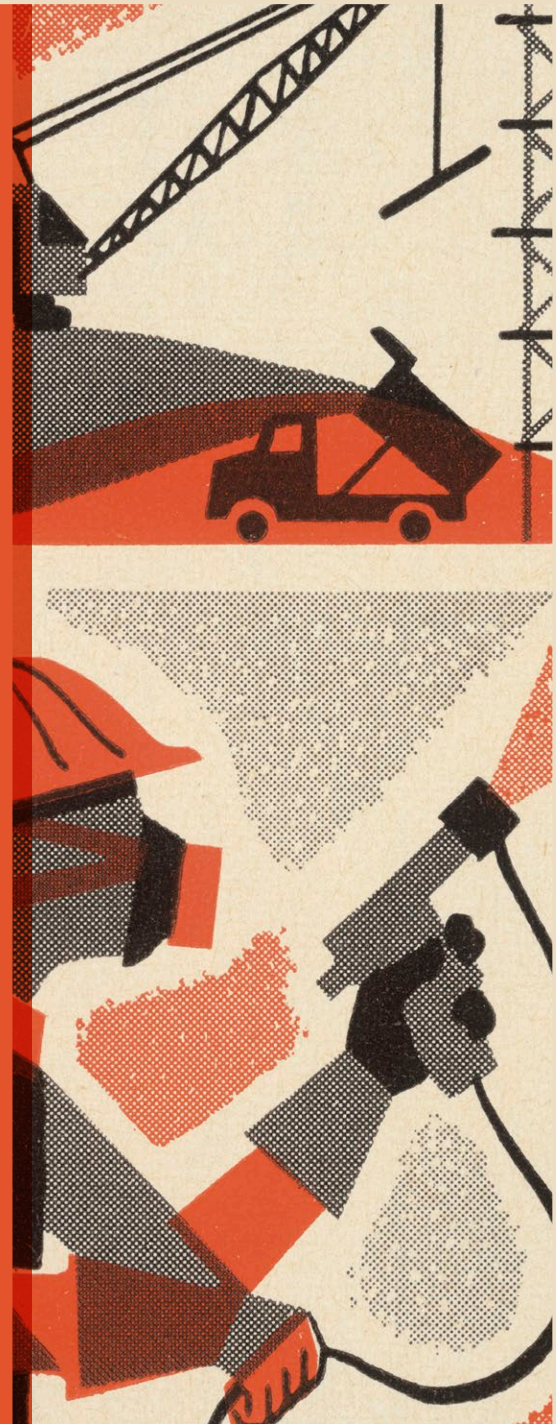
HOW MEDICARE FOR ALL & BIDENCARE WOULD AFFECT UNION HEALTH PLANS



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PEOPLE'S POLICY PROJECT IN PARTNERSHIP WITH
THE INTERNATIONAL UNION OF PAINTERS AND ALLIED TRADES

Even in good times, the American healthcare system is a disaster. Americans spend more on healthcare than any other country in the world and yet over 40 percent of nonelderly adults are uninsured or underinsured.[1] Those lucky enough to have relatively good health insurance are frequently pushed off that insurance because, for example, they lose or change their job, increase their income by too much, move to a new state, or turn 26 years old.[2]

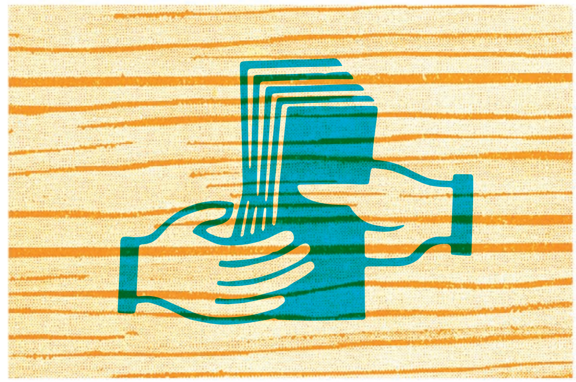
In the political discourse, many commentators who recognize the general dysfunction of the healthcare system also sing the praises of union health plans.[3] According to this line of discussion, the nation's union-administered health plans—also known as Taft-Hartley plans or multiemployer plans—are oases in the desert of the American healthcare landscape, providing incredible insurance that rivals what is being proposed by leading advocates of healthcare reform.

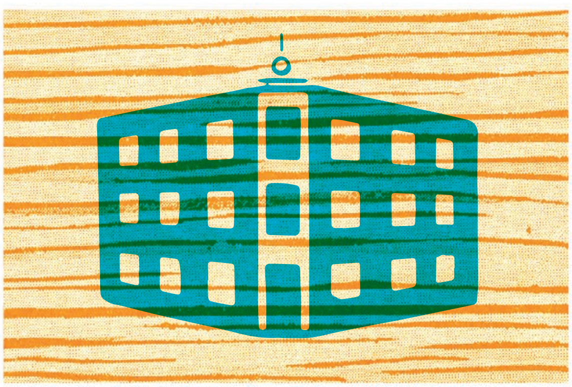
This story has always been misleading, but has become even harder to take seriously in the wake of the coronavirus pandemic.[4] In the first three months of that pandemic, 42.5 million workers were disemployed, causing mass insurance loss, and union health funds began drying up, forcing the AFL-CIO to seek federal relief in the form of open-ended COBRA subsidies that so far have not been granted.[5]

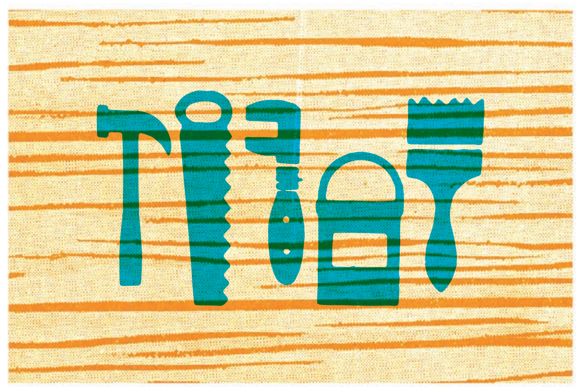
The current crisis should prompt the labor movement to reassess the healthcare landscape in America and think deeply about what kind of healthcare system is best for union members and the working class more generally. In this spirit, the International Union of Painters and Allied Trades (IUPAT) commissioned this paper to investigate the issue.

In this paper, we use detailed data from three IUPAT locals and our own estimates to determine how various IUPAT workers would fare under Medicare for All and Joe Biden's Health Plan ("Bidencare") relative to their current healthcare arrangements. We find that Bidencare could save these IUPAT members $676 to $3,253 per year while Medicare for All would save them $4,868 to $7,866 per year.

MULTI-EMPLOYER PLAN BASICS



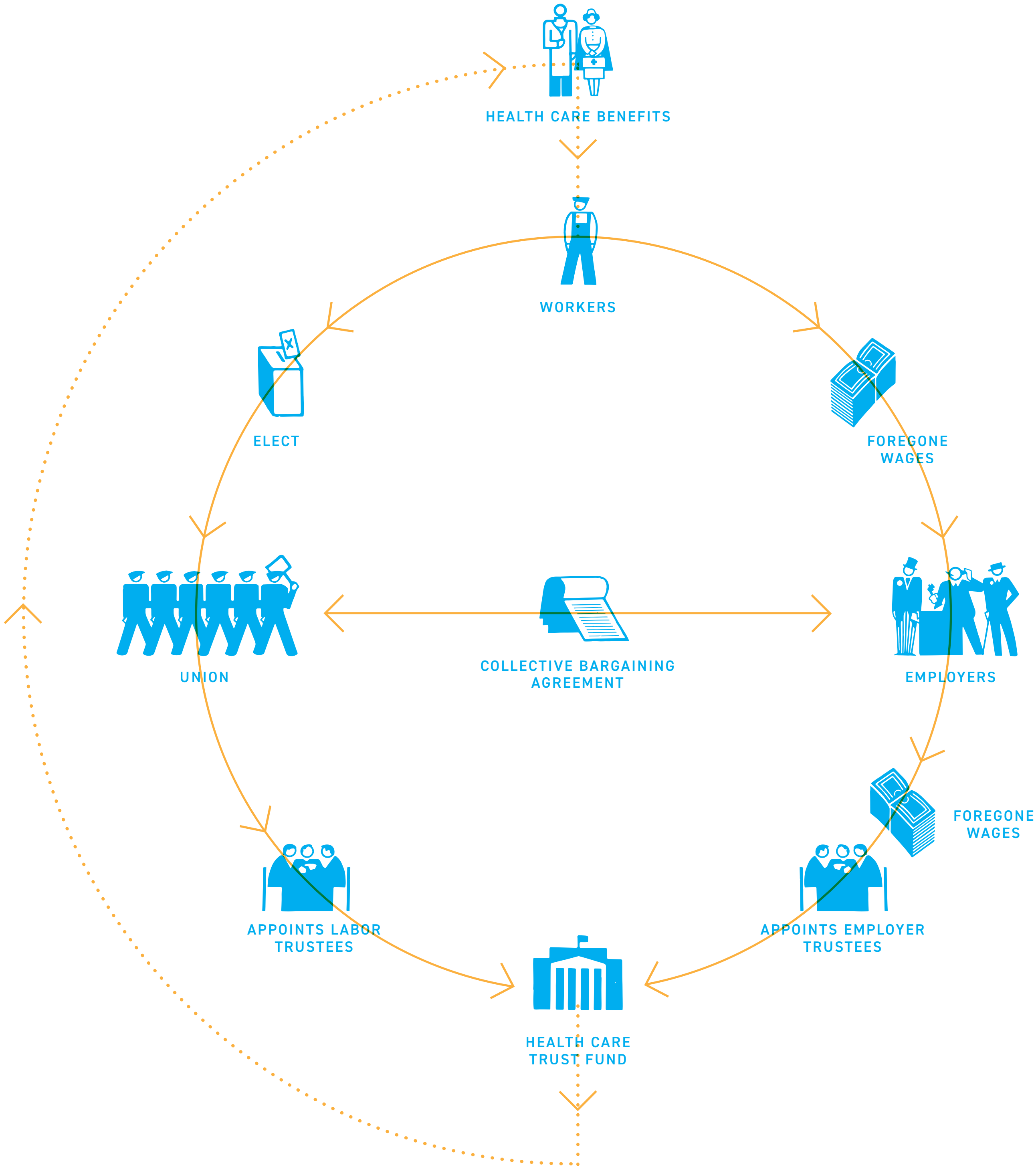




When thinking about the US healthcare system in big picture terms, it is common to talk about three kinds of insurance. The first kind is public health insurance, such as Medicare, Medicaid, CHIP, and TRICARE. The second kind is individual health insurance, such as plans purchased on the healthcare exchanges established by the Affordable Care Act. The third kind is employer-sponsored insurance, which typically refers to a health care plan provided by an individual firm to its employees.

Often absent from the big picture discussion are multiemployer plans, which are sometimes referred to as union health plans. In 2016, there were 1,740 multiemployer health plans in the country and these plans had a combined 5,849,000 members.[6]

Multiemployer health plans were legally established in 1947 as part of the Taft-Hartley Act and are structured very differently from ordinary employer health plans.[7] In a multiemployer plan, a union enters into a collective bargaining agreement with various employers to establish a trust fund that each employer contributes money into. The trust fund, which is governed by a board of trustees on which labor and employers are equally represented, then uses that money to provide health benefits to the union's members.



This structure has a few main advantages not found in single-employer plans. First, the larger size of multiemployer plans allows them to be more administratively efficient and allows them to negotiate better rates from third-party insurers. Second, in industries where workers frequently move between firms, such as the construction industry where IUPAT represents workers, the multiemployer nature of the plans means that workers can retain coverage even as they move from job to job. Lastly, unions can use the enticement of a multiemployer plan to assist in organizing workplaces that are not currently unionized.

JANUARY 1952: NORTHEAST VIEW OF THE STATE DINING ROOM DURING WHITE HOUSE RENOVATION. CARPENTERS LAY THE QUARTERED WHITE OAK FLOOR IN A HERRINGBONE DESIGN. (U.S. NATIONAL ARCHIVES)

But these advantages don't insulate the plans from the general problems of the overall healthcare system. Ever-escalating healthcare prices have consistently increased the per-member costs of the funds, requiring unions to continually forego wage increases in order to free up money for employers to contribute to the funds. Plan members also face the prospect of dropping their insurance or having to pay hefty out-of-pocket premiums if they lose their job, have their hours cut, or change jobs to an employer who does not participate in the multiemployer plan.

Multiemployer plans are also uniquely vulnerable to macroeconomic shocks that cause large amounts of prolonged unemployment, such as the shock coinciding with the coronavirus pandemic. This is because many multiemployer plans base eligibility for benefits on how many hours a member worked in the last quarter or even sometimes in the last calendar year. This lagging eligibility criteria means that, during a mass disemployment event, the funds stop receiving employer contributions even though their members continue to be eligible for benefits based on their prior work record. When this happens, fund reserves are quickly depleted, threatening the solvency of the health plan.

COMPARING MULTI-EMPLOYER PLANS TO ALTERNATIVES

DAVE

DC9

TOTAL COMPENSATION
$101,736

WAGES
$81,990

PREMIUM
$19,746

DEDUCTIBLE
$0

OUT-OF-POCKET EXPENSES
$0–5,100

TOTAL HEALTH SPENDING
$20,036

19.7% OF TOTAL COMPENSATION

LUIS

Local Union 781 Premier

TOTAL COMPENSATION
$78,102

WAGES
$59,940

PREMIUM
$18,162

DEDUCTIBLE
$1,000

OUT-OF-POCKET EXPENSES
$0–2,000

TOTAL HEALTH SPENDING
$19,812

25.4% OF TOTAL COMPENSATION

SAM

Southern Painters Gold

TOTAL COMPENSATION
$43,974

WAGES
$34,308

PREMIUM
$9,666

DEDUCTIBLE
$400

OUT-OF-POCKET EXPENSES
$0–5,000

TOTAL HEALTH SPENDING
$11,156

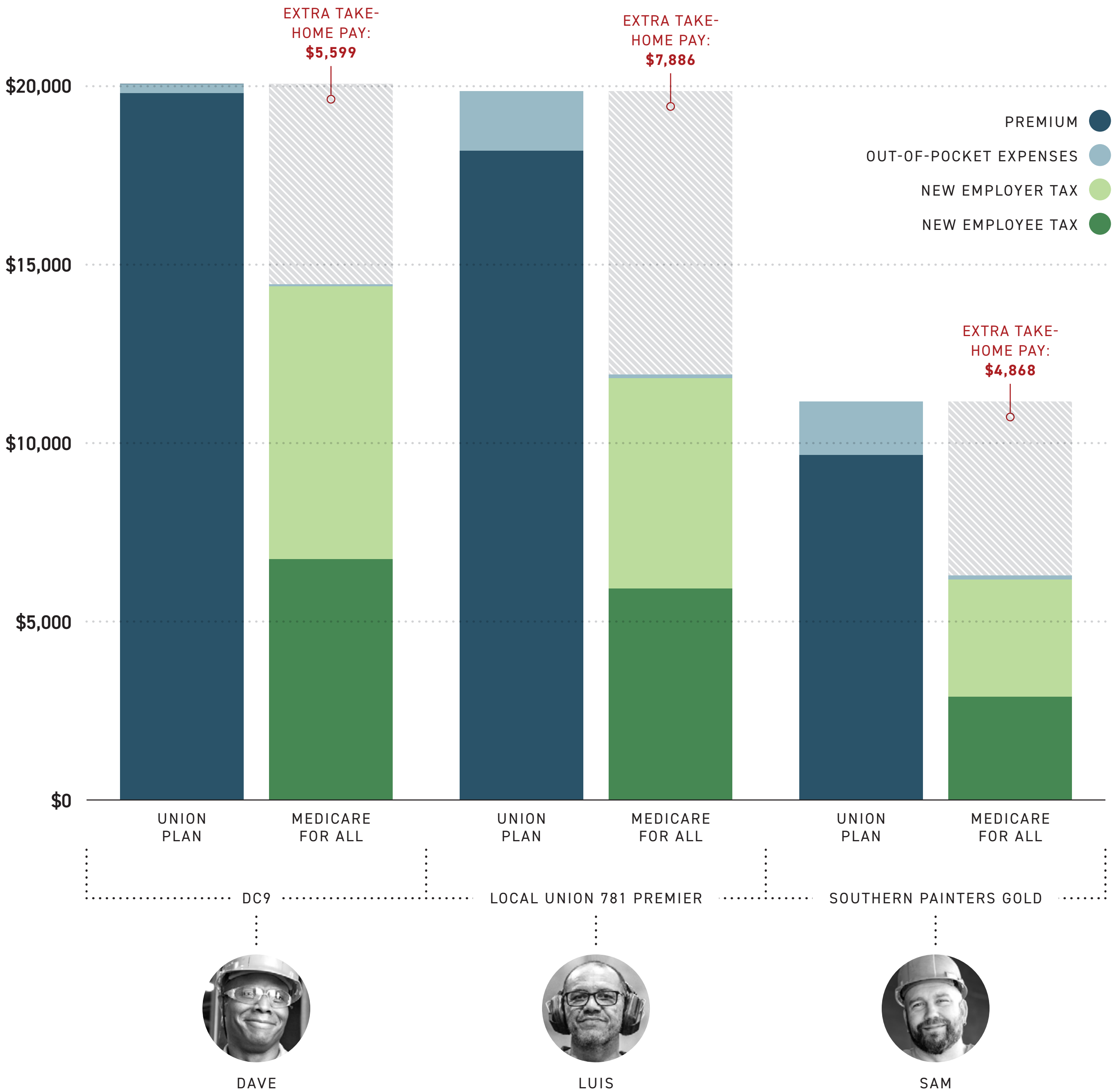
25.4% OF TOTAL COMPENSATION

The best way to determine whether it would be better to abandon multiemployer plans in favor of other healthcare proposals is to provide concrete comparisons for workers who are currently members of multiemployer plans.

To facilitate this comparison, IUPAT provided detailed wage and healthcare information for three hypothetical employees across three IUPAT locals.

The first proposal we compared these plans to is the Medicare for All proposal popularized by Bernie Sanders. For the purposes of this paper, we assume the implementation of Medicare for All will coincide with the imposition of new taxes on these three individuals in the form of a 7.5 percent employer-side payroll tax and a 4 percent individual income tax.[8] We also assume that unionized employers will pass through all of their health savings as higher worker wages after a mandatory contract renegotiation overseen by the National Labor Relations Board requires them to do so.[9] Passed-through wages are subject to payroll and individual income taxes, which we also account for.

	CURRENT UNION PLAN	MEDICARE FOR ALL
 DAVE DC9	TOTAL COMPENSATION $101,736	TOTAL COMPENSATION $101,736
	WAGES $81,990	WAGES $94,168
		NEW EMPLOYER TAX $7,568
	PREMIUM $19,746	NEW EMPLOYEE TAX $6,769
	DEDUCTIBLE $0	DEDUCTIBLE $0
	OUT-OF-POCKET EXPENSES $0–5,100	OUT-OF-POCKET EXPENSES $0–200
	TOTAL HEALTH SPENDING **$20,036**	TOTAL HEALTH SPENDING **$14,437**
	19.7% OF TOTAL COMPENSATION	14.2% OF TOTAL COMPENSATION
 LUIS Local Union 781 Premier	TOTAL COMPENSATION $78,102	TOTAL COMPENSATION $78,102
	WAGES $59,940	WAGES $72,180
		NEW EMPLOYER TAX $5,922
	PREMIUM $18,162	NEW EMPLOYEE TAX $5,904
	DEDUCTIBLE $1,000	DEDUCTIBLE $0
	OUT-OF-POCKET EXPENSES $0–2,000	OUT-OF-POCKET EXPENSES $0–200
	TOTAL HEALTH SPENDING **$19,812**	TOTAL HEALTH SPENDING **$11,926**
	25.4% OF TOTAL COMPENSATION	15.3% OF TOTAL COMPENSATION
 SAM Southern Painters Gold	TOTAL COMPENSATION $43,974	TOTAL COMPENSATION $43,974
	WAGES $34,308	WAGES $40,661
		NEW EMPLOYER TAX $3,313
	PREMIUM $9,666	NEW EMPLOYEE TAX $2,875
	DEDUCTIBLE $400	DEDUCTIBLE $0
	OUT-OF-POCKET EXPENSES $0–5,000	OUT-OF-POCKET EXPENSES $0–200
	TOTAL HEALTH SPENDING **$11,156**	TOTAL HEALTH SPENDING **$6,288**
	25.4% OF TOTAL COMPENSATION	14.3% OF TOTAL COMPENSATION

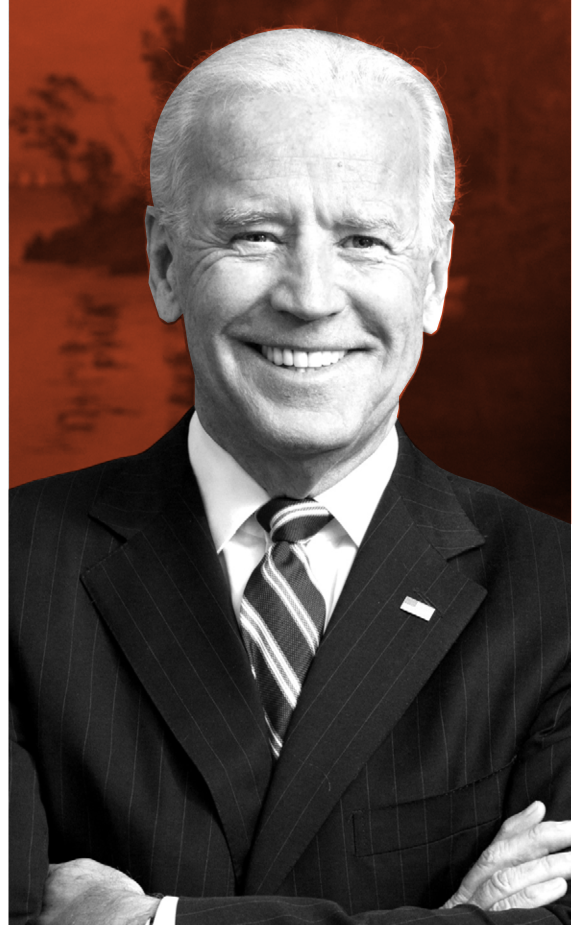


Under Medicare for All, all three workers see dramatic decreases in health spending and therefore dramatic increases in take-home pay ranging from $4,868 to $7,866 per year.

The second proposal we compared the union plans to is the healthcare platform released by Joe Biden's presidential campaign many months ago.[10] Determining what effect Bidencare would have on these three workers is difficult to do because Biden's campaign has not published a number of crucial details about the plan. In the analysis below, we have filled in those gaps with reasonable details to produce some estimates.

Insofar as Bidencare gives employers and unions the option to retain their existing multiemployer plan arrangements, one possible outcome of Bidencare is that IUPAT maintains its multiemployer health plan and very little changes for the three IUPAT workers. If some of Biden's proposed cost-saving measures, like lowering the cost of drugs and reducing healthcare provider concentration, are effective, then the per-member costs of the multiemployer plans may decline modestly, allowing for premiums or out-of-pocket spending to be slightly lower than they would otherwise be. But other than that, if this option is selected, things would be no different.

The other relevant option that Bidencare provides is the ability to eliminate the multiemployer health plan and have the three IUPAT workers buy health insurance—either through a private insurer or through a new public option—on the individual marketplace (also known as the Obamacare exchanges). The premiums for plans purchased this way would



be determined by an income-based sliding scale with no person paying more than 8.5 percent of their income towards the premium.

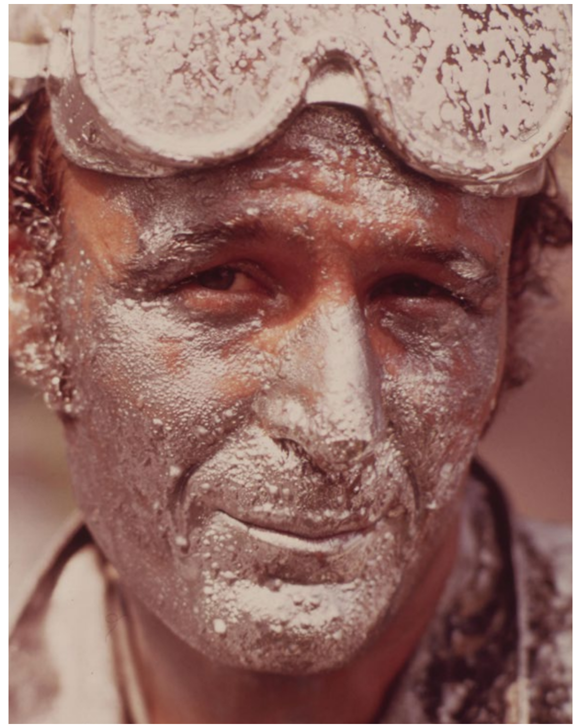
This option, also known as the ***employer dumping option,*** is missing two critical details.

The first detail is what the parameters of the income-based sliding scale will be. We know that high-income individuals will pay up to 8.5 percent of their income and we know that low-income and moderate-income individuals will pay less than that. But we do not know where any of the lines for the sliding scale will be drawn. To overcome this gap, we created our own sliding scale based roughly on existing Obamacare subsidies and some bills recently introduced in the House.

The second detail is how much the employer shared responsibility penalty will be. In our current system, employers with more than 50 employees who engage in dumping are required to pay the federal government $2,570 per worker in order to help finance the general healthcare system and the premium subsidies for the individual marketplace in particular.[11] In part because the premium subsidies in the individual marketplace are non-existent for individuals with family incomes above 400 percent of the federal poverty line ($49,960 for an individual), employer dumping has not been very prevalent in our current system. But if Biden succeeds in capping all individual marketplace premiums at 8.5 percent, we would expect that employer dumping would become massively more common.

In addition to employer dumping becoming more common, some language in the Biden plan suggests employee bailing might become a possibility, meaning that, under Bidencare, employees will be allowed to opt out of their employer plan for a heavily-subsidized individual plan.

The Bidencare plan only commits to increasing government subsidies by a small amount, $750 billion over ten years, which is just 1.4 percent of the projected national health expenditures between 2021 and 2030.[12] But if there is a large increase in employer dumping and employee bailing while individual marketplace premiums are capped well below the ac-

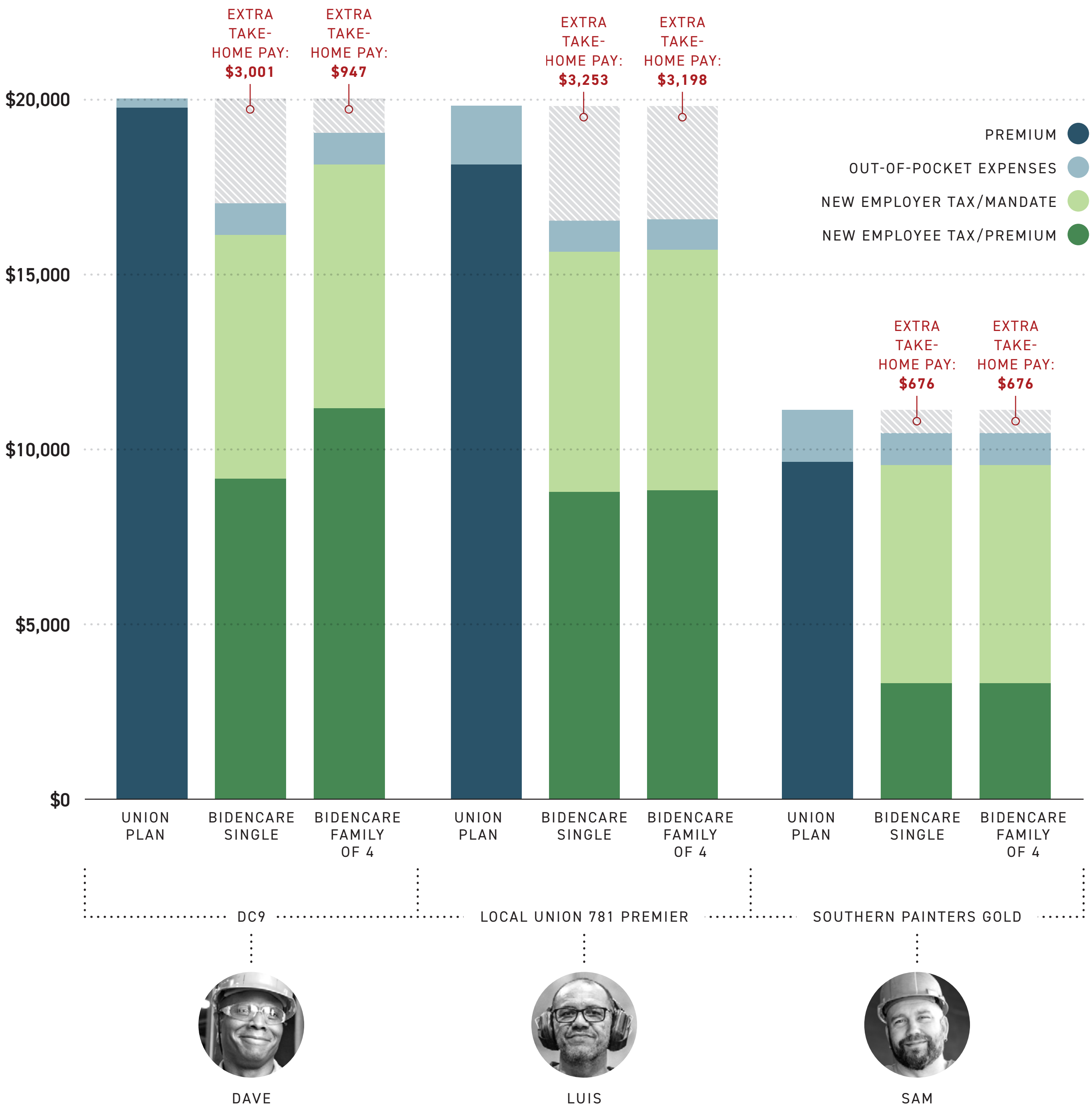


tual cost of the plans for most people, then $750 billion won't be nearly enough to make the math work. To overcome this problem, we assume that, under Bidencare, the employer mandate will be set at $6,000, with remaining subsidies funded from taxes on the very rich.[13] Biden could choose to make the mandate amount much lower than that, delivering even more savings than what we report below, but in that case, he'd also likely need to increase subsidies by far more than $750 billion.

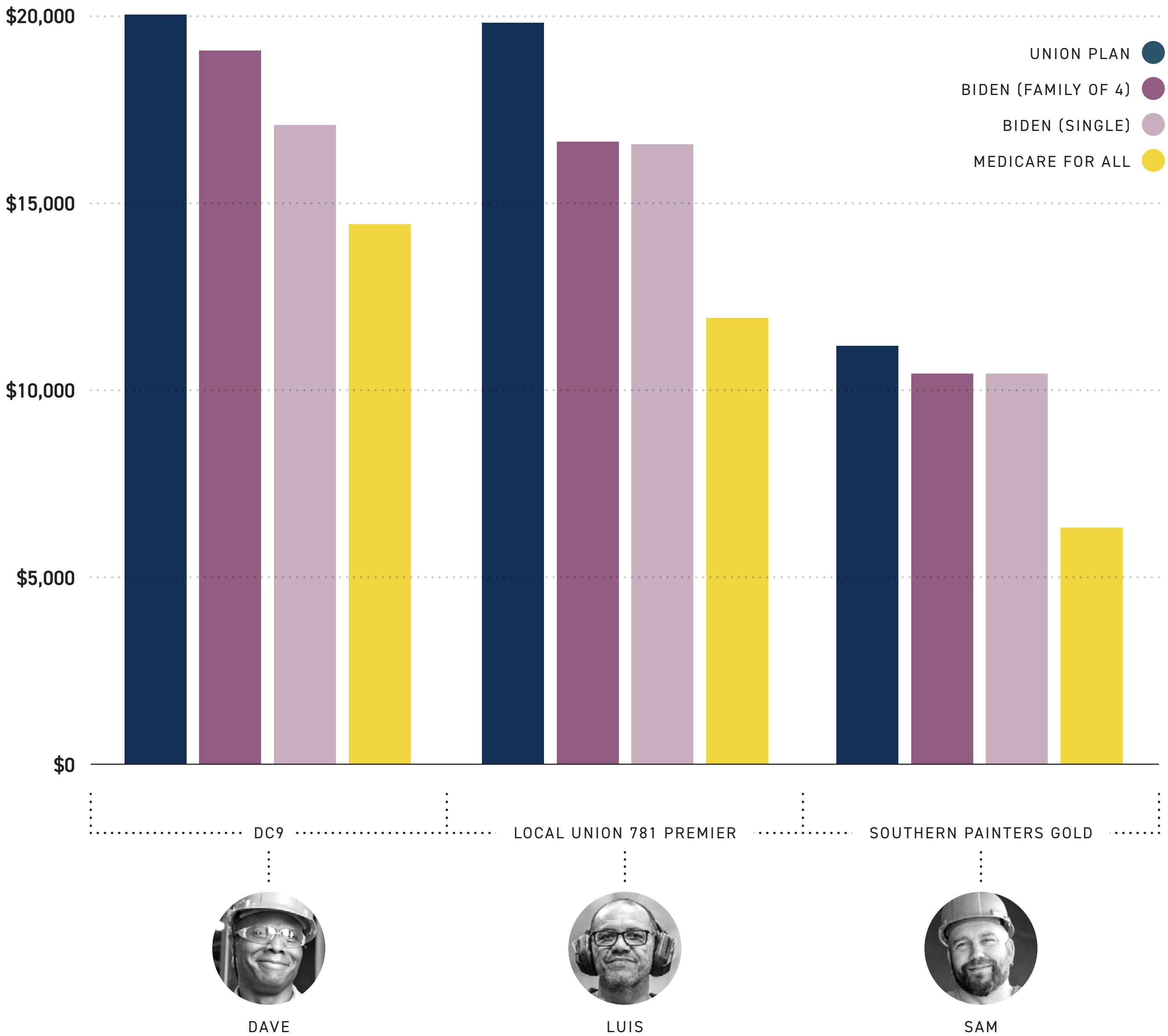
Like the Medicare for All comparison above, we assume that all employer savings will pass through to the worker as higher wages and apply the payroll and income taxes that would be assessed to those wages.

Unlike the current IUPAT multiemployer plans or Medicare for All, the premiums for Bidencare plans vary by how many individuals are being covered by the plan. Thus, we made two comparisons below, one for a single 40-year-old adult whose actuarially defined full premium is $6,000 and for a 40-year-old adult with a spouse and two children whose actuarially defined full premium is $19,000.[14]

	CURRENT UNION PLAN	BIDENCARE / SINGLE ADULT	BIDENCARE / FAMILY OF FOUR
 DAVE DC9			
TOTAL COMPENSATION	$101,736	$101,736	$101,736
WAGES	$81,990	$94,759	$94,759
NEW EMPLOYER TAX/MANDATE		$6,977	$6,977
PREMIUM / NEW EMPLOYEE TAX/PREMIUM	$19,746	$9,148	$11,202
DEDUCTIBLE	$0	$0	$0
OUT-OF-POCKET EXPENSES	$0–5,100	$0–7,800	$0–7,800
TOTAL HEALTH SPENDING	**$20,036**	**$17,034**	**$19,089**
	19.7% OF TOTAL COMPENSATION	16.7% OF TOTAL COMPENSATION	18.8% OF TOTAL COMPENSATION
 LUIS Local Union 781 Premier			
TOTAL COMPENSATION	$78,102	$78,102	$78,102
WAGES	$59,940	$71,238	$71,238
NEW EMPLOYER TAX/MANDATE		$6,864	$6,864
PREMIUM / NEW EMPLOYEE TAX/PREMIUM	$18,162	$8,785	$8,840
DEDUCTIBLE	$1,000	$0	$0
OUT-OF-POCKET EXPENSES	$0–2,000	$0–7,800	$0–7,800
TOTAL HEALTH SPENDING	**$19,812**	**$16,559**	**$16,614**
	25.4% OF TOTAL COMPENSATION	21.2% OF TOTAL COMPENSATION	21.3% OF TOTAL COMPENSATION
 SAM Southern Painters Gold			
TOTAL COMPENSATION	$43,974	$43,974	$43,974
WAGES	$34,308	$37,713	$37,713
NEW EMPLOYER TAX/MANDATE		$6,261	$6,261
PREMIUM / NEW EMPLOYEE TAX/PREMIUM	$9,666	$3,309	$3,309
DEDUCTIBLE	$400	$0	$0
OUT-OF-POCKET EXPENSES	$0–5,000	$0–7,800	$0–7,800
TOTAL HEALTH SPENDING	**$11,156**	**$10,480**	**$10,480**
	25.4% OF TOTAL COMPENSATION	23.8% OF TOTAL COMPENSATION	23.8% OF TOTAL COMPENSATION



Under the Bidencare employer dumping option, all three workers see lower health spending than the status quo but much higher than under Medicare for All. The extra take-home pay relative to the status quo spans from $676 to $3,253 per year.



Overall, the findings are that the existing union plans are the most expensive, the Bidencare employer dumping alternative is somewhat less expensive, and the Medicare for All plan is much less expensive. This is not surprising of course. Medicare for All reduces the unit cost of healthcare by more than Bidencare does and shifts more of the cost burden onto the rich than Bidencare does. These two differences drive more savings to low and middle earners.

CONCLUSION

As a historical matter, it was smart for unions to take advantage of the Taft-Hartley Act to create multiemployer union health plans for their members. One of the things that gets lost in the discussion about healthcare reform is how similar Medicare for All is to these union plans. What unions recognized long ago is that it is much better for workers to create a central healthcare fund that many employers contribute into than to have a bunch of independent plans organized within each company. Medicare for All is just the logical extension of this insight to the whole economy. It is, in a sense, just one big multiemployer fund.

In light of the coronavirus catastrophe and the objective superiority of Medicare for All to existing union health plans—in terms of cost, solvency, and continuity of coverage—we believe that unions like IUPAT should take a stance in favor of Medicare for All for the benefit of their own members and the working class generally.

NOTES

1 OECD. Health Spending. https://data.oecd.org/healthres/health-spending.htm; 12.5 percent of nonelderly adults are uninsured according to the author's calculations of the 2019 CPS ASEC file; 28 percent were underinsured according to the 2016 Commonwealth Health Insurance survey. https://www.commonwealthfund.org/sites/default/files/documents/___media_files_publications_issue_brief_2017_oct_collins_underinsured_biennial_ib.pdf.

2 People's Policy Project. Health Insurance Churn in the US Is a Nightmare. https://www.peoplespolicyproject.org/2019/07/29/health-insurance-churn-in-the-us-is-a-nightmare-2/.

3 The American Prospect. About That Culinary Workers Health Plan. https://prospect.org/labor/about-that-culinary-workers-health-plan.

4 People's Policy Project. The Culinary Health Insurance Is Not That Great. https://www.peoplespolicyproject.org/2020/02/13/the-culinary-health-insurance-is-not-that-great/.

5 US Bureau of Labor Statistics. Labor Force Flow Status. https://www.bls.gov/webapps/legacy/cpsflowstab.htm; America's Five Economic Essentials. https://aflcio.org/covid-19/five-economic-essentials.

6 US Department of Labor. Group Health Plans Report. https://www.dol.gov/sites/dolgov/files/EBSA/researchers/statistics/retirement-bulletins/annual-report-on-self-insured-group-health-plans-2019-appendix-a.pdf.

7 29 U.S. Code § 186(c).

8 These are derived from the taxes Bernie Sanders proposed during his 2020 presidential run. In Sanders's plan, the first $1 million of payroll is exempted from the 7.5 percent tax while the first $29,000 of income is exempted from the 4 percent income tax. For the purpose of this paper, we have eliminated the exemptions and chosen to impose the payroll tax on all payroll and the income tax on all income. https://berniesanders.com/issues/how-does-bernie-pay-his-major-plans/.

9 Sanders's plan mandates pass-through of health savings through an NLRB-supervised renegotiation process. https://berniesanders.com/issues/workplace-democracy/.

10 Joe Biden's Website. Health Care. https://joebiden.com/healthcare/.

11 SHRM. What are the employer shared responsibility penalties under the Patient Protection and Affordable Care Act (PPACA)? https://www.shrm.org/resourcesandtools/tools-and-samples/hr-qa/pages/penaltiesforfailingtocomply.aspx.

12 Politico. Biden unveils health care plan: Affordable Care Act 2.0. https://www.politico.com/story/2019/07/15/joe-biden-health-care-plan-1415850; CMS. NHE Fact Sheet. https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NHE-Fact-Sheet.

13 The $6,000 figure was chosen by roughly estimating how much an unsubsidized Obamacare gold plan would cost per FTE employee employed by firms with 50 or more workers minus what an average worker would pay in the sliding scale premium.

14 The actuarially defined full premium amounts were determined by using the Kaiser Family Foundation Health Insurance Marketplace Calculator. That calculator provides a national estimate for the cost of a silver plan for different family sizes and types. We multiply that cost by 1.08 to reflect the higher actuarial value of a gold plan, which we believe is closer to what Bidencare's public option envisions. https://www.kff.org/interactive/subsidy-calculator/

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IMAGES ON P. 7 AND 14 (R) COURTESY THE U.S. NATIONAL ARCHIVES.

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