGs, but reimbursements are different, since they allow the employees to decide how to use their budgets. Espresa's data shows companies that implement these programs can see employee engagement rates reach as high as **95%**.

In fact, a study by Deloitte revealed that 67% of employees would consider reimbursement for well-being expenses to be highly valuable, but only 26% of employers surveyed in the study actually offer such reimbursement.

# What Kind of Reimbursement Programs Exist?

Reimbursement programs can be built around anything that encourages employee well-being and development, whether it be personal or professional. Some examples include:

**Gym/fitness:** A common type of reimbursement is compensation for an employee's gym membership or fitness-related expenses, like race registration fees. Some employers may require employees to check in to their gyms or fitness centers a certain number of times per month in order to receive compensation.

**Education:** Tuition reimbursement programs are growing in popularity. Typically, companies will reimburse employees partially or completely for education that relates in some way to their work, either in the form of an advanced degree or a certification.

**Relocation:** Employers with multiple campuses may reimburse employees who wish to relocate but remain with the company. However, this is more common when employers are trying to entice new prospects away from competitors. Compensating them for relocating to join the team sets an immediate precedent that the company is invested in their comfort and well-being.

**Volunteerism:** Giving back has a positive impact on everyone involved: the employees, the company and the organization being helped. To encourage employees to volunteer, employers may reimburse their teams for related expenses, such as supplies or travel to volunteer sites.

**Culture-related activities:** Companies with a strong cultural foundation want to encourage their employees to embrace and promote that culture. For example, a business based in Utah might reimburse its employees for purchasing seasonal ski passes.



# What's the Difference Between Subsidies and Reimbursement Programs?

Reimbursement programs allow for employers to create custom plans related to how, when and how much of the allowance is made available to an employee for a certain time period, while employees get the ultimate choice on where they want to spend their allowances. For instance, someone interested in yoga could put their budget toward membership at a yoga studio, while a triathlete could use their budget to help pay for race registration costs.

With subsidies, the organization makes the choice. For example, a company may choose to subsidize a boot-camp program at its headquarters as a fitness incentive. However, not all employees may decide to participate in the boot camp.

Subsidies also have the potential to alienate remote employees or employees who work on different campuses. If they don't have access to the programs being subsidized, they're likely to feel left out.

# How Are Organizations Implementing Reimbursement Programs?

Typically, companies start and maintain reimbursement programs in one of three ways.

**1. Through HR.** Many organizations rely on their HR teams to manage reimbursement programs. These teams are responsible for not only promoting the programs but also reviewing and approving receipts, ensuring payouts and keeping track of employee engagement.

This approach keeps HR in direct contact with the data, so they're able to easily see if the program is successful or not. However, it also adds a major administrative burden onto HR teams that are likely already overworked with other responsibilities. Employees, too, can easily become frustrated with the amount of paperwork this approach requires.

**2. Through expense management software.** Using expense management software relieves the administrative burden on HR and the employees, since the program handles all requests, approvals and payouts.

But removing HR from the approval process also removes HR from the data. Using this approach can result in allowance fraud; if HR isn't vetting the requests, employees may not be spending allowances on their specific allocations.

Expense management software also makes it more difficult for HR to measure employee engagement with the program, which in turn makes it difficult to make budgetary decisions based on that engagement.

Additionally, some health plans provide a rebate in case the company supports health-related activities like fitness classes or other wellness programs. In order to participate in this rebate, the company needs to provide evidence that employees are using the wellness programs. By clearly tracking the employee participation via reimbursements, the company has a documented record of participation.

**3. Through a third-party adjudication process.** Outsourcing adjudication and reporting to a third party relieves the administrative burden on HR while still providing access to detailed reports about the program's success.

However, this option can get expensive quickly, especially if multiple reimbursement programs are in place.



## What Are Some Challenges Organizations Face With Reimbursement Programs?

Reimbursement programs encourage employee engagement in a way that also benefits the organization. Employees who stay fit and healthy are likely to be more energetic and productive; they also may have lower healthcare costs. Employees who further their education can bring that new knowledge and expertise back to their job.

But reimbursement programs aren't without challenges. Here are some roadblocks and potential solutions for implementing successful reimbursement programs.



## Challenge: Administrative Burden

Tedious processes and excessive paperwork make both HR and employees reluctant to engage in reimbursement programs. Employees don't want to spend valuable time filling out forms to submit their receipts, nor do they want to go through a lengthy approval process.

And keeping track of programs, requests, approvals and pending transactions can become a full-time job for HR, especially if they're using spreadsheets. If neither party has the bandwidth to participate in a reimbursement program, it won't be successful.

**Solution:** Streamline the reimbursement program process with a digital interface that's intuitive and user friendly. Making it effortless for employees to submit their requests, and for HR to validate and approve them, increases the likelihood that a program will be successful.

## Challenge: Multiple Offices and Remote Employees

One of the biggest benefits of reimbursement programs over subsidies is that it's easier to allocate them fairly to all employees; after all, they get to choose (pending company approval) how to use their allowances.

But when offices are spread across the globe, juggling these reimbursement programs becomes more difficult, especially when they involve multiple currencies, allowances and time periods.

**Solution:** Implement a custom platform that allows HR to create specific programs for different locations, time periods and currencies. The ability to accommodate all employees with fair allowances will drive engagement and increase employee well-being.



## Challenge: Communication Between Employees and Administration

In a perfect world, all reimbursement requests would be approved without question. But what if a receipt is blurry, or an employee goes over budget? To ensure these programs are used for the right reasons, requests *do* need to be vetted, either by HR or a third party.

Traditionally, if there's a question about an employee's request, that request is denied. Communication about the problem with the request is then handled through email. This can be frustrating for the employee, who has to go back through the submission process after making changes, and for HR, which doesn't have a streamlined record of the request.



**Solution:** Use a platform that enables communication within a request until it's ultimately approved or denied. This keeps the conversation contained and allows the employee to respond to administration without the hassle of resubmitting.

Done the right way, reimbursement programs can enhance employee engagement, improve retention and contribute to the well-being of the organization as a whole. To ensure the success of these programs, HR teams not only need easy access to data, but they also need an efficient and streamlined way to include all employees.

## Definitions

**Paper Claim:** Also called a "traditional" claim, it's any claim submitted for reimbursement after an expense has been billed to or paid by the plan participant (or both).

**Carryover or Rollover:** Employers can allow participants to have unused reimbursement amounts carried over to the next eligible period (month, quarter, year). Employers have full discretion over how the carryover is managed. They may choose to allow the employee to keep all or only a portion of unused funds for use in later years, or they may require forfeiture of all fund balances after the close of the eligible period.

**Grace Period:** The time that you have to incur eligible reimbursements once your plan year has ended. A grace period can be as long as two-and-a-half months, but employers decide if a grace period is allowed and how long it lasts.

**Run-out Period:** How long you have to file a reimbursement incurred during the plan year and during the grace period following the plan year. Run-out periods typically last 90 days after the end of the plan year, but it is at the employer's discretion. For example, if your plan year is from January 1, 2018 to December 31, 2018, you have until March 31, 2019 to file a claim. The time between January 1, 2019 and March 31, 2019 is your run-out period.

**Adjudication:** The process that results in the paying or denying of a request for reimbursement.

**Plan Document:** The written document and any applicable amendments that are evidence of the employer's reimbursement program.

**To learn more about implementing a successful Lifestyle Spending Account (LSA) reimbursement program at your organization, connect with Espresa.**



Powering Great Workplaces®

### About Espresa

Espresa empowers companies to provide world-class onsite programs that employees love and associate with best places to work. With an intuitive user interface, benefits teams can easily administer onsite wellness, fitness, and lifestyle convenience services, as well as promote internal programs and events through one platform. Employers can take advantage of a streamlined vendor management by consolidating invoicing and access to a marketplace of prescreened service partners to quickly add popular programs. With Espresa, you'll also have the analytics at your fingertips to see which programs are most popular and provide a strong return on investment.

Visit [Espresa.com](https://www.espresa.com) to learn how other companies, like Flex and Workday, are personalizing their benefits.