BARGAINING BENEFITS

CUPE RESEARCH

WHAT TO WATCH FOR

CUPE members and staff are being told by employers that the comprehensive benefit plan cannot be maintained at the present cost and the employer is determined that his premiums not increase.

Employers use many tactics to try to reduce benefit costs. It can be difficult to argue against many of the employers' demands to erode benefit plans because they essentially all accomplish the same thing – reduce benefit costs to employers at more or less cost to members of the plan.

Usually locals are at a disadvantage when employers present cost cutting proposals because we don't have the same access to plan statistics and plan provider experts. Where the local finds itself in a numbers game with the employer, it may be appropriate to examine an alternative (See the Overview section of this Facts Series), like pooling so that the same or better coverage can be provided to a larger group of employees at less cost.

Here are some of the ways employers try to whittle away at benefit costs:

1) Increasing Employee Share of the Premium

- In many CUPE collective agreements, the union and the employer share the cost of benefit premiums, often "50-50".
- Employers, in response to increasing costs may attempt to raise the employee premium share (e.g. from 50% to 60% for employees).
- Any increase in the employee share of premiums passes more of the cost of providing the benefit on to employees.
- Once given up, decreasing the employee share can be very hard to win back.

2) New or Lowered "Caps" or Maximum Payments

- A cap is a ceiling on how much the carrier (insurance company) will pay. Once you hit the ceiling, you pay 100% of the remaining costs. ("Caps" can be expressed in dollars, number of hours/days, or number of occurrences.)
- Most CUPE members' benefit plans have maximums for certain services (e.g. massage therapy, chiropractor). By adding caps to more benefits, or lowering existing caps employers pass on a greater share of the costs to individual employees who will either pay the extra, or use the services less frequently.
- Capping the whole insurance plan is more problematic. In this case, the carrier caps the amount reimbursed to employee for total health care expenses incurred during the course of a year. This can be devastating to employees who are seriously ill and exhaust their coverage due to the significant medical expenses they face.

- Lifetime caps are also a major concern. They assign a maximum amount for specific benefits (again, in dollars, number of hours/days or number of occurrences) or globally, that an employee can claim in her/his lifetime. Lifetime capping disadvantages long-term employees and employees with ongoing and serious medical issues. Global and/or lifetime caps are a serious threat to the concept of a true health insurance system that is available when people need it.

3) New or Increasing Deductibles

- A deductible is a lump sum payment payable up-front every year, before the carrier will reimburse eligible expenses. It is similar to the amount that auto insurance policy holders must pay before they are reimbursed for a claim.
- Benefits deductibles are usually a relatively small amount (e.g. $10 to $25 per year) and depend upon the size of the household – single or family.
- Increasing deductibles is just another way of passing costs on to employees.

4) Co-insurance

- Co-insurance usually applies to claims submitted made under a plan, and refers to the share to be paid by each party e.g. employer 80% employee 20%.
- Co-insurance is found most often in dental plans e.g. employer pays 80% of every claim and the employee pays the remaining 20%. It does not refer to the share of premiums, and it is paid after the deductible is paid.
- Co-insurance has the most impact on people who have to incur unexpected large expenses such as private duty nursing or air ambulance services.

5) New or Increasing Co-payments

- Co-payments require employees to pay, in addition to deductibles and co-insurance, a portion of the cost of each claim for a service.
- It may be a percentage or a fixed dollar amount, and is usually paid up front every time the service is used.
- Co-payments are most often found in drug plans where employees must pay for example $5 per prescription.
- Co-payments put a tremendous burden on frequent users of prescription drugs.

6) Fee Guides

- Each regional or provincial dental association produces a Fee Guide. However, there can be different fee guides for different areas of specialty.
- Most CUPE plans only cover a general practitioner fee guide.
- Dentists negotiate higher fees every year (generally at a faster pace than the rate of inflation).
- The union's objective should be coverage for current fee guides for general practitioners and specialists. If your coverage in not current, higher rates will eat into take home pay.
- Employers use fee guides to erode benefits by:
  - Shifting the reimbursement of services to the low or mid range of the fee guide.
  - Maintaining an outdated fee guide.
  - Adding frequency caps on certain treatments and dollar caps on lab and other components.

7) Managed Care

- Managed care refers to programs developed by the insurance company and/or employer to save money when providing health care to employees.
- Examples include: Flexible benefit plans, Health Spending Accounts (HSAs), Wellness Programs such as Employee Assistance Programs, Diversity Management, and Ergonomics Programs.
- Managed Care is not about improving benefits, no matter what its advocates claim! It is about concession bargaining and forcing workers to cover more of the increased cost of benefits.
- Flexible benefits or health spending accounts may save costs but they limit the kinds of benefits available to employees compared to the benefits that would have been available to them under a group plan.
- Wellness programs have been shown to reduce demand for medical services. In and of themselves they are frequently beneficial for employees. However, they beg the question: are employers treating the symptoms rather than the cause? E.g. for stress reduction programs is there something about the work environment that the employer should be managing directly?
- Drug formularies (see the "Drugs" Fact Sheet in this Series) are managed care. They allow employers/insurance carriers to determine what drugs are paid for and what are not based on some set of criteria, usually cost.
- Managed care allows employers/insurance carriers to gain control over the provision of medical care. For example they:
    - Dictate that certain classes of drugs could be used while others could not.
    - Require employees to obtain care at a specific facility (e.g. a rehab centre) where treatment is paid by the insurance company.
    - Establish prescribed standards for treatment (e.g. that an injury had to be treated by a physiotherapist rather than some other health care professional.
    - Limit the number of visits to the health care professional for treatment. A common proposal CUPE locals have encountered is the increase in recall time for teeth cleanings from 6 to 9 months.

The bottom line is that all of these measures are designed to reduce the coverage provided to employees, in order to cut costs. The successful introduction of any one of them may well prove to be the "thin edge of the wedge".

Sometimes a strong membership can shut down employer demands for concessions by demonstrating that they are prepared to defend the benefits package against any erosion or concession. The following points may help to solidify support:

- Members may be reminded of what they gave up in other improvements in the past in order to obtain better benefits eg. improved benefits have often been negotiated as a substitute for higher wage increases.
- Erosion of benefits is equivalent to a wage reduction. Costs that were formerly covered by the benefit package will have to be paid out of the employee's pocket. This means greater health costs for employees and reduced income for other purposes.

Bargaining benefits is not easy. There are lots of pitfalls and lots of ways employers can play with the numbers. But it is not impossible. For example in the Ontario School Board sector, Local 1176 (the Bluewater District School Board) negotiated a reduction in what employees pay from 22% to 10%. CUPE members at the Keewatin Patricia District School Board (Local 1939) ended an employer $1,500 per year ceiling and negotiated an 85/15 employer/ employee premium split that moves to 90/10 in the sec0nd year of the agreement (2006). These gains are being won at a time when Ontario school boards are facing tight funding, struggling to avoid deficits, and receiving no increases from the Province for wages and benefits.

For further information on managed care see: “Managed Health Care” 1998 in the Benefits section of the CUPE website or available from CUPE Research Branch. See also the Collective Agreement Language in this Series for examples of negotiated language locals have used to protect benefits.

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