EMBRACING PRUDENCE

HISTORY OF COLLECTIVELY BARGAINED PLANS STEEPED IN STEWARDSHIP

WRITTEN BY BRUCE SHUTAN

Collectively bargained plans have enjoyed a long love affair with self-insurance. So it's only natural that all self-funded entities can learn a thing or two from that passion and commitment.

As many as 86% of multiemployer or Taft-Hartley plans are self-funded, according to the International Foundation of Employee Benefit Plans' (IFEBP) latest biennial Employee Benefits Survey, which was just released in August.

One significant reason these unionized plans have turned to self-funding "is because they would generally have a sufficient number of participants for acceptable risk exposure," explains Julie Stich, IFEBP's associate VP of content. The ones that choose fully insured coverage may be too small or uneasy about taking on the potential risk or uncertainty of volatile claims, she adds.

Another major motivation is cultural. "Certainly, there is the sense of paternalism," she says "and that's just grown out of the history of this type of plan. And in some cases, for a long time, there was maybe only one type of health plan that was being offered." Other reasons include more plan design flexibility and less cost, depending on each plan's situation and claims experience, Stich notes.

These plans are known for hands-on involvement. Multiemployer plan trustees tend to be "very cognizant of what's going on with the fund," as well as involved in knowing about the flow of claim dollars and how the welfare fund's investments are faring, Stich observes. Oftentimes, she says there's a committee or board of trustees subgroup involved with claims appeals."

The terms "multiemployer" and "Taft-Hartley" are often interchangeably used to describe the same plan, but there are key structural differences. IFEBP defines the former as "an employee benefit plan maintained under one or more collective bargaining agreements to which more than one employer contributes." The latter involves "a joint board of trustees consisting of equal representation from labor and management," according to IFEBP, while some industries (i.e., sports), "have multiemployer plans that are not Taft-Hartley plans."

FROM DATA MINING TO TELEMEDICINE

These plans are actively looking for ways to manage costs without reducing benefits, observes Megan Kelly, SVP and national multiemployer health practice leader at the Segal Co. "We're seeing a lot around data mining," she says, as well as efforts to weed out cost inefficiencies and base decisions on clinical data. Other hot areas she cites include population health, wellness programs, and the use of onsite and near-site clinics.

Taft-Hartley plans are incrementally examining telemedicine, consumer-directed care and Grand Rounds' personalized, high-performance network and decision-support tools as part of their self-governance charter, notes John Hennessy, SVP of business development for WellRithms. He foresees better selection and timely review of these "interesting bolt-on products," which would be replaced if they're simply not paying off.

"The beneficiaries are the governors," explains Hennessy, whose firm offers market-based re-pricing of out-of-network bills to Taft-Hartley trust funds and self-funded employers, as well as regional health plans. "That's very different than a self-funded employer where it's typically the CFO making these decisions."

CAREFUL CUSTOMER SERVICE

The underlining philosophy of these plans is good stewardship, which he says "means you don't overpay for things" and stand behind members who receive a surprise balance bill. Indeed, Hennessy believes growing awareness about an evolution of reference-based pricing offers another tool to help the plans define benefits that best meet their members' needs.

"They're much more forward-thinking than most private employers that are making decisions based on the next renewal rather than what do things look like two, three, four or five years in the future," he says of collectively bargained plans.

In the multiemployer arena, Kelly mentions that customer service is supremely important to rank-and-file members when it comes to their benefit plans. If a claims issue arises, she says callers are directed to a self-administered fund office vs. an impersonal insurance company call center. Given this setup, she doesn't believe union members care much about Blue Cross Blue Shield, UnitedHealthcare, Cigna or Aetna health plan branding associated with an administrative-services-only contract and, therefore, value an independent TPA model.

Multiemployer plans have a history of self-administration with a salaried staffer or third-party administrator (TPA) that may specialize in this sector, according to Stich. The arrangement is unusual outside the multiemployer realm because it can be costly, she says, while there's also a lack of time and resources associated with "learning how to do it and doing it well."

LEADING THE WAY ON WELLNESS

Taft-Hartley plans also have taken a leadership role in using preventive medicine and wellness to reduce health care costs and improve the health of each member, says Don Powell, Ph.D., president and CEO of the American Institute for Preventive Medicine (AIPM), who has worked with these plans for 35 years. Improving the health and wellbeing of rank-and-file has always been part of organized labor's DNA, as well as a key issue for collective bargaining, he notes.

One example includes Teamsters Local 436 in Valley View, Ohio, which distributed a copy of AIPM's *Healthier at Home* self-care book to 900 active members and *Health at Home Lifetime* edition to 240 retirees.

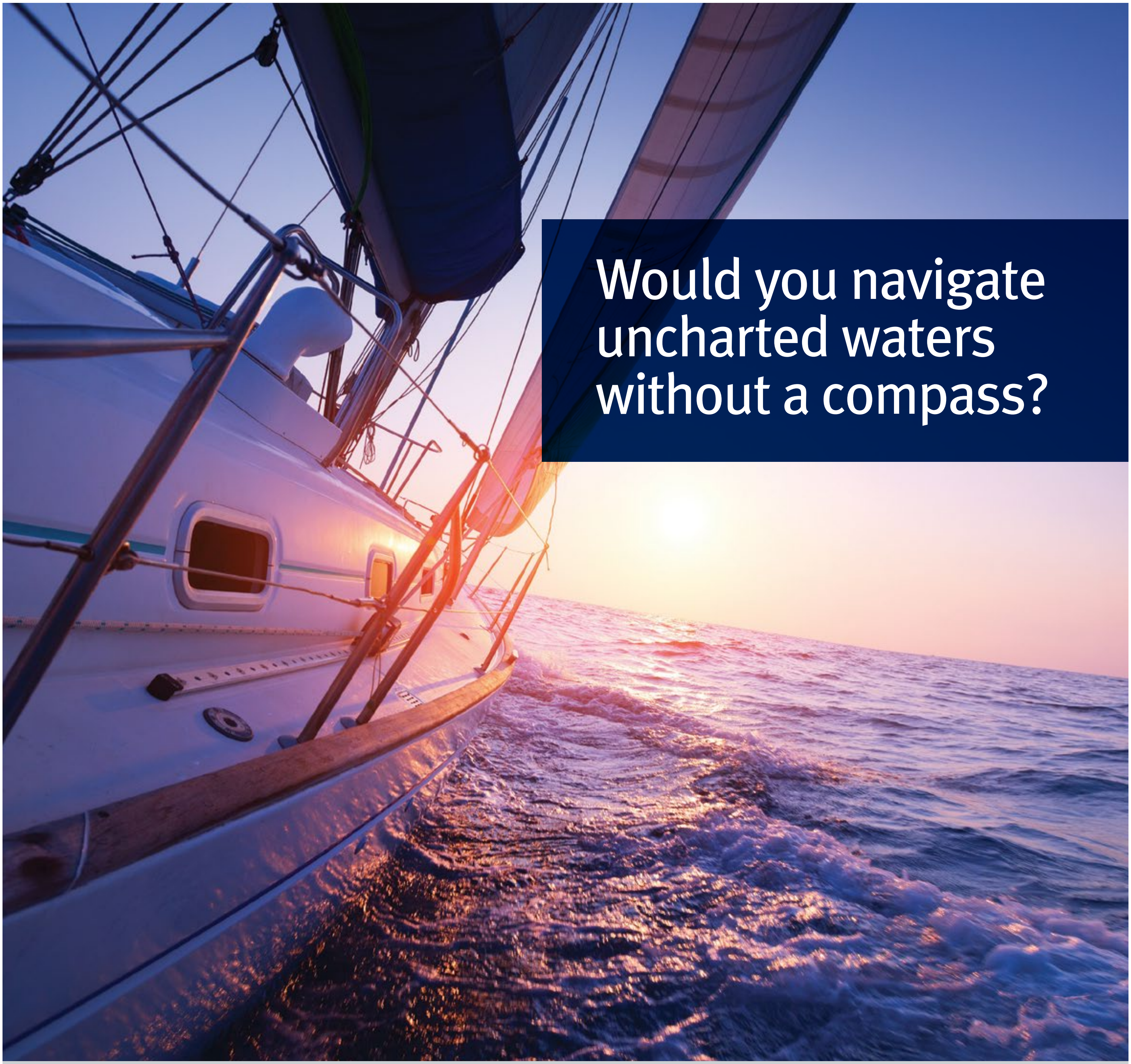
A self-reported survey showed that employees avoided 47 doctor visits and 23 emergency room visits within the first year, and incurred 14 fewer days of absenteeism. Producing a total savings of $10,865, or $119.40 per member, Powell says there was a 20:1 return on investment for the cost of those books. Retirees avoided 14 doctor visits and eight ER visits, producing a total savings of $3,705, or $78.82 per retiree, for a 13:1 ROI.

Another medical self-care study involving the United Teachers of New Orleans Health and Welfare Fund in Louisiana showed that teachers and staffers who received a copy of *Healthier at Home* avoided 41 doctor visits and 26 ER visits, savings $11,615 or $89.35 per member with a 16:1 ROI. In addition, absenteeism plummeted by 32 days.

In addition, Powell cites an FCA Chrysler audit of Blue Cross Blue Shield claims data showing employees who participated in a wellness program cost less than those who did not take part ($3,815 on average vs. $4,932).

A 2017 IFEBP wellness survey found that 65% of multiemployer funds covered chiropractic services, 26% covered acupuncture, 9% offered yoga or Tai chi classes, about 6% offered coverage for massages and 2% offered ergonomic training and support.

As is the case with all self-insurance, Powell knows Taft-Hartley plans have much at stake with health care expenditures that are directly tied to utilization. "Clearly, you have a vested interest in improving the health and wellbeing of your membership when you're taking on your own fiscal



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responsibility for health care more so than a company where the rates are just always going to increase by 10% a year no matter what," he says.

USE OF STOP-LOSS INSURANCE

It is also interesting to note that collectively bargained plans are less likely to purchase stop-loss insurance than single employer plans. Nearly 23% of such plans go without stop-loss coverage vs. almost 13% for public-sector employers and 10.4% for corporations, IFEBP found.

Dominance also was noted in two of three other self-funding categories that were examined in the Foundation's 2018 research. Multiemployer plans, for example, are more apt to be self-funded with specific stop-loss coverage (29.1%) than corporations (21.3%) or public employers (14.5%). The same was true for being self-funded with aggregate stop-loss coverage (15.1% for multiemployer plans vs. 9.1% for corporations and 6.5% for public employers).

However, IFEB noted that more corporations self-fund with both aggregate and specific stop-loss coverage (nearly 23%) vs. public employers (19.4%) and multiemployer plans (19%). For fully insured coverage, public employers lead the pack at nearly 47% vs. 36.3% among corporations and 14% among multiemployer plans. Almost half of multiemployer plans that opt for a fully insured approach for active participants have head counts of 500 to 2,499, while 92% of those with 2,499 or fewer retirees do the same. Danger of dwindling reserves.

DANGER OF DWINDLING RESERVES

While it's easy for Taft-Hartley plans to structure benefits to be robust, Hennessy cautions that it's challenging to fund them. Requirements under the Affordable Care Act have not only driven up hospital rates, he says they also have made these plans "a little less sound in terms of reserves." As the union population ages and the price for medical services and utilization rise, he adds that the fear is "at some point you run out of money."

A TPA who's managing a plan in the Pacific Northwest told him how a long-term pediatric case dramatically eroded the reserves of a Taft-Hartley client in recent years to a point where it was difficult to obtain reinsurance. The larger concern is that the plan may need to switch to a fully insured option if those reserves evaporate.

As one of two pillars in multiemployer plans, the other being pensions, Stich believes health care coverage represents a tangible benefit that's immediate and seen on a daily basis for workers and their families. Without it, she says people in industries such as construction and entertainment would hop from one job to the next without health care or pension coverage.

As union members age and start families, Kelly believes they develop a better understanding of how much their health care costs and appreciate the value of their benefits. That certainly makes benefits communication much easier, she suggests. And in some small way, the beneficiaries of this coverage can potentially mirror the stewardship of their plan trustees. ■

Bruce Shutan is a Los Angeles freelance writer who has closely covered the employee benefits industry for 30 years.

SELF-CARE CASE HISTORIES
TEAMSTERS LOCAL SAVES MONEY FOR ACTIVES AND RETIREES

Teamsters Local 436 in ValleyView, Ohio gave 900 active members and 240 retirees the Health at Home® book. A research study showed the active employees avoided 47 doctor visits and 23 E.R. visits. This produced a total savings of $10,865 or $119.40 per member. The Return on Investment (ROI) was 20:1. The active employees also reported reducing absenteeism by 14 days which produced additional savings.

The retirees showed similar success. They avoided 15 doctor and 8 E.R. visits.

The total savings was $3,705 or $78.82 per retiree. This amounted to a Return on Investment (ROI) of 13:1.

Teachers Union Saves $89 Per Member

The United Teachers of New Orleans (UTNO) Health and Welfare Fund in Louisiana provided Health at Home® to both teachers and staff. An evaluation showed the members avoided 41 doctor visits and 26 E.R. visits. This came out to a total savings of $11,615 or $89.35 per member. Factoring in the cost of the self-care guide, the Return on Investment (ROI) was 16:1. In addition, the members decreased absenteeism by 32 days and 71% stated the guide was a valuable employee benefit.

Organization	# of People	# of Months	Savings/Person Dr. Visits	E.R. Visits	Total	R.O.1.**
United Teachers New Orleans	130	12	$17.35	$72.00	$89.35	17:1
Teamsters Local 436-Actives	91	12	$28.41	$ 90.99	$ 119.40	20:1
Teamsters Local 436-Retirees	47	12	$ 17.55	$ 61.28	$ 78.83	13:1