THE WALL STREET JOURNAL.
WSJ.com
January 30, 2013, 10:32 p.m. ET

Some Unions Grow Wary of Health Law They Backed

By JANET ADAMY and MELANIE TROTTMAN

Labor unions enthusiastically backed the Obama administration's health-care overhaul when it was up for debate. Now that the law is rolling out, some are turning sour.

Union leaders say many of the law's requirements will drive up the costs for their health-care plans and make unionized workers less competitive. Among other things, the law eliminates the caps on medical benefits and prescription drugs used as cost-containment measures in many health-care plans. It also allows children to stay on their parents' plans until they turn 26.

To offset that, the nation's largest labor groups want their lower-paid members to be able to get federal insurance subsidies while remaining on their plans. In the law, these subsidies were designed only for low-income workers without employer coverage as a way to help them buy private insurance.

In early talks, the Obama administration dismissed the idea of applying the subsidies to people in union-sponsored plans, according to officials from the trade group, the National Coordinating Committee for Multiemployer Plans, that represents these insurance plans. Contacted for this article, Obama administration officials said the issue is subject to regulations still being written

Some 20 million Americans are covered by the health-care plans at issue in labor's push for subsidies. The plans are jointly managed by unions and employers and used mostly by small companies. They are popular in industries such as construction or trucking or hotels, where workers' hours fluctuate. By contrast, unionized workers at big employers such as Goodyear Tire & Rubber Co. GT -0.43%tend to have a more traditional insurance arrangement run through only one employer.

Top officers at the International Brotherhood of Teamsters, the AFL-CIO and other large labor groups plan to keep pressing the Obama administration to expand the federal subsidies to these jointly run plans, warning that unionized employers may otherwise drop coverage. A handful of unions say they already have examined whether it makes sense to shift workers off their current plans and onto private coverage subsidized by the government. But dropping insurance altogether would undermine a central point of joining a union, labor leaders say.

"We are going back to the administration to say that this is not acceptable," said Ken Hall, general secretary-treasurer for the Teamsters, which has 1.6 million members and dependents in health-care plans. Other unions involved in the push include the United Food and Commercial Workers International Union and Unite Here, which represents service and other workers.

Employers and consumers across the country will see big changes under the health law, which goes into full effect next year. Insurers will no longer be able to deny coverage to people with pre-existing conditions. Most individuals will be taxed if they don't carry insurance, and employers with at least 50 workers will face a fine if they don't provide it. About 30 million Americans are expected to gain insurance under the law.

John Wilhelm, chairman of Unite Here Health, the insurance plan for 260,000 union workers at places including hotels, casinos and airports, recalls standing next to Barack Obama at a rally in Nevada when he was a 2008 presidential candidate.

"I heard him say, 'If you like your health plan, you can keep it,' " Mr. Wilhelm recalled. Mr. Wilhelm said he expects the administration will craft a solution so that employer health-care plans won't be hurt. "If I'm wrong, and the president does not intend to keep his word, I would have severe second thoughts about the law."

If unions don't win the subsidy argument, they say that companies with unionized workers would become less competitive, especially compared with rivals too small to face the law's new requirements.

For the Obama administration, holding firm against union demands for subsidies risks alienating a key ally. Giving unions a break, however, would not only increase the cost of the law but likely open the door to nonunion employers in a similar situation who would demand the same perk.

The 2010 Affordable Care Act generally excludes workers with low incomes from tapping subsidies if they already have insurance from an employer that is affordable and meets the law's minimum standards. Another exception is if they have access to government plans such as Medicare or Medicaid.

Obama administration officials declined to answer questions about whether union-employer plans could qualify for subsidies under the law. A spokesman for the Treasury Department, which will administer the subsidies as tax credits, said: "These matters are the subject of pending regulations. We will continue to work with employers, workers, consumers and businesses to implement the health-care law."

Under the health law, households earning up to 400% of the poverty level—$92,200 for a family of four last year—will be eligible for tax credits to offset the cost of private insurance. The less a household earns the more generous the subsidy.

Union plans covering 2.3 million people won waivers to the health law's early requirements, as did a number of nonunion plans. That has put many unionized plans behind in adapting to the law.

Among them is the Sheet Metal Workers Local 85 in Atlanta, which has about 1,900 members. Next year it must lift the $250,000 annual cap on the amount it will pay for medical claims. The law's requirements will add between 50 cents to $1 an hour to the cost of members' compensation package, said Randy Beall, business representative and political director for the local.

Mr. Beall worries this will give small, nonunion contractors who don't provide health insurance an edge in getting work. Those with fewer than 50 workers won't have to pay a penalty for not providing health insurance and their workers can tap federally subsidized plans, giving the contractors an insured workforce at lower cost.

The Sheet Metal Workers International Association helped push for passage of the health law. Mr. Beall said he still believes everyone should have health insurance, but worries the law is undermining the union's ability to offer coverage.

"If we're not offering our members insurance and pension, why would you want to be union?" he asked.

Marc Norberg, assistant to the general president at the sheet-metal workers union international office, said it is examining whether to eventually move members onto subsidized medical coverage provided by what is known as health-care exchanges run by the states or Washington. The union would still offer ancillary health benefits. Mr. Beall opposes these changes.

The International Union of Operating Engineers Local 150 of Countryside, Ill., which represents construction workers and insures about 65,000 people, is also examining whether some lower-earning workers would eventually be better off leaving the union-sponsored plan and instead getting federally subsidized insurance.

"I've told my members, as this evolves, your health care will not look like it does today," said James Sweeney, president and business manager of the local. "I have to cut it back."

Scott Street, a 33-year-old member of Local 150 who helps lay high-rise building foundations in Chicago, likes the low deductible and doctor network of the union-run plan that covers him, his wife and two children. "What they're able to bargain for us is outstanding," he said.

Local 150 didn't support the health law when it passed almost three years ago, but its international governing body did. "We do have second thoughts," said Dave Treanor, director of health-care initiatives for the International Union of Operating Engineers. The union backed the law's passage hoping it would lower health costs, and thinks it eventually will. "Right now, it is costing us more," Mr. Treanor said.

Some employer groups and health-law experts say the Affordable Care Act leaves no room for giving union workers access to federal insurance subsidies. The benefit was designed to extend insurance coverage to those who can't get it from an employer, said Katie Mahoney, executive director of health policy at the U.S. Chamber of Commerce, which opposes the law. "It just strikes me as very much stretching the definition of to whom the subsidies are available," she said.

Former congressman Earl Pomeroy, a Democrat who represented North Dakota in the House, said lawmakers, including him, simply didn't consider whether union-employer plans should get subsidies. Unions want to do this by attaching their plans to the forthcoming insurance marketplaces, where other subsidized Americans will be able to shop for coverage.

Mr. Pomeroy said the issue can be fixed through federal rule-making. A supporter of the law, Mr. Pomeroy is now a senior counsel at law firm Alston & Bird in Washington and a registered lobbyist who advised the National Coordinating Committee for Multiemployer Plans on its effort to secure subsidies.

Unions and employers note it could be years before they alter or cut insurance coverage, a move that would be made in collective bargaining discussions between unions and employers.

The Teamsters' Mr. Hall said his union has no plans to eliminate workers' insurance. Instead, he worries employers will have an incentive to drop coverage in collective bargaining if they can't tap the subsidies.

Central Blacktop Co., a Hodgkins, Ill., road builder that employs members of operating engineers Local 150, provides health benefits by paying $13.45 per hour that each member works, said Joseph Benson, the company's chief financial officer. That averages nearly $19,000 a year per worker.

"Ultimately any increase in expense to the fund is going to come from us down the line," he said.

Write to Janet Adamy at janet.adamy@wsj.com and Melanie Trottman at melanie.trottman@wsj.com