



Health Coverage for Labor Union Markets

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Organized labor, representing one in ten Americans, is one of the most influential purchasing groups in the health care industry. Labor organizations in America have fought for and typically won better health benefits for more than 30 million people on behalf of the 15.3 million unionized workers. In the current economic environment, unions and employers are struggling to balance health benefit changes against employment losses. As unions and Taft-Hartley plans consider health benefit compromises, opportunities abound for health plans that have innovative cost control strategies. This brief examines labor unions, Taft Hartley plans and the insurers that have successfully partnered with them.

Unions in America

A trade or labor union is an organization of workers who have banded together to achieve common goals in key areas, such as health benefits. The trade union, through its leadership, bargains with the employer on behalf of union members and negotiates labor contracts (collective bargaining) with employers.

In January 2010, the Bureau of Labor Statistics (BLS) released membership data on unions in the United States. In 2009, the number of workers belonging to unions declined by 771,000 to 15.3 million, largely reflecting the overall drop in employment due to the recession. According to the BLS report, the union membership rate (the percent of wage and salary workers who were members of a union) was 12.3%, essentially unchanged from 12.4% a year ago. It is interesting to note that union membership has fallen from 17.7 million union workers in 1983, the first year where comparable union data was available.

The number of public sector employees in unions, 7.9 million, exceeds the 7.4 million private sector employees. Within the public sector, local government workers had the highest union membership rate, 43.3%. This group includes workers in heavily unionized occupations, such as teachers, police officers, and fire fighters. Private sector industries with high unionization rates included transportation and utilities (22.2%), telecommunications (16.0%), and construction (14.5%). From a health plan's underwriting perspective, many unionized industries are at risk for higher medical costs, due to either the physical demands of the trade or exposure to other risk factors.

The largest numbers of union members lived in California (2.5 million) and New York (2.0 million). About half of the 15.3 million union members in the U.S. lived in just 6 states though these states accounted for only one-third of wage and salary employment nationally. Four states had union membership rates over 20.0% in 2009-- New York (25.2%), Hawaii (23.5%), Alaska (22.3%), and Washington (20.2%).

Union Members 2009 by State		
State	Union Members (Million)	Percent Union Membership
California	2.5	16%
New York	2.0	13%
Illinois	1.0	7%

Pennsylvania	0.8	5%
Michigan	0.7	5%
New Jersey	0.7	5%
All Other States	7.6	50%
Total	15.3	100%
Source: BLS Union Members 2009 report released January 22, 2010		

Activity by labor unions centers on collective bargaining over wages, benefits, and working conditions for their membership and on representing their members if management attempts to violate contract provisions. The most sweeping advantage for unionized workers is in fringe benefits. Unionized workers are more likely than their nonunionized counterparts to have employer-provided health insurance. According to the BLS report, "Employee Benefits in the United States, March 2009," 92% of union workers had access to medical care benefits compared to 70% of non-union workers. Employers also pick up a higher share of premiums for unionized workers, covering 91% of the total premiums compared to 80% for non-unionized workers.

Another report from the BLS on "Employer Costs for Employee Compensation — March 2009" showed employer costs for health insurance benefits were significantly higher for union workers, averaging \$4.15 per hour (11.4% of total compensation), than for nonunion workers, averaging \$1.75 (6.6% of total compensation). Unions argue that costs are higher, not because their plans are generous, but because they cover those more costly to insure, like older workers. According to the BLS report, "Union Members — 2009," the union membership rate was highest among workers 55 to 64 years old (16.6%) and the lowest rate occurred among those age 16 to 24. Given the demographics of union workers and in many cases high risk occupations they would be more costly to insure.

About Taft-Hartley Plans

Private sector unionized employees often have access to health and other benefits through Taft-Hartley multi-employer health and welfare plans. Taft-Hartley plans can be formed by a single employer, but this is unusual. Multi-employer funds are almost always set up under Section 302(c)(5) of the Taft-Hartley Act, more formally known as the Labor Management Relations Act of 1947, which covers private sector employees. Taft-Hartley plans have five basic characteristics:

- One or more employers contribute to the plan;
- The plan is collectively bargained with each participating employer;
- The plan and its assets are managed by a joint board of trustees equally representative of labor and management;
- Assets are placed in a trust fund; and
- Mobile employees can change employers without losing health or pension coverage provided the new job is with an employer who participates in the same Taft-Hartley fund.

Millions of union workers and their family members depend on Taft-Hartley health care funds. Taft-Hartley funds are technically paid for by workers, not employers. They are administered independently of employers. When negotiating employer contracts, unions utilizing Taft-Hartley funds typically negotiate a total compensation amount, which is then allocated between workers' paychecks and other benefits, including health care.

Most union workers in the construction industry, as well as many workers in other industries, such as transportation, maritime and manufacturing, depend on Taft-Hartley funds for health care. Many workers covered by Taft-Hartley funds work in transient, project-based, mobile or seasonal jobs. Taft-Hartley funds provide health care coverage for retirees, many of whom are in physically demanding jobs that force retirement before the age of Medicare eligibility.

Union workers covered by Taft-Hartley plans are usually aware of the cost of health care — every dollar that goes towards health care costs comes from their paychecks. Workers do not want to give up take-home pay for more health coverage than they need. Because health care under Taft-Hartley funds comes directly from workers' paychecks, there is more incentive to control costs through preventative care, disease management and group purchasing coalitions. While these efforts along with the fact most Taft-Hartley plans are self-funded help to contain costs, they are not enough to overcome cost-shifting and overall care inflation, according to union reports.

Health Care Benefits Vendors

Health plans, referred to as health care benefit vendors, service Taft Hartley plans, employers, and government entities covering unionized workers. There is a host of opportunities available for health plans to provide services that include reporting financial results of the plan, benefit information, administrative changes, new products, disease and pharmacy management, and cost control methods. Several large, national health plans cater to Taft-Hartley and union populations including Aetna, the Blue Cross Blue Shield Association, Cigna and UnitedHealth.

Aetna announced in April 2009 that it was endorsed by the New York Labor Health Care Alliance (NYLHCA) as its PPO network and disease management vendor of choice. NYLHCA selected the Aetna preferred provider organization (PPO) health plan for its members. The NYLHCA is a not-for-profit corporation that assists organized labor in the group purchasing of health care services. The alliance consists of 33 member organizations that cover more than 150,000 lives.

The Blue Cross and Blue Shield Association (BCBSA) established its National Labor Office (NLO) in 1965 to demonstrate its commitment to building partnerships with organized labor. The BCBSA is the national coordinating body for the nation's 39 independent Blue Cross and Blue Shield companies. These Blues companies provide health benefits for more union workers, retirees, and their families than any other national carrier. Collectively bargained contracts account for approximately 20 million Blue company members - approximately one-fifth of the Blue system's national enrollment, according to the BCBSA website.

CIGNA's Taft-Hartley and federal business segment is comprised of employees with decades of combined experience in the industry. Its goal is to help health & welfare funds and federal plans customize, select and maintain benefit solutions that control claims costs and improve health in a member-friendly way. According to the CIGNA website, it provides benefit services to more than 225 Taft-Hartley welfare funds and international staff plans and three federal plans across the nation, representing about 1.5 million members.

Northwest Airlines Association of Flight Attendants (NWA AFA) union made several changes in benefit options for the 2010 benefit year. The most significant was the plan administrator changed from Blue Cross Blue Shield in 2009 to UnitedHealthcare in 2010.

Mark Farrah Associates takes health plan — union partnerships into account when updating membership estimates for self-funded, ASO (administrative services only) business. ASO membership by carrier is an important element in the enrollment exhibits presented in the Health Coverage Portal™.

A Voice in Health Care Reform

Access to health insurance coverage for people in high risk employment is a leading accomplishment of organized labor. Unions represent about one in ten Americans; it is no surprise they are at the bargaining tables over health care reform. Unions globally have advocated and won national health insurance coverage for citizens of many countries and U.S. unions are pushing for a similar result. U.S. organized labor unions are fighting for a unique American plan that includes secure, high-quality health care for all. While the wording and priorities are different among the various union groups the main themes include:

- Building on what is perceived as best about American health care -- Guarantying everyone a choice of plans, including allowing people to keep what they have now, and ensuring everyone gets high-quality health care as good or better than they have now. Many unions want coverage that lets people choose their own doctors and other providers and all want coverage for preventive care.
- Government as a watchdog or advocate for controlling costs, quality, fairness and keeps the insurance and drug companies in check.
- Create a public plan option, modeled on Medicare, available to everyone, that offers the choice of a public alternative to private insurance.
- Divides responsibility among employers, government and individuals, one that requires employers to pay their fair share.

Union members are a powerful voting constituency with an assertive voice, pushing for all Americans to have coverage because so many unionized workers interact with the public.

Unions are perhaps the largest buyer group for health care and insurance services, understanding union operations is important for any plan wishing to do business with this segment. Successful insurers and administrators offer products and services that appeal to labor relations managers representing both management and unions as well as member employees. Also semantics count, when dealing with this market. While most of us in this industry understand that the term "managed care" includes components such as prevention programs, quality incentives, cost containment strategies, even disease management solutions that many unions advocate for, the term itself has negative connotations to unions and many others. For health plans and administrators who can strike the right balance between cost and quality care, opportunities in the labor market remain plentiful.

About the Data

Several reports were used in this paper, including releases from the Bureau of Labor Statistics (BLS). Much of the information regarding Taft-Hartley plans and unions came from union websites including the American Federation of Labor — Congress of Industrial Organizations (AFL-CIO), American Federation of State, County and Municipal Employees (AFSCME), Laborers' International Union of North America (LiUNA), Union of Needletrades, Industrial, and Textile Employees and Hotel Employees and Restaurant Employees International Union (UNITE HERE) and other unions mentioned in the paper. Also reviewed was the written testimony given by Mark H. Ayers, chairman of the National Coordinating Committee for Multiemployer Plans, to the U.S. House of Representatives Committee on Ways and Means for the June 24, 2009 Health Reform in the 21st Century: Proposals to Reform the Health System.

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