

Shifting costs of health care still costs

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Every time you purchase goods and services, you have the choice of buying them from employers who provide fair wages and benefits for their employees -- or not.

But if you think you're getting a deal from companies who shortcut employees on benefits, you might think again.

Cost shifting has become a popular business philosophy, especially in the area of fringe-benefit payments. Examples abound in health care. A recent Seventh Circuit Court decision validated an employer plan provision that limited the plan's benefits to \$1,000 if an employee's spouse had health-care coverage. The result of this court action was to force the spouse's insurance to pay \$159,000 of \$160,000 in medical bills for someone who was supposed to have insurance coverage through their employer. A large Milwaukee-area company also refuses to provide health-care coverage to employees whose spouses could get coverage through their employers.

These tactics seem to be good for the bottom line because the shifted costs don't show up in the traditional accounting model. But what most employers who shift benefit costs don't recognize is that these expenses will have to be recovered from somebody. This results in higher prices for goods from companies that provide full benefit packages or increased use of the tax-funded social net by those who don't have a fair benefit package. Either way, that company is going to pay the cost.

Someone pays

Companies that don't accept the responsibility of benefits for their employees feel that by buying goods and services from similar employers, they can continue to avoid benefit costs. Those who don't have a health and benefits package from their employer or spouse's employer will fall back on the social safety net, and the costs will be paid through taxes.

Self-funded Taft Hartley funds like those in the construction industry usually pay more than 96 percent of every dollar directly to health-care providers. The average cost per hour for carpenters, building laborers, cement finishers and bricklayers covered by collective bargaining agreements in the Milwaukee area is \$6.56 per hour plus another \$4.39 in retirement benefits for a benefit package of \$10.95 per hour. Based on numbers gleaned from state of Wisconsin statistics, average merit shop fringe benefits cost \$2.44 per hour -- or just 22 percent of what responsible employers pay in benefits per hour.

When you purchase goods and services, you have a choice of buying them from an employer who recognizes the total cost of employment or one who shifts the burden to other employers. You will pay either way because it costs what it costs.

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