



Work Smart Live Smart

Flexible Benefit Plans – Supporting Employee Wellness

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The Issue:

According to the Canadian Institute for Health Information, private health expenditures have skyrocketed to \$32.9 billion annually as of 2002. Drug costs account for an increasing share of these expenditures and they will continue to do so. Drug costs will reach \$30 billion by 2010 based on the fact that there has been a 2-3 time increase in drug costs every decade since 1950 (\$3 billion in 1985 and \$12 billion for 2000) and the introduction of new and more expensive drugs and increased utilization driven by an aging population.

However, key findings from a February 2003 Aventis Healthcare Survey revealed that 60% of health plan members recognized that plan costs have risen significantly for their employers over the years and about half of all members recognized that the plan costs have risen significantly for them as well. 80% of employees also acknowledged a personal responsibility to control costs associated with their drug plans.

A Possible Strategy:

Historically, employee benefit plans have been provided on a one-size-fits all basis, designed to meet the perceived needs of the assumed 'typical employee and family.'

The diversity of employee needs and the advent of technology have contributed to a growing trend towards more flexible benefit arrangements. According to Green Shield Canada, flexible benefit plans continue to grow in popularity and offer employees the opportunity to select those benefits they need, while helping the employer manage benefit plan costs. Benefits or options are paid for using the credits the employee has been assigned. Unused credits are commonly deposited into a health care spending account, cashed out, carried forward or put towards an RRSP. Employers determine how much they wish to contribute towards the plan, usually based on a flat dollar amount per employee or a percentage of each employee's salary.

Flexible benefits are a natural choice for employers seeking to partner with employees in managing benefit plan costs.

A multitude of choices are becoming available with the majority of flexible plans designed within four major themes:

1. Modular Plans
2. Private Health Services Plans
3. Core Plus Option Plans
4. Cafeteria Plans

Employer Benefits:

Flexible benefit plans allow the employer to pre-determine, control and fix their annual benefit contribution costs. Prior to the end of each year, the employer determines the amount of contributions for each employee for the next calendar year and the employer's selected contribution amount remains fixed. The cost of the program is known and controlled by the plan sponsor.

Employee Benefits:

Flexible benefits can help employees to utilize their benefits by increasing coverage in particular areas or by not duplicating coverage between spouses. Flexible benefit plans cover a wide range of non-taxable services and with the level of reimbursement up to 100%.

Employees are looking for control over their health and well-being. Two of the top five attractors for Canadian employees according to a survey by Towers Perrin in 2002, were competitive health care benefits and recognition for work. At various points in their careers employees may require an assortment of benefits that cover diverse health strategies particular to their health or their family health needs. An employee with young children may have very different health coverage needs than someone who is approaching retirement. Flexible benefit plans adapt to these changing needs and can reduce the stress associated with these concerns. Flexible benefit plans can also be used as part of a workplace recognition program or as a reward for adapting healthy lifestyle choices that in turn saves on future benefit plan usage.

Potential Challenges:

Flexible benefit plans are more difficult to administer and may not be accessible to companies with fewer than 100 people. Unwise employee benefit selection may result when employees may not have the expertise to select the proper benefits from the alternatives offered. An unwise selection can result in inadequate employee protection and losses.

A limited flexible benefits plan may offer spending credits or dollars to be used to purchase non-traditional benefits such as increased vacation days, child-care or term insurance on dependents on top of core benefits which provide a reasonable level of protection against the major sources of personal risk. This allows individual employees to use their credits for the purchase of additional benefit options suited to their unique needs.

Conclusion:

Employer healthcare costs are rising. Flexible benefit plans are one way to allow employees some control over their health and well-being spending while offering a more predictable environment for the employer. According to one expert, “Cost shifting strategies are good and necessary but they will still only have a limited impact on long term trends,” says Kevin Hollis, Maritime Life’s Manger of Health Care Consulting Services. “Family health is the only way to achieve a measurable lasting impact on plan costs. The key is to work in partnership with plan sponsors, employees and the larger health care community toward a common goal of wellness.”

Along with flexible benefit plans, employee education around smart choices is needed from the types of drugs employees buy to the way they look after their personal health and well-being. All of these education strategies raise the consciousness of employees. According to the report, Drug Plan Management: Yesteryear, Today and Beyond, if smart choice messages are presented clearly and often enough, and are supported by effective plan design, benefit costs will go down.

Stress and wellness specialist, **Beverly Beuermann-King** translates current research and best practices information into a realistic, accessible and practical approach through her dynamic stress and wellness workshops, on-line articles, e-newsletters and media interviews and through a collaboration called *Awakening The Workplace*. Visit www.WorkSmartLiveSmart.com for more on Beverly and her wellness work.

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