# Labor unions strike back at rising health costs

A family meets with Dr. Paul Brillhart in an exam room designed for joint appointments at the SolidaritUS clinic in Owasso, Okla., a clinic for union members and their families.

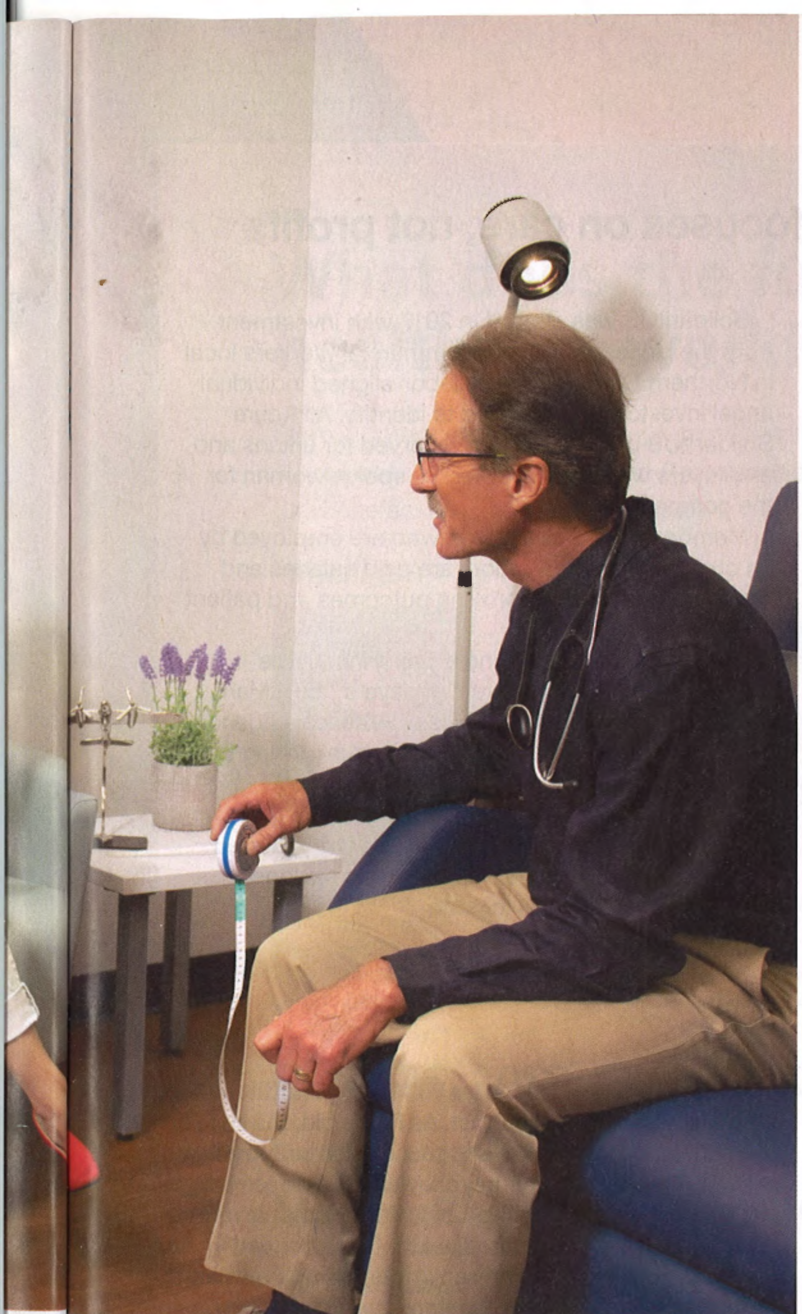
By Shelby Livingston

A FEW YEARS AGO, Wichita, Kan.-based Spirit AeroSystems, a major supplier of airplane parts to customers like Boeing, was considering moving its Oklahoma jobs offshore to reduce costs and stay competitive. Faced with the prospect of lost work, the United Auto Workers' national leaders pitched a fix to save the company money: Give employees better primary healthcare.

The UAW knew part of Spirit's rising costs were driven by healthcare spending. Greater access to affordable primary-care services could reduce the use of expensive specialty care and visits to the emergency

**THE TAKEAWAY**

Direct-care clinics are one example of how labor unions are collaborating with companies to lower the cost of healthcare for union members and the financial burden on employers.



department, the thinking went.

So it introduced Spirit to SolidaritUS Health, a direct primary-care provider newly formed with investment from another national labor union. And in July 2018, Spirit, SolidaritUS and the UAW local in Tulsa, representing about 1,300 Spirit employees, worked together to launch three clinics, choose clinic staff and communicate benefit changes to employees. Spirit pays for employee access to the clinics on a per-member per-month basis.

Employees can visit the doctor and take home some of the most commonly prescribed medicines with no out-of-pocket cost. If they go elsewhere for primary care, they are subject to a deductible. Each of the four health center physicians cares for no more than 1,000 patients, allowing them to dedicate more time to each patient while also offering same-day appointments and round-the-clock access by phone.

Early results have been significant. Spirit employees are going to the ED and urgent-care clinics less frequently, and health plan premiums at the company's Oklahoma site were flat going into the 2019 plan year, said Martha Webb-Jones, Spirit's director of human resources for Oklahoma operations. In previous years, the company health plans had experienced annual premium increases of 6% to 10%, she said.

Many employees were skeptical of the clinics at first and wondered if they'd lose quality care or privacy with the new model. But patient satisfaction surveys are off the charts, Webb-Jones said. Spirit didn't move workers' jobs overseas. And the company has since contracted with another provider to offer workers certain surgeries at no cost if recommended by a SolidaritUS physician.

"What people were so anxious about a year ago—the sentiment is completely the opposite today," Webb-Jones said. "There's pride and trust in (the clinics), and I can't imagine ever going back."

## Emerging focus

The UAW-SolidaritUS-Spirit collaboration is one of a growing number of examples of labor unions taking control of rising healthcare costs by reimagining such factors as how care is provided and how employers contract with pharmacy benefit managers for prescription drugs.

While employers' first instinct is to shift a larger share of healthcare costs onto workers through higher deductibles and co-pays, labor unions don't have that option, making them uniquely motivated to solve the health cost crisis by tackling the root drivers of those costs, said Mark Blum, president of SolidaritUS and executive director of America's Agenda, an organization that works with different stakeholders, including unions, to ensure access to high quality care.

"There's no alternative for labor except to solve the problem, to address the cost drivers and redesign delivery in a way it really reduces the hyperinflation of health costs," Blum said, adding that he's fielded requests to implement SolidaritUS clinics in three other states in the next six months.

Of the more than 150 million Americans with coverage through their jobs, about 33 million people are in health plans that cover union-represented workers, America's Agenda estimates.

Average premiums for job-based family coverage increased 20% since 2013 to more than $19,600 in 2018, according to the Kaiser Family Foundation, and workers are increasingly picking up a larger share of that tab. From June 2013 to June 2018, workers' average hourly earnings grew just 4.5%, data from the Bureau of Labor Statistics show.

Negotiations between labor unions and employers are often bitter. Blum insisted that most strikes over the past 20 years at their core have concerned the rising costs of healthcare benefits, pointing to the recent strike in several New England states by United Food and Commercial Workers International Union members who protested insurance premium hikes and lower pension benefits.

## Union-owned provider says it focuses on care, not profits

**Direct-primary care provider SolidaritUS Health** partners with employers to deliver innovative, value-based care, which gives physicians incentives to deliver better patient outcomes by focusing on prevention instead of being paid per service billed.

But SolidaritUS executives say the company is also an innovation in itself because it's owned by labor unions and related entities who have workers' interests in mind—not profits. "In the past, unions cut deals with employers and providers to get cheaper, but quality healthcare. But then once it works, the company that owns (the provider) starts raising the price because they can," said former House Leader Richard Gephardt, who is chairman and co-founder of SolidaritUS and also on the board of its first customer, Spirit AeroSystems.

"We felt strongly we needed to own it so we could make sure it continued to deliver high quality and low costs," he said.

SolidaritUS was started in 2017 with investment from the United Food and Commercial Workers local in Northern California and a labor-aligned individual angel investor they declined to identify. All future SolidaritUS board seats are reserved for unions and employers with union workers, a spokeswoman for the company said.

Members of the clinic staff, who are employed by an outsourced organization, are paid salaries and receive bonuses for improving outcomes and patient satisfaction.

"The model is built around aligning incentives between patients, providers and payers," said Mark Blum, president of SolidaritUS and America's Agenda, which helped develop the concept and is guiding the implementation.

Patients can access quality care at no cost, clinicians are able to practice the patient-centered care they want to, and employers reap savings, Blum said. —**Shelby Livingston**

### Collective healthcare

But when unions and employers both realize they want the same thing—lower costs and better care for workers—then "collective bargaining becomes about how we share savings rather than how we shift costs," Blum said.

Though they had seats on a committee that designed benefits for the health plan serving state workers and teachers, it wasn't easy for New Jersey public labor unions to get the government to join in a conversation about sharing savings. Then-Gov. Chris Christie was notoriously at odds with labor unions, but unions forced the issue, said Hetty Rosenstein, area director of Communications Workers of America New Jersey.

The price of buying prescription drugs for the 750,000 workers, retirees and dependents on the plan was about $2 billion per year, thus putting pressure on the state's ability to pay for wages, pensions and other taxpayer priorities. The labor unions believed they were being overcharged by their pharmacy benefit manager. PBMs are middlemen who handle prescription drug benefits for employers, but they have come under fire for driving up drug costs.

"If you don't approach the issue of price, how much you're paying for services—and very often the prices have nothing to do with quality of services and outcomes—then the cost of healthcare will just continue to eat up more and more and more. That's money that could go to wage increases, services, innovation," Rosenstein said.

So instead of a typical request for proposals, in which PBMs would pitch contracts to the state, the unions opted for a reverse auction in 2017 to let PBMs bid to fulfill the state's idea of a best-in-class contract. As PBMs bid, the state used data analytics to project how much each proposal would cost. And similar to eBay, they allowed PBMs to see each other's bids, prompting them to aim lower in multiple rounds.

OptumRx, a unit of UnitedHealth Group, ended up ousting incumbent PBM Express Scripts with a contract that reduced pharmacy costs for state and local governments by 25% and led to a premium decrease of 1% in 2019, compared with an increase of 13% the year before, according to Gov. Phil Murphy, the Democrat who took over after Republican Christie and is more inclined to work with labor unions. Express Scripts has since protested the contract loss and a panel of judges in late 2018 ordered the state to hold a re-bid for a contract beginning in 2020.

Like Spirit AeroSystems in Oklahoma, New Jersey's government is also experimenting with giving public workers access to direct primary-care clinics. Unions worked with the Murphy administration to create healthcare ombudsmen positions that will introduce members to those clinics and help them find the best providers for their needs. The plan also stopped paying for unnecessary, costly medications like compounded skin creams.

"None of this was done through what I would consider the stupidity of saying, 'Oh, just have workers pay more; reduce the value of the plan,'" Rosenstein said. "This was all done by really figuring out where is the spend high and how do you lower the spend. Where are we paying too much because the prices are too high?" ●