



BARGAINING BENEFITS

CUPE
RESEARCH



AN OVERVIEW OF THE ISSUES

The quality of workers' benefits has a huge influence on their well-being. At bargaining tables across the country, benefits are under attack. Faced with large increases in health costs, employers are demanding concessions in existing benefits and, in collaboration with insurance companies, developing new and creative ways to erode benefit plans.

The major reason group benefit plans work, is that healthy people help provide coverage for not so healthy people. Given that none of us know when we might be the "not so healthy", paying for benefits now, ensures they are available when we need them. Group coverage also has the advantage provided by "economies of scale"- costs are cheaper when spread across a large group.

This kit is designed to provide information that can help staff and members better understand employers' benefits proposals, defend benefits plans, and offer constructive and more "employee friendly" alternatives to employer cost-saving proposals.

The rising cost of providing benefits is undeniable. But it is important to understand the reasons for these increases and why the response of employers is limited and misdirected.

Why Are Benefit Costs Surging?

Between 1990 and 2004, benefits costs doubled and they continue to increase at an alarming rate. Why? Bad government policies, global shifts in the insurance industry, and the practices of greedy and unethical drug companies are among the reasons.

1. Bad government policies:

- Drug patent legislation - The federal government recently passed legislation that protects drug companies from competition for 20 years. That means drug companies have a 20-year monopoly on whatever drugs they produce, and can set prices without competition.
- Provinces are de-insuring health services – Governments are removing services from the list of what they pay for.
 - According to a survey of the Mutual Group, this has boosted the premiums for group coverage anywhere from 4% to 35%, depending on the de-insured service.

- This “delisting” of medical services means that citizens without insurance plans have to pay out of their pockets, and those with private benefits plans see the costs of their plans increase.
- Most insurance policies are “top-up” policies, where the carrier must automatically pick up a service that the provincial Medicare program drops. So, employers and workers now pay for services that we once paid for by taxes.
- Early Release From Hospitals – Governments try to cut costs by reducing hospital stays for patients undergoing surgical procedures. The result is that the cost of services once provided in hospitals and paid for by taxpayers, are shifted to the patient and their benefit plan.
- Stressful Work Environments – Politicians’ refusal to responsibly invest in public services and the resulting cutbacks in public sector jobs and services, have had huge implications for the stress levels and thus, the health care needs, of our members. In addition, older workers, who account for the largest group of public sector workers (fewer younger workers are being employed due to hiring freezes and other restrictive hiring practices), tend to use more benefits and must work longer, because early retirement options are also under attack.

2. Shifts in the insurance industry

- De-mutualization – By April 1998, four of Canada’s largest insurance companies had converted from mutual companies (owned by policy holders), to stock companies, (owned by shareholders). Demutualization has meant that these companies are expected to produce profit for their shareholders, so profits must be included in the cost of the service they provide.
- Mergers – Numerous mergers in the Canadian insurance industry over the past few years have shrunk the number of large, consolidated insurers. This removes the option of switching providers to try to reduce costs, and minimizes competition, which allows companies to charge higher prices for benefits. This situation is particularly problematic for small locals - larger insurance companies won’t cover them because there is little profit in small plans, and when they do insure them, it is usually at a higher cost.

3. Drug company practices

- The huge drug manufacturers lobbied hard for the patent legislation protection--and won. Now by applying for a court injunction, the current twenty - year patent protection can be extended by at least two years and probably more depending on the length of the litigation. This dubious practice serves little other purpose than to protect drug company profits and market share.

- The drug patent legislation has delivered what we knew it would - larger than ever increases in drug costs. New drugs have patent protection for 20 years, and with no competition from generic drugs, drug companies can charge what they want.
- The use of generic drugs saved Canada's health care system more than \$1 billion in 1999. (Source: *'Viewpoint'* a publication of Canadian Drug Manufacturers Association, Winter 2000)
- Green Shield Prepaid Services Inc. studied drug claim costs over the five year period 1987-1993. The study found that the cost per claim for all prescriptions increased by 93% compared to an increase in the Consumer Price Index (CPI) of 23.1%. The increase was broken down as follows:
 - New drugs 54.6%
 - Increase costs for existing drugs 33.9%
 - Increasing use of existing drugs 15.1%
- 20% of respondents reported that they plan major overhauls to their benefits plans, such as implementing flexible benefits. (Source: *Conference Board of Canada "Compensation Survey of Employers", 2003*)

Benefit cost increases are not a direct result of increased use, or aging populations. The bulk of the increase is due to government policies that protect drug company profits and de-list services which privatizes costs. So, doesn't it make sense that the solutions we seek need to address these "big picture" issues? Employers whittling away at deductibles, caps, only downloading the cost onto workers, it does not provide a long-term solution.

Employers, faced with real rising costs for health and welfare benefits, respond by attempting to implement aggressive cost containment measures such as:

- Flexible or cafeteria style benefit plans,
- Health spending accounts,
- Managed care programs,
- Increased employee share of benefits costs
- Reduced coverage.

These measures are developed by benefit management companies hired by health insurance companies. These firms tend to be American-based, importing American health insurance models. Their services include helping insurance companies determine eligibility, benefits, and reimbursement rates, and adjudicating and pay benefits claims. The major firms operating in Canada are Assure, ESI and RxPlus. Together they control 80% of the Canadian market.

So, contrary to claims, this study shows the bulk of increased costs is due to pricing rather than increased use. (Source: *Analysis of Drug Claim Costs 1987-1993, Green Shield Canada.*)

Employer Responses to Cost Increases: Roll Back Benefits!

According to the Conference Board of Canada's 2003 compensation survey of employers:

- 58% of respondents reported that they had raised deductibles and co-insurance; and,

Employers' responses are shortsighted. Governments should be paying attention because this approach has implications for public policy: In the long run not providing adequate benefit plans will affect workers health which in turn:

- increases the demands on the public health care system
- creates stormy labour relations
- increases absenteeism rates
- reduces employers ability to attract employees.

CUPE's response: Fight Back!

Our first objective is to continue the fight against privatization, de-listing of medical services and cuts to health care.

In the meantime, we will continue to struggle for all workers to have, as a basic right of employment, access to a comprehensive package of health and welfare benefits, at little or no cost to the worker.

How Can We Fight Back?

This issue needs to be fought at the bargaining table and in the political arenas. Where locals have good relationships with employers they can try to encourage them to join us in the fight against the drug patent legislation and the de-insuring of drugs by provincial governments.

CUPE's no concessions policy also applies to benefits. This means resisting:

- Flexible Benefit Plans
- Health Spending Accounts
- New or increased deductibles
- Co-insurance

- Increases in employees' share of premiums
- New or lowered caps on coverage

We hope that this information produced by the Research Branch will help in the fight to protect benefit plans.

- The better-informed staff and members are, the better they are able to **resist employer attacks** on benefit plans.
- Locals are encouraged to **include the group plan details in the collective agreement** text so that terms and conditions can be amended and improved through the collective bargaining process. This reduces the chance that employers can unilaterally change terms and conditions of the benefit plans.
- Locals may want to consider joining together to seek **multi-employer benefits coverage**, through a common carrier. This approach creates larger groups, which reduces costs and creates a sizable plan that can demand good coverage from large service providers. A prime example of this approach is CUPE's Multi Sector Pension Plan, which offers employers and locals regardless of size, participation in a defined benefit pension plan.

While locals battle at the bargaining table, CUPE continues the campaign to lobby provincial and territorial governments to stop de-insuring elements of Medicare programs, increase federal health funding, and encourage the introduction of legislation that will allow for generic drug products to enter the market sooner.

The Facts on Bargaining Benefits
Series includes The Facts On:

- Drugs
- Health Spending Accounts
- Flexible Benefits
- What to Watch For
- Collective Agreement Language

We plan to continue to produce materials on this important issue with pieces on: Costing the Employers Benefit Proposal, Attendance Management Programs, Benefits for Part Time Workers.

Also, check out the CUPE website at cupe.ca for more information on benefits such as:

- CUPE Facts: “Fighting Benefits Takeaways” December 2000.
- “Demutualization means cash windfall for many Employers” November 1999.