



Group Insurance vs 'flex'

Nov. 3, 2011

Many employers are pushing the idea of moving to Flexible Benefit plans. Why are they pushing so hard - what's in it for them and what's in it for us?

Group benefit plans are based on the principle that the group shares the cost of providing benefits to individual plan members. This means that all plan members contribute to and support the benefit plan regardless of their current state of health and regardless of their lifestyle. In effect, a group benefit plan is an insurance plan designed to eliminate the individual financial risk involved with illness.

Flexible benefit plans, also called 'cafeteria', 'supermarket' or 'smorgasbord' plans are an attack on traditional benefit plans. In time they result in fewer benefits and an erosion of benefit levels. They shift the burden of costs from employers to employees. They take away the employer's responsibility to negotiate good benefit plans, and instead place the onus on individual employees to choose some benefits over others.

Employer claims about Flexible Benefits

Employers claim they save costs. Actually these plans are aggressively marketed by consulting, brokerage, and insurance firms looking for new sources of profit and more customers to help pay the administrative systems they already have in place. Employers often promote flex benefit plans as a way to choose benefits that best satisfy individual needs and claim they will "empower" individuals. They may also try to divide and conquer by marketing modular plans directly to specific employee groups within their organizations.

The Problems with Flexible Benefits

1. There's no proof that flexible benefits save money.
2. Flex plans put the onus on the individual person to determine their own benefit plan. This means that every time circumstances change, coverage should be re-examined. If you haven't chosen the right plan, unexpected needs likely mean more money out of your own pocket.
3. Flex plans do not offer the same level of protection. Unlike group insurance plans, they don't eliminate individual financial risk associated with accidents and illness.
4. Flex plans automatically pass on cost increases to individual employees. Annual cost increases in drug and dental costs are passed on to employees through higher premiums or less coverage.

SUMMARY

Flexible benefit plans are a bad deal for workers. CUPE promotes good collective agreements that include comprehensive extended benefits coverage, 100% employer-paid, for all bargaining units.

Get the full report at: www.cupe.bc.ca under Resources/Library.