



LABOR CAMPAIGN FOR SINGLE- PAYER BRIEFING PAPER

# Multiemployer plans, Taft- Hartley Funds & Single-Payer Healthcare

**M**ultiemployer plans, often called “Taft-Hartley Funds” (after the law that regulates most of the private sector plans) provide healthcare coverage for more than 14 million American workers, retirees and their families. Because they cover so many people and are supported by powerful union and employer stakeholders, questions concerning these plans often influence health reform policy debates and shape organizing strategies.

Advocates for single-payer healthcare at both the state and federal level are likely to encounter unions and employers who rely on multiemployer plans. This paper will shed some light on this important and unique stakeholder group and help advocates better understand their issues. Advocates share a common vision of healthcare justice with this community and the fight to win healthcare for all will be strengthened with their participation.

## **WHO ARE MULTIEMPLOYER PLANS?**

Before we get to the question of what these plans are, we need to understand who they serve. Multiemployer plans were formed as a private sector solution to one of the principal challenges in health care reform: how to provide stable health care coverage for workers with an unstable work history. They can be found primarily in industries such as construction and entertainment that require skilled workers but offer only temporary or seasonal employment. They can also be found in unionized sectors of transportation, retail, hospitality and many other industries. There are also multiemployer plans and multiemployer-like plans in the public sector. Public sector plans are not governed by Taft-Hartley or ERISA.

Multiemployer plans have many virtues that should be applied to

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healthcare reform policy. They provide continuity of coverage without requiring continuity of employment; those who work subsidize the coverage for those who cannot; and they reinforce group identity. They also provide advantages to employers, giving them the flexibility to hire workers for brief periods while drawing from a pool of skilled workers who have access to health care.

## **WHAT ARE MULTIEMPLOYER PLANS?**

Multiemployer healthcare plans are benefit funds (often incorporating health, pension, training, and other benefits) administered by a joint board representing both union and management. Employers are most often in the same industry and often relatively small but can also include large national firms. They frequently organize in a specific geographic location although there are some large national plans. In every case, they pool their healthcare contributions to create a single fund to provide benefits for their members.

For example, in the entertainment industry, the SAG-AFTRA Plans (Screen Actors Guild – American Federation of Television and Radio Artists) is a national plan that includes very large employers such as the major studios, as well as small production companies.

Workers participating in these plans are able to maintain continuous coverage as they work for multiple employers and varying schedules. They are often able to maintain coverage during short periods of unemployment. Eligibility is generally determined by the plan, not the employer.

For employers, participation in a fund is similar to how a single payer plan would work. The contribution formula – frequently dollars per hour worked - follows a defined contribution model. This is something preferred by most employers and it is a feature of nearly all single-payer financing proposals. Participating employers don't have to shop for benefit plans. They have less burdensome ACA reporting requirements. They don't need to negotiate with insurers, determine employee eligibility or deal with questions or complaints about health benefits. They just have to contribute a fixed amount (usually per hour worked) for each represented employee.

## HOW ARE THEY DIFFERENT FROM OTHER BENEFIT PLANS?

Because these plans are non-profit, know their members' needs and can achieve economies of scale, they are often the most efficient providers in the healthcare world. And because they are responsive and accountable to their members, they often provide the best quality and lowest cost healthcare that working class Americans can expect

Unions are often very proud of the coverages provided through their plans and view it as a distinct "union advantage" that helps organize new members and maintain existing members' loyalty to the union. They are also proud of the "everybody in" solidarity principles underlying the administration of their plans. These are the same principles that ought to animate a national health program. Many large plans have a significant administrative apparatus, owning buildings and equipment and employing dozens of workers. They have a justifiable concern about the impact of any health reform proposals on their institutional resources.

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One of the big problems that the Affordable Care Act not only failed to solve, but likely made worse, is "churning": a situation created when a change in employer, hours or income necessitates a change in insurance carrier, healthcare provider and/or cost of healthcare. Multiemployer plans have come up with very creative solutions to this problem. These include rolling eligibility periods, the ability to bank hours from one period to another, budgeting

models that account for brief periods of unemployment between jobs and a single standard of care for all participants. Nearly all plans charge a single contribution rate regardless of family status.

Some plans have also found innovative ways to provide healthcare for low income and part-time workers. For example, hotel workers in New York City, Atlantic City, Boston, and Las Vegas have established primary care clinics for members and their families. By focusing on primary care they can coordinate care, improve quality and reduce unnecessary hospitalizations. In Los Angeles the entertainment industry plans have set up clinics with evening and weekend hours to accommodate the long work hours in the industry.

Multiemployer plans are also more likely to provide for retiree medical and “Medi-Gap” type coverage for those who have worked a certain number of years in the industry. However, cost pressures have compelled many plans to increase the number of years required.

These plans must often compete with employers offering private insurance plans that cost far less because they provide inferior coverage and require much higher deductibles and co-pays. Union hotel workers in San Francisco, for example, receive excellent coverage for themselves and their families for which employers contribute approximately \$10 for every hour worked. Non-union hotel workers often have more stringent eligibility limits and are more likely to be covered by an employee-only “silver” or “bronze” level employer plan at less than one quarter of the costs paid by union employers.

## **HOW ARE THEY SIMILAR TO OTHER BENEFIT PLANS?**

In many ways multiemployer plans are under the same pressures that face all workers reliant on employment based coverage: Health care costs rising faster than wages, so money that could go for higher wages is allocated to healthcare, decreasing workers’ standard of living. Higher out of pocket expenses at point of service. Restrictions on access by offering narrower networks.

Faced with the ever increasing cost of healthcare and coupled with other pres-

tures, many plans have been forced to adopt some of the cost saving and cost shifting strategies of other employment-based health insurance programs. These include premium sharing, high deductible plans, increase in eligibility periods and changes in hour banking schemes. Some have also found ways to move people – children, early retirees, Medicare retirees – off the plan or onto public or private exchanges and have restricted spousal coverage in a number of ways.

Rising costs and new requirements to fully account for future healthcare liabilities have also put tremendous pressure on retiree medical benefits in all employment-based health insurance programs. Since multiemployer plans are more likely to provide these benefits, they are more vulnerable to the pressures.

All multiemployer plans are not alike. Funds that provide for low-wage workers and many other smaller funds in areas with low levels of economic activity are already in crisis. They are forced to lower benefits and limit eligibility in order to compete and survive. Funds in industries with high levels of union density and robust employment, such as longshore workers and many big city building trades, are more insulated and may still be able to negotiate substantial additional contributions from employers to maintain a high level of benefits without succumbing to competitive pressures. However, even these funds are one economic downturn away from crisis.

This tension between high quality, low deductible and co-pay plans and the wider employment based coverage world with inferior plans and limited eligibility is the central competitive pressure faced by multiemployer plans. To survive, they must join the race to the bottom or unions must trade off other wage and benefit costs to maintain these higher cost benefits, thus undermining the “union advantage”.

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## HOW HAS THE ACA AFFECTED MULTIEMPLOYER PLANS?

The ACA formalized this race to the bottom. Its tiered benefit structure (the so-called Platinum, Gold, Silver and Bronze plans) provides a roadmap for employers to cut benefits and establish inferior plans that directly compete with multiemployer plans. Some plans have experienced significant cost increases because of new ACA requirements regarding expanded coverages, preventative services and removal of benefit caps. To add insult to injury, plans have been assessed various fees, such as reinsurance fees, to subsidize the losses of private insurers on the exchanges (this equates to an insurance company bailout).

The so-called “Cadillac Tax”—a 40% tax on all healthcare costs above certain limits—will also disproportionately affect multiemployer plans if ever implemented. Originally set to be effective in 2018, Congress has deferred it to January 1, 2020. Plans for low-wage workers are often in industries where unionized companies compete against firms whose workers have access to expanded Medicaid or to subsidies on the public exchanges while multiemployer plans are not eligible for

similar subsidies. More positively, some low-wage plans have taken advantage of opportunities under the ACA to shift employees and/or dependents onto public coverage. This allows them to offer richer benefits to the remaining employees.

*“The ACA formalized this race to the bottom.”*

Higher wage industries like construction face some of the same pressure from low wage competitors. However, they are less likely to be able to shed members in the same way. So instead of leveling the playing field it has further tilted it against unionized employers.

## HOW MIGHT FULL OR PARTIAL REPEAL OF THE ACA AFFECT THEM?

The ACA has presented both opportunities and challenges for multiemployer plans and those will differ by industry. Repeal of the ACA may offer some plans temporary relief from some of its more odious features. But other plans that have

been able to take advantage of the ACA will again be put under financial stress.

The health policies favored by the Trump administration and the Republican Congress promise to accelerate the race to the bottom as the employment based healthcare market becomes flooded with inferior plans and high-deductible “skin in the game” coverages become standard. All indications are that any likely replacement will increase the number of uninsured, shifting additional costs onto all employment-based plans. This can only increase competitive pressures on all but the most insulated plans.

The reality is that all multiemployer plans are facing a crisis of sustainability. Rather than a “union advantage,” the provision of basic health and prescription coverage has become a gigantic liability, sucking more and more resources while providing less care. Plans are frequently more acutely aware of the wages that have been lost in order to maintain health care benefits.

## **THE SINGLE-PAYER SOLUTION**

In 2009, the AFL-CIO’s Building and Construction Trades Department listed four core principles for national health care reform:

1. Provide universal coverage
2. Distribute costs fairly
3. Control costs and preserve benefits
4. Improve quality and delivery of care

Given its convoluted nature, uneven coverage, failure to control costs and prevent “churning”, it is no wonder that the Affordable Care Act was never enthusiastically embraced by most unions that participate in multiemployer plans.

**The only long-term solution** to carry forward the solidarity principles that underlie multiemployer plans is to move towards a single-payer, Medicare for All

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publicly funded healthcare plan. It is a health reform solution for everyone, not just for some. It offers the continuity of coverage and a single benefit standard long valued as the hallmark of multiemployer plans coverage and now under siege. We believe that a single-payer Medicare for All system would strengthen their ability to provide a real “union advantage” for their members. It is simply untrue that multiemployer plans would have no significant role under such a system. Many Canadian unions maintain robust health and welfare funds that supplement the coverage that every Canadian receives under their single-payer system. U.S. plans could play a similar role.

## **THE ROLE OF MULTIEMPLOYER PLANS UNDER SINGLE-PAYER**

*“[Single-payer] is a health reform solution for everyone, not just for some. It offers the continuity of coverage and a single benefit standard long valued as the hallmark of multiemployer plans coverage and now under siege.”*

In addition, because all financing proposals for state or national single-payer proposals include employer payroll taxes that are significantly less than the costs for basic medical, dental and prescription coverage under our current private insurance model, plans could use the additional revenue to expand their “welfare” programs: disability, supplemental unemployment benefits, tuition and training, legal services, child- and eldercare, etc. Some revenues could also potentially be re-allocated to shore up precarious pension plans.

Our ultimate goal is national legislation. Making change at that level would result in fewer complications for multiemployer plans as they transition to a new system. However, because of the politics of healthcare reform, it is likely that the first breakthroughs will take place one state at a time.

State single-payer plans generate legitimate concerns for multiemployer plans because of the complications that arise from cross border coverage issues for active and retired employees and understandable concerns about long term funding security. These issues are not insurmountable but they must be addressed upfront in order to win broad support for these efforts within the labor movement.

## TEN THINGS THAT SHOULD BE ADDRESSED WHEN CONSIDERING STATE SINGLE PAYER LEGISLATION:

1. A demonstration of net savings for both employers (payroll tax plus employer contribution) and employees (any applicable payroll taxes, premium sharing and/or co-pays and deductibles).
2. For collectively bargained plans, a requirement that the parties must renegotiate contribution rates to ensure that all savings accrue equitably to the workers in the form of increased wages or benefits
3. An explicit recognition that multiemployer plans can continue to provide wrap-around coverage for any benefits not provided by the state plan.
4. The ability to negotiate employer payment of any employee payroll tax obligation.
5. A dedicated funding system that does not subject workers' benefits to the vagaries of an annual legislative budget fight.
6. A clear role for plan-sponsored clinics and other direct providers of care.
7. Seamless integration with Medicare (especially Part B) for retirees who reside either in-state or out of state (or who later move out of state).
8. Delivery system reform that allows the state to effectively manage the total cost of care within its borders.
9. An understanding of how care and funding is coordinated for individuals living in one state and working in another (and for families who may have both configurations between 2 workers).
10. Methods to resolve the complications from cross border issues. Many plans have developed sophisticated mechanisms for coordinating coverage for "travelers" who may work on temporary jobs (both for out-of state residents working temporarily in state and state residents working temporarily out of state). They will not want to lose anything in a transition.

In conclusion, single-payer Medicare for All can be part of the solution for the slow-moving crisis faced by nearly every multiemployer plans. A well-integrated program can strengthen funds, provide improved benefits to their members and extend their solidarity principles to society at large.



## LABOR CAMPAIGN FOR SINGLE PAYER

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The Labor Campaign for Single Payer is funded entirely by labor organizations and union members. Please consider making a contribution online or by check payable to Labor for Single Payer mailed to LCSP, 2929 S. Jefferson Ave., St. Louis, MO 63118.

**The best way to guarantee healthcare for every worker is by guaranteeing healthcare for all.**

**For more information, go to [laborforsinglepayer.org](http://laborforsinglepayer.org)  
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