UE STEWARD

FIRST LINE OF DEFENSE

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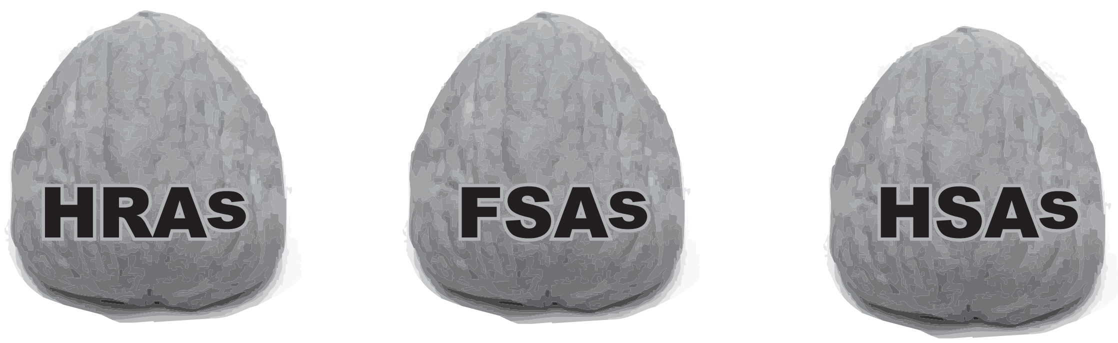
Health Care Schemes (or the Shell Game)



Leo Trepper, the Chief Steward at Trench Coats Inc., knew that the upcoming negotiations were going to be tough. At every grievance meeting one of the bosses would start complaining about the cost of health care. On Friday, when all the stewards and officers ate lunch together, he said, "We've got to get ready for these negotiations, health insurance is going to be the issue." Sara Kropotkin, one of the stewards replied, "I don't know, my foreman is telling people that the company has this all figured out, we'll switch to something called an FSA, and costs won't go up too much." "Then, I guess we better figure out what the heck an FSA is," muttered Leo.

With the failure of the Affordable Health Care Act to contain increases in Health Care costs, we will be faced with more and more pressure from employers to pass on the increased costs to workers. In April 2009 the UE Steward looked at Health Savings Accounts, and discussed how the creators of HSAs wanted to shift the cost of health insurance onto the workers backs. This UE Steward will look at three of the more common health care schemes that are supposed to contain costs. These are:

- **Health Reimbursement Accounts**
- **Flexible Spending Accounts**
- **Health Savings Accounts**

The key differences between all these schemes are, who puts money into the account, what happens to the money when the employee leaves and under what circumstances can each account be set up.

Health Reimbursement Accounts (HRAs)

These are typically used in conjunction with a **High Deductible Health Insurance Plan.** High Deductible Plans are plans that have at least a $1,300 upfront deductible for single plans and $2,600 deductible for family plans. The employer sets up a Health Reimbursement Account (HRA) for each employee.

How do these HRAs work?

- **Only the employer** may put money into the HRA account.
- The employee can use money from his/her HRA to pay for qualified medical expenses. Usually this means paying the upfront deductible that has to be satisfied before the insurance pays for bills.
- The employer contributions are tax deductible for the employer.
- The employee is not taxed on the money that goes into the HRA account.
- **The account belongs to the employer; if you leave the job, the money stays with the employer.**

What is negotiable?

A HRA's operation is primarily governed by a summary plan description written by the employer. Nearly every aspect of an HRA can thus be negotiated with the employer, from the cash value of the employer contribution, to the annual rollover, to the reimbursement procedure, to whether funds can be used for dental and vision expenses. This gives the union a much bigger potential voice in HRA administration than it would have with an HSA or FSA.

What is covered?

This can be as broad as "all medical expenses that are not covered by the health insurance" or it can be limited to "outpatient surgery deductibles." If the health insurance plan has many deductibles and they are large and has co-pays for many other services, then the union would want broad language that would allow spending on many items.

What are the dangers?

Like all bargaining over health insurance, the battle these days is over the employer trying to shift the costs of health care onto the employees. This does not end even if the Union helps the employer get lower premiums by switching to a high deductible plan. The next contract, the employer will

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be looking to end their reimbursement of deductibles or to lower their contributions to the HRA.

The false theory behind making employees pay more for health care, is that once employees have to pay out of their own pocket, they will shop around for better and lower costing health care. They will also stop having needless surgery. In one UE shop, the Personnel Manager once claimed that many employees were getting "nose jobs" because the company paid for the full cost of health insurance. A quick union survey of the membership revealed no cases of plastic surgery for noses.

Can the funds be carried over year to year?

Under an HRA, unspent funds can be carried over year to year. This is negotiable with the employer.

If the Union is thinking about negotiating an HRA, then the Union must develop a survey of what and how much the membership spends on health care. This will be important to give the Negotiating Committee facts they can use to negotiate the right amount of money that will be needed in the HRA. The stewards will be vital in getting this survey done, and assuring the members why it is needed and that any information they give will be kept confidential.

Flexible Spending Accounts (FSAs)

Flexible spending accounts are accounts that both employees and employers can put tax deferred money into and use to pay for medical expenses.

• An employer can offer a 100% match on FSA contributions up to $2,600.

• The money that is put in is not taxable, for either the employee or employer.

• The money is deducted per paycheck, but an employee must declare how much per year they are contributing.

• Contributions to an FSA are currently capped at $2,600.

• The money can be used to pay for deductibles, co-pays, prescriptions and medical supplies. Money from an FSA cannot be used for over-the-counter medications unless you have a doctor's prescription. However, insulin is considered a medical supply, not a medication, and thus doesn't need a prescription.

• **At the end of the plan year, all money that is not spent goes to the employer.** It is estimated that 14% of FSA funds revert to the employers each year.

• Many FSA accounts issue debit cards that you use to pay. This only works if the stores, pharmacies and doctors accept them. Receipts must be kept to justify the money was spent on proper items.

• If your plan has a Health Retirement Account, then you cannot have a Flexible Spending Account also.

• FSAs can be set-up to cover other things like paying for dependent care, child care or nursing home expenses, but these have their own separate and elaborate rules.

Health Savings Accounts (HSAs)

These are accounts that are used to pay qualified medical expenses (like HRAs and FSAs) but can only be used in conjunction with a High Deductible Health Insurance Plan (like an HRA).

• **The employer, the employee, or both** can put money into an HSA.

• The money put into an HSA by the employer is not considered income to the employee.

• Money that an employee puts into an HSA can be deducted on an employee's federal (and often state) income tax filings. Money that is spent on qualified medical expenses is not taxable either.

• The account belongs to the employee, and if you leave employment, the money goes with you.

• The list of "qualified medical expenses" is quite large, but some things are not covered, like cosmetic surgery.

• If you spend money on a "non-qualified medical expense" from your HSA, you will be taxed for that money at a rate of 20%.

• **The account is "portable" which means that if you go to another job you can keep your HSA account.**

While these "accounts" may have to be used at some point, UE stewards must remember and talk to members about the real point of these gimmicks. That is to continue to shift onto employees more and more of the costs of health insurance.

Another Option

For many years now, UE locals have used creative solutions to fight increased premium costs of health insurance. One method some have used is the idea of switching to a health plan that has a large upfront deductible for inpatient or outpatient surgeries. Having the large deductible lowers the cost of the health insurance premiums, because the employees are supposed to be paying the first $500 or $1,000 of the costs.

The key to making this work is that the employer must pay the deductible, not the workers.

In one UE location the employer agreed to switch to a plan with a $500 deductible for inpatient surgery and a $250 deductible for outpatient surgery. In one year the employer saved $120,000 because the premium for the insurance was lower. The employer had to pay $30,000 for the surgery deductibles, netting the employer a $90,000 savings. The employees also made out because their weekly co-pays were lower due to the reduced premiums. Of course, true to form, the employer was not grateful and during the next negotiations tried to stop paying the deductibles.

One UE shop had some mixed results with a Health Reimbursement Account....

During negotiations the employer insisted on going with a high deductible insurance plan. A big fight occurred over how much the employer would put into the accounts. In the end the employer agreed to fully fund the accounts each year so that they would totally cover the deductibles. The Union also insisted that the deductibles would be automatically paid by the insurance company, and the employees wouldn't be bothered with it.

For a couple of years it worked well. Deductibles were automatically paid from each employee's HRA, so that basically the insurance was the same as it was before.

Trouble began when a new company took over the administration of the HRA accounts. They refused to automatically pay the deductibles and insisted that employees had to "approve" every expense that was paid. This was a bother to most employees. They now had to fill out forms, go online, or call an 800 number to approve every deductible that was paid out of their HRA. If they forgot to approve payments, they would begin to get dunning notices from hospitals and doctors.

During the next round of negotiations much time had to be spent fixing this problem, which got fixed, but only after much aggravation to the members.

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