Health care costs affecting public unions

By Kate Taylor, New York Times

Cities and towns across the country are pushing municipal unions to accept cheaper health benefits in anticipation of a component of the Affordable Care Act that will tax expensive plans starting in 2018.

The so-called Cadillac tax was inserted into the Affordable Care Act at the advice of economists who argued that expensive health insurance with the employee bearing little cost made people insensitive to the cost of care. In public employment, though, where benefits are arrived at through bargaining with powerful unions, switching to cheaper plans will not be easy.

Cities including New York and Boston, and school districts from Westchester County, N.Y., to Orange County are warning unions that if they cannot figure out how to rein in health care costs now, the price when the tax goes into effect will be steep, threatening raises and even jobs.

“Every municipality with a generous health care plan is doing the math on this,” said J.D. Piro, a health care lawyer at a human resources consultancy, Aon Hewitt.

But some prominent liberals express frustration at seeing the tax used against unions in negotiations.

“I think it was misguided all along,” Robert B. Reich, the former labor secretary, said in an email. When the law was being written, he said, he worried that the tax was “a blunt instrument that could too easily become a bargaining chit for cutting back benefits of workers.”

“Apparently, that’s what it’s become,” Reich, who is a professor of public policy at UC Berkeley, said.

Under the tax, plans that cost above a certain threshold in 2018 — $10,200 annually for individual plans and $27,500 for family plans, with slightly higher cutoffs for retirees and those in high-risk professions like law enforcement — will be taxed at 40 percent of their costs in excess of the limit. (The thresholds will rise with inflation after 2018.)

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