



Fixing the Flex System

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Opening the Door for Discussion

The context for today's meeting...

"On January 1, 2011, implement the May 2008 FRIC recommendations. The University of Iowa administration may modify these recommendations if financial circumstances warrant or if the University governance process produces additional modifications that improve upon the 2008 FRIC recommendations while still achieving the goals of financial sustainability and competitive fringe benefits." --President Sally Mason

- My goal today is to highlight improvements that are within reach...
...there is a better way forward...



What the FRIC Proposal Achieves

- Cost savings for UI
- An improved sense of equity
 - Singles benefit
 - Single parents benefit
 - Individual employees with non-UI spouses/families benefit
 - Mean benefit across categories = \$1130 ($N = \sim 60\%$ of employees)



But at what cost?

- Loss of the Flex Benefits System
 - Employees like choice and are happy with the current system (see Chronicle of Higher Education Survey; UI in top 10 in 4 categories)
 - The Flex System is viewed as a strong recruiting/retention tool (e.g., Medical College)
- 30-40% of employees will see a reduction in benefits
 - Dual-employee couples/families
 - Employees receiving insurance from other sources
 - Employees insuring just themselves
- The reduction is quite severe ($M = \$3135$ per category) and impacts lower-income employees (see FixFlex petition analysis)



Concepts behind the Spencer Plan

1. Keep the Flex System—maintain choice
 - If UI is in the 10 Top in *anything* positive, the community should work hard to stay on top
 - A central tool for recruiting/retention
2. Treat *all* employees equitably
3. Maintain a family-friendly work environment
4. Save money through equity and decoupling expenses from health care inflation
5. Protect employees from rising health-care costs



What is the Spencer Plan?

- Every employee gets the single coverage premium for health (UI Choice) / dental (Dental II) or the equivalent value to use as a flexible credit (*choice/equity*)
- Every employee receives a \$90 general flexible credit (*choice/equity*)



What is the Spencer Plan?

- UI covers 80% of health/dental premiums if spouse/partner/family need UI insurance that is not otherwise covered (*family-friendly*)



What is the Spencer Plan?

- UI covers 100% of costs of health/dental premiums for children of dual-employee spouses/partners who need UI insurance (*equity/family-friendly*)
 - Each employee gets single coverage + 50% of premiums covered for children (less than single parents, but children are fully covered)



What is the Spencer Plan?

- UI covers life insurance at 2X salary or the equivalent value to use as a flex credit with a minimum of 50K life insurance coverage (*choice/equity*)



What is the Spencer Plan?

- UI covers 70% LTD with no phase-in (*equity*)



Advantages of the Spencer Plan relative to the FRIC Proposal

1. Spencer Plan keeps the Flex Benefits system alive and well
 - Employee recruitment, retention, satisfaction
2. Spencer Plan is cheaper to implement
 - Simply adjust the amount of credits given to categories of employees



Advantages of the Spencer Plan relative to the FRIC Proposal

3. Spencer Plan is more equitable
 - Each employee is treated as an individual employee (vs. the less-than-equitable treatment of dual-employee spouses/partners/families)
4. Employees are better protected from rising health care costs
 - Flex Credits are linked to the single premium level (vs. "general credits" which aren't linked to anything)



Advantages of the Spencer Plan relative to the FRIC Proposal

5. Fewer employees will return to the UI insurance system
 - There is no need for a “stay-away” general credit; employees will stay away because they maintain choice through the Flex system and receive equitable benefits



Advantages of the Spencer Plan relative to the FRIC Proposal

6. The benefits / losses are more equitably distributed across categories

	Spencer	FRIC
	net annual diff (per emp)	net annual diff (per emp)
Single	1080	1080
emp-spouse (just emp)	-2124	-2124
emp-spouse (UI ins)	1130.4	1130.4
emp-spouse (dual)	-2124	-2124
emp-spouse (non-UI ins)	-2124	-4536
emp-child	1161.6	1161.6
emp-family (just emp)	-2808	-2808
emp-family (UI ins)	1147.2	1147.2
emp-family (dual)	-594	-1998
emp-family (non-UI ins)	-2808	-5220



Advantages of the Spencer Plan relative to the FRIC Proposal

7. Better PR

- The Spencer Plan does not require employees to re-think benefits / compensation
- The rationale for change is clear: greater equity and cost savings while maintaining choice and a family-friendly workplace
- And UI can be up-front about the need for shared sacrifice



Advantages of the Spencer Plan relative to the FRIC Proposal

8. UI might avoid future friction through thoughtful change

- FixFlex wants to encourage discussion and movement forward
- Recruiting new employees during the transition period will present challenges for HR
- And change is in the air...



What's the downside?

- The Spencer Plan saves UI less money
 - ~15 million in savings (vs. ~20 million with FRIC)
- Need a formal cost analysis that considers...
 - Cheaper implementation cost
 - Better “stay away” numbers
 - Savings associated with employee satisfaction, recruitment, and retention
 - cost out advantages 1-8



The Bottom Line

- The Spencer Plan has many advantages and decouples ~15 million from health-care inflation
 - The Spencer Plan achieves the goals of financial sustainability and competitive fringe benefits*
- The lower cost savings are more than compensated for by maintaining choice, greater equity, and greater employee satisfaction (keeping us in the Top 10)