



PNHP Forum Report

LABOR AND THE AFFORDABLE CARE ACT

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What are multiemployer plans?

Multiemployer plans, or Taft-Hartley plans, allow labor unions to combine employers and bargaining units in managing their members' benefits, including pension benefits and welfare benefits, e.g. medical, dental, disability. Most multiemployer funds conform to the Taft-Hartley law of 1947 requiring joint oversight by union and management. These plans exist in industries characterized by small employers and seasonal or temporary employment such as construction, transportation, entertainment, retail, and service industries such as lodging and health care. In many cases, employers make contributions to the funds based on hours worked or earnings so that members continue to have coverage when they are between jobs and sometimes into retirement. Thus, these plans serve as a working model for universal health care reform — pay into the plan while you can, to have coverage when you can't. Understandably, a model that expands coverage is not popular with employers who want to limit coverage. To the disappointment of many union sponsors, the Affordable Care Act has made their situation worse.

What are some challenges that the ACA poses to multiemployer plans?

This valuable model for health care reform may end up being a casualty of health care reform. Who really benefits from the expansion of health insurance provided by the ACA? The very poor are taken care

of (to some extent) by Medicaid. Most of the stable workforce is taken care of by employer benefit plans. The people who need expansion of coverage are those employed by small employers and the marginal workforce, part-time and seasonal workers, the very workforce that multiemployer plans cover. But those employers who participate in the multiemployer Taft-Hartley plans are now being offered less expensive options that they didn't have before; they no longer have to rely on the more generous multiemployer plans. Instead, they can purchase group coverage from the exchanges and receive tax credits, or they can allow their employees to purchase coverage on an exchange far cheaper than they might be able to get it through a plan. This is a serious threat to multiemployer plans, especially those that provide benefits in lower-wage industries.

Multiemployer plans would like to participate in the exchanges offered under the ACA, just as commercial insurance plans can. This would allow their workers to receive subsidies and their employers to take advantage of tax credits. This idea has been rejected by the Obama Administration and by conservative lawmakers on Capitol Hill.

Another casualty of the Affordable Care Act is the continuity of coverage that multiemployer plans offer — continuous coverage regardless of employer. With the Affordable Care Act, people move in and out of

coverage, from an exchange plan to Medicaid to an employer plan, as their work situation changes.

Multiemployer plans eliminate this “churn.”

Whether members of the union are working or not, they are covered.

What is the AFL-CIO position?

In addition to recognizing the impact of the ACA on multiemployer plans, AFL-CIO Resolution 54 focused on two other defects of the Affordable Care Act: It taxes health benefits, and its employer mandate is too weak.

The so-called “Cadillac tax” will tax the “excess” cost of plans at a 40% rate. With health costs increasing two or three times as fast as the cost of living, most employer plans will end up paying this tax. This makes no sense. It taxes good coverage and punishes workers, because employers will reduce the coverage they provide to avoid the tax. Thus, a law meant to expand coverage provides incentives to reduce it.

Resolution 54 argues that the employer mandate should be applied to all employers with at least five employees, because many small contractors have just five to twenty employees. However, at present the penalties apply only to employers with 50 or more employees, and employers can escape the penalty by

moving workers to part-time status or by offering barebones “skinny plans.”

Conclusion

The employer-based insurance system clearly does not give the labor movement the affordable, continuous coverage it has sought for decades. Additionally, the Affordable Care Act makes health care an individual responsibility. This is the same slippery slope that has undermined retirement security in recent decades. Health care needs to be recognized as a public good and a public responsibility. We can only get this with a single payer system.

The Future

What could be the role of multiemployer plans in a single payer world? Multiemployer plans can continue to contribute to the welfare of their members by offering wraparound coverage if needed — dental, vision, alternative practitioners, disability, or wellness programs — and in a stable cost environment. Multiemployer plans have always found ways to respond to the needs of their members. That will not end with transition to a single payer system.

Report prepared by Erica DeMond & Len Rodberg

WHAT ARE SOME IMPLICATIONS FOR LABOR OF THE AFFORDABLE CARE ACT?

Mark Dudzic, National Coordinator, Labor Campaign for Single Payer

The ACA still treats health care as a commodity, not a fundamental right. It still relies on employment-based insurance to provide health care for a huge section of the population, while at the same time undermining that system in a number of very pernicious ways:

- (1) It enhances the “race to the bottom” in health care through the tiered “metal” system. While many union plans pay between 87% and 100% of health care costs, insurance at the “silver” level is set as the new standard but pays just 70% of expected costs.
- (2) The so-called “Cadillac” tax threatens the best, most comprehensive union benefit plans. Ultimately, nearly everyone will have to pay it or radically cut their benefits. In 2018, when it takes effect, something like 30% of all union contracts are expected to be impacted.
- (3) The ACA adversely affects low-wage and part-time workers, excluding them from coverage by employers and encouraging employers to reduce working hours and keep their employees uninsured.

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