By Richard Winsten and Michael Hirsch

In the early years of the twentieth century, New York City's garment workers were among the first workers in the U.S. to win employer-paid health insurance. Today they are leading the effort to maintain this coverage in the face of skyrocketing health care costs that many of their employers simply cannot afford. UNITE HERE[1]—the union that represents garment workers-developed a model that sustains employer-paid health insurance by using a public subsidy to lower premiums. This report describes that model and makes policy recommendations to help expand this innovative approach to keeping New York's low-wage workers covered.

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Although employer-sponsored health insurance is eroding, it remains the primary way that people in

employment is seasonal; and garment shops are small. Through unionization, workers won and maintained a benefit that otherwise would have been out of their reach. And collective bargaining agreements gave workers the ability to compel their employers to pay for the health coverage they had committed to provide. Today the equation is changing and, without help, many employers genuinely cannot afford the payments.

Strengthening the employer-based health care delivery system makes strategic and political sense for working people and their unions, UNITE HERE and its members among them, particularly as state governments

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State governments are experimenting with ways to get health coverage for greater numbers of their residents. Across the country, many are concluding that “state-funded premium assistance is a way to extend the reach-or leverage-of public dollars.”[12] And they are concluding that public dollars to expand health care coverage are best spent supporting and expanding employer-sponsored health insurance, particularly among low-wage workers. “As a practical budgetary matter, government is unlikely to have the wherewithal to replace employers' current contributions toward health coverage for their low-income workers,” note researchers Ed Neuschler and Rick Curtis. “It therefore makes sense to examine approaches that would help to maximize net coverage gains by allowing public subsidies to be applied in ways that complement existing employment-based coverage instead of crowding it out.”[13] In a recent study for The Commonwealth Fund, Harvard professor Katherine Swartz notes that “policy makers are increasingly drawn to” state-funded reinsurance—essentially insurance for insurance providers that covers the cost of expensive claims—as a way to lower premiums and thereby make health insurance more accessible.[14]

finding that current insurer and HMO claim reserves could accommodate this change, and there is no evidence to the contrary.

While the changes in Healthy New York were essential to creating the UNITE HERE program, by themselves they were not sufficient; the union needed an insurance carrier with which to partner because the state only allows insurance companies to offer Healthy New York plans. Finding a partner turned out to be a

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Although crucial, arranging the funding for the UNITE HERE-Healthy New York program does not ensure the program's success; that depends upon the active involvement of the union, the health fund and GHI-each playing a pivotal role in implementing the program. Collective bargaining agreements give UNITE HERE and the UNITE HERE National Health Fund the power to collect the financial contributions that employers are obligated to make for their employees' health insurance. This may sImoye11(ve)4(m)-2(e)4(ne)4(mvbl)-2(i)-2(g)1(E)

- Significantly expand the definition of small employer beyond the current limit of 50 full-time equivalent workers.
- Permit ERISA funds to participate directly in Healthy New York. The current Healthy New York program limits participation to employers of less than fifty full time employees and, therefore is not obviously useful to multi employer funds most of whom have the participation of many employers of much larger numbers of workers. Also, the ERISA exemption for these funds leads to little focus by them on state government policies.
  Benefit funds have the administrative capacity to enroll workers, to confirm their eligibility and to collect financial contributions from employers. They have access to thousands of workers without incurring any marketing costs whatsoever. Their direct participation in Healthy New York would simplify current administrative complexities for all involved-employers, workers, unions and benefit funds alike.
- Waive the “look back” provision for employers who are required to provide health insurance under a collective bargaining agreement. The current “crowd out” provision of Healthy New York can disqualify employers such as post –9/11 garment employers that have tried to maintain health insurance contributions under severe financial pressure. This waiver proposal is critical to stemming the alarming erosion of employer provided health insurance among lower wage workers. If state subsidies are not available, unions may not be able to prevent the erosion of health benefits will continue to erode for these workers [24] **y ,n , n ,**
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- Allow flexibility in designing benefits-on condition that the benefits do not affect the cost of the state's reinsurance pool-so that unions and benefit funds can create benefit plans that best reflect their members' needs and experience.

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In the face of steadily rising costs, the challenges of maintaining health care coverage among low-wage workers are profound. The cost of health insurance is rapidly outpacing employers’ ability to pay and low-wage workers cannot afford to take up the cost. Public policy, thus, should be helping responsible employers to meet their contractual health care obligations. Continuing to expect employers to pay the full cost of insurance simply pushes them to abandon providing health care altogether. Without employer-provided coverage, where the employers pay for all or at least most of the premium, countless

The UNITE HERE-Healthy New York model is the first experiment that links private and public funding to create a sustainable system to insure low-wage workers through their multi-employer benefit funds. “This program begins to point a direction for other groups that are struggling with the cost of health coverage,” concludes Ilene Margolin, GHI’s vice president for external affairs. “We are showing that a union, an insurer and the state can take a step together to solve a problem.”

Rich rd insten p rtner of Meyer Suozzi Eng ish nd ein is n ttorney nd o yist in Ne York St te speci izing in or nd he th issues He c n e re ched t r insten sek co Mich e Hirsch is the e ecutive vice president of the A g ted Life Insur nce Co p ny ALICO nd n d inistr tor of the UNITE HERE N tion He th Fund He c n e re ched t hirsch g ted ife co *The uthors ish to ckno edge th t pu ic priv te p rtnerships p rticu r y those structured nd funded t the st te eve such s the UNITE HERE He thy Ne York ode descri ed here cou d not h ve h ppened ithout the trust nd sh red co it ent of those ho u ti te y joined in deve oping the progr the UNITE HERE N tion He th Fund the A g ted Life Insur nce Co p ny ALICO the UNITE HERE He th Center NY St te Governor George P t ki nd the NY St te Insur nce Dep rt ent nd GHI Fin y th nks to Ley ur for her he p ith this report*

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NOTES

[1] In 2004, UNITE, which represented garment, textile and laundry workers, merged with HERE, the union r

[17] Plans subsidized under Healthy New York cover inpatient and outpatient hospital services, physician services, maternity care, preventative health services, diagnostic and x-ray services and emergency services. They do not cover mental health or substance abuse. Although initially Healthy New York required prescription drug coverage, in 2003, the state made that voluntary.
[18] Swartz, "Reinsurance."
[19] The first efforts to insure the working poor by offering public subsidies to private insurers did not fair well. A 2001 study found that state-funded "buy-in programs" intended to insure children through public subsidy of private insurance failed in Maryland, Massachusetts, Wisconsin and Mississippi. (Academy for Health Services Research and Health Policy. "State Coverage Initiatives-Employer Buy-In Programs: How Four States Subsidize Employer-Sponsored Insurance," March 2001.)
[20] Medicaid participation rose between 2003 and 2004. (United Health Fund, Roundtable on Health Insurance Coverage Options for Low-Income Workers, 25 October 2005).
[21] Katherine Swartz, United Health Fund, Roundtable on Health Insurance Coverage Options for Low-Income Workers, 25 October 25 2005.
[22] A concise clear discussion of ERISA preemption issues is found in the National Academy for State Health Policy, "State Coverage Initiatives Issue Brief, August 2004."
[23] A PPO plan allows covered individuals to see a specialist without getting a referral from their primary care physician. UNITE HERE members were accustomed to this type of coverage.
[24] ee Dube and Jacobs, "Declining Job Based Health Coverage in the United States and California: A Crisis for Working Families," UC Berkeley Center for Labor Research and Education, January, 2006