

HEALTH INSURANCE

No Longer a Fringe Benefit ???

Thirty years from now, when historians write about the significant things that happened during this decade, one item that will undoubtedly receive attention is what became of the health care system in America.

During my working career, I have known health care coverage as a benefit provided by most reputable employers. But it wasn't always this way. Shortly before she died in the late 1980's my grandmother told me how envious she was that the employers of the day provided health coverage as a benefit. When my grandparents were raising their family in the late 1920's, 1930's, and 1940's, when someone went to the doctor, they paid the doctor directly, and it was not always paid in currency. Given the level of medical technology at the time, most people had low medical expenditures. In fact, the chief cost associated with illness was not the cost of medical care, but the fact that sick people couldn't work and did not get paid. Like many other construction industry groups, our health plan for the Electrical Workers in Local 302 was established in 1954 (with an initial contribution rate of 7-1/2 cents per hour). People that have started their careers since then have several prior generations to thank for the slow evolution in thinking that brought health care into the employment relationship.

But that may be about to change again. Last month, the results of a [Survey](#) were released that showed that nearly ten percent of large and mid-sized employers expect to stop offering health coverage to workers after the health insurance exchanges begin operating in January of 2014. As you know, most companies keep their long-range strategic plans to themselves for obvious reasons. The fact that so many would "telegraph" their intentions leads me to believe the number may actually be much larger.

So how will all this shake out?

The Obama administration has requested the Supreme Court to rule on the "individual mandate" of the Affordable Care Act, which would require Americans to purchase a minimum amount of health insurance if they were not already insured through their employer. For now, if we assume it will survive the court challenge, we need to think about how it might affect the construction industry, especially how it might affect the ability of our IBEW-signatory employers to compete with their non-union competition.



That's not a Typo.

It's a cool place to keep your lunch."

The first thing we should recognize is the act does not mandate an employer to offer health insurance. Only a large employer will be subject to penalties if coverage is not offered. “Large” is defined as an employer with 50 full-time equivalent employees during the preceding calendar year. This means that about 75% of all electrical contractors in California would not be required to offer health insurance, and would not be penalized for doing so. The potential tax penalty for a large employer that does not offer coverage beginning in 2014 is roughly \$2,000 per year per full-time employee. That’s about what you pay each month in Health and Welfare contributions for an IBEW electrician that works 160 hours in the Bay Area. My concern here is the penalty was set so low that it actually encourages large, non-union employers to do exactly what many of the employers that responded to the survey have already told us they are going to do. Although health care is still a legitimate, deductible expense, in a low-bid industry like construction, we have to be continually concerned about what our competition is thinking. Right now, there is tremendous overcapacity in California’s construction industry, and non-union electricians are not in a strong position if their employer decides to stop offering health benefits, and to put just a little more on the check.

As if that was not bad enough, there are a couple of other troubling aspects of this — tax credits for low-wage employers and a Cadillac tax on employers that provide better benefits. Those employers with fewer than 25 employees with average annual wages of less than \$50,000/year are eligible for a tax credit of 35% beginning in 2010 and 50% beginning in 2014 if they offer health insurance. This will create an advantage for small contractors that make liberal use of trainees (residential, etc.). The provision is troubling because in an off-handed way it provides an incentive for employers to establish a glass ceiling on wages. Conversely, the Cadillac tax (effective in 2018) would penalize plans that provide benefits that exceed certain levels based on premium dollars. Health care costs vary dramatically by area of the country, with California being one of the most expensive. The combination of these provisions will likely lead to a more uniform schedule of benefits for those employers that offer health insurance. Construction industry plans will likely adjust their benefits to have lower premiums, higher deductibles and copayments. The combination of these provisions will also likely lead to an even more rapid shift in the movement of manufacturing of newly developed products from California to other parts of the country.

Don’t expect organized labor and the people they represent to be early adopters of any potential shift away from employer-provided health care. Virtually every union representative feels that fighting for health care benefits is part of the DNA of the labor organization. Labor Unions will likely focus on the organizing possibilities of continuing to offer health care. Established Prevailing Wage Laws generally provide for the health care rate contained in our labor agreements in California. Private work may present a more immediate problem. At one point, it made sense for employers to offer coverage to compete for talent. But if you are one of the last employers providing benefits, isn’t it a matter of time until you are forced to do likewise?

One thing that we should point out is that all things are subject to change, and probably will. (The Social Security system today looks much different than what Congress envisioned in 1935.)

The wild card in all of this will be determined by those people that start an electrical contracting business after the exchanges are operating. They could eliminate one headache you have had to learn to live with. Expect to see the term “Health Care Allowance” creep into employment offer letters.

The next major event will be the ruling of the Supreme Court on the individual mandate. We should know by next June whether the new Affordable Care Act will stand as written.

To be continued . . .

NECA Contractor Call to Action

SB474 and SB 293

The NECA sponsored "Type 1 Indemnification reform" bill (SB474) and our "Retention Reform & Prompt Pay" bill (SB293) have been approved by the California State legislature and await action by Governor Brown.

SB474 would protect subcontractors from bearing liability for the negligence, injuries or design defects of other parties on construction projects by making risk-shifting contract clauses unenforceable.

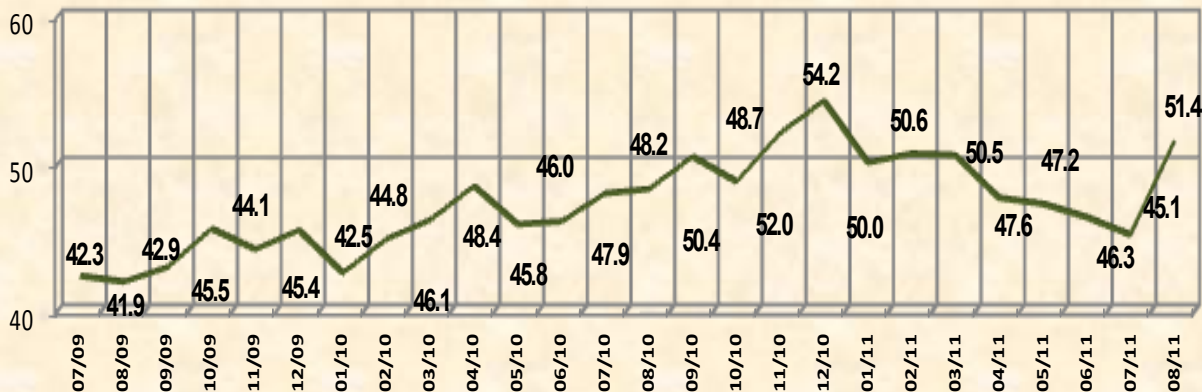
SB 293 would cap retention on all public works at 5% and reduces the statutory payment times for progress payments on construction projects from general contractors to subcontractors from 10 days to 7 days.

Please send letters of support for both measures to Governor Brown. For your convenience you may view a sample letter for each bill by clicking on the links below.

[SB474](#) and [SB293](#)

Architecture Billings Index Turns Positive After Four Straight Monthly Declines.

August ABI 51.4



Any score above 50 indicates an increase in billings.

Code Question of the Day

with Charlie Trout

Published by NECA Standards & Safety



The National Electrical Code is the bedrock of the electrical construction business.

Code Question of the Day for Oct. 4:

Is there a compliance issue that does not allow multiple extension cords to be placed in series to make a longer extension, on a temporary basis?

[Yesterday's Code Question and Answer](#)

Do you know all the ins and outs of the Code? [Subscribe to CQD](#)

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Darwin Award

October 2011

*Most Innovative New Application
for a Traditional Electrical Product*





OCTOBER 2011

Sun Mon Tue Wed Thur Fri Sat

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Contra Costa Chapter
1024 Court Street
Martinez, CA 94553
(925) 372-3222

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Health & Welfare Trust
Training Center
Martinez
1:00 p.m.

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National Boss Day

JATC
Training Center
Martinez
12:00 p.m.

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Randy Weber

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October 22—25

NECA 2011 San Diego
NECA Convention & Exposition

Electrical Industry Trust
Prima's
11:45 a.m.

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Halloween