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De Blasio's Plans to Reduce Worker Health Costs Have a Carrot and a Stick

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When Mayor Bill de Blasio announced his first labor agreements with New York City unions this spring, he was sharply criticized for granting long-awaited wage increases in exchange for promises of unspecified though sizable savings on health care expenses.

Now, some of the specifics are coming into focus: City officials and union leaders say they hope to push municipal workers to use walk-in clinics more and emergency rooms less, order generic drugs more often than brand-name ones, and buy them through the mail rather than at retail pharmacies to achieve bulk discounts.

The city hopes the unions will agree to steer workers to use centralized, cheaper centers for blood tests, X-rays or M.R.I.s, rather than having those tests performed in doctors' offices or at costly physician-owned facilities. Patients who resist could face higher copayments, while savings would be passed on to the city in lower premiums.

The cost-cutting comes with high stakes: If the city and unions are unable to save a total of \$3.4 billion on health care by 2018, a mediator will be empowered to order increases in workers' premiums to cover the shortfall, officials said.

As an added inducement, if the unions help the city exceed that goal, the first \$365 million in additional savings would be distributed as lump-sum bonuses to workers, officials said. Any savings beyond that would be split evenly between the city and its employees.

In interviews, Harry Nespoli, chairman of the Municipal Labor Committee, the umbrella group of city unions, and Robert W. Linn, the city's labor relations commissioner, disclosed several of the cost-saving measures being discussed as the two sides draw closer to a deal.

For example, union officials are meeting with EmblemHealth, an insurer that covers many municipal union members, to negotiate increased access for employees to EmblemHealth's more than 40 walk-in clinics across the city.

Arrangements like that could reduce costly emergency-room visits not only for the city's 350,000 workers but also for their dependents — a total of about one million people, the officials said.



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Missing from the labor contracts with teachers and other city workers that were announced beginning in May was any requirement for union members to begin contributing toward their health insurance premiums. That prompted some critics to say Mr. de Blasio was not being tough enough at the bargaining table.

Earlier this month, the Metropolitan Transportation Authority and the unions representing 5,400 Long Island Rail Road employees agreed that those workers would begin paying 2 percent of their wages toward their health coverage.

But Mr. Linn said the city would gain far more by trimming health costs than by getting municipal workers to pay the same 2 percent of their wages toward their health premiums. That contribution, he said, would translate into \$400 million a year.

“Look at it this way,” Mr. Linn said in an interview. “Isn’t it better to achieve savings so an employer pays \$16,000 toward health coverage per worker, than to have a total cost of \$20,000 per worker, with the employee contributing \$2,000 of that?”

Mr. Nespoli, who also serves as president of the Uniformed Sanitationmen’s Association, applauded Mr. Linn’s approach.

“If you get a raise and then you’re giving back money, many people don’t like that,” Mr. Nespoli said.

“If we can save money for the City of New York on this, then there’s no need for us to have to pay in for premiums.”

Labor leaders and city officials began the talks on health care cuts in mid-July and are to meet again in early August, with the goal of agreeing on \$400 million in health savings this year, \$700 million next year, \$1 billion the year after that and \$1.3 billion in fiscal 2018, for a total of \$3.4 billion.

When Mr. de Blasio took office in January, the contracts of all 152 municipal unions had expired. So far his administration has reached agreements with unions representing about 60 percent of its work force, including the United Federation of Teachers and District Council 37, the largest municipal bargaining unit. Those agreements include pledges to achieve significant savings in health costs.

Mr. Linn said some critics of the administration seemed preoccupied with getting employees to pay toward their health insurance premiums, while underestimating workers’ ability to embrace cost-saving, innovative approaches to their health care.

Before joining Mr. de Blasio’s administration, Mr. Linn was a consultant who helped restructure health care services for 1199 S.E.I.U. United Healthcare Workers East, the giant health care union. He said he was using that deal, which includes central blood and imaging labs, generic drugs and mail-in prescriptions, as a model.

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The city's new agreements create strong incentives for the unions to find savings.

If the prospect of lump-sum bonuses does not do the trick and the unions fail to agree to steps that reach the savings target, then the mediator in the contract dispute with the teachers, Martin F. Scheinman, is to step in and order cost-saving measures to reach that goal. Those measures could include requiring the workers to contribute to their premiums for the first time.

Carol Kellermann, president of the Citizens Budget Commission, said the potential bonuses could be an important catalyst.

"We haven't tried it before," Ms. Kellermann said. "I think it will motivate the managers of the unions. There's nothing like getting your members a bonus."

Mr. Linn said many New Yorkers underestimated the potential benefits of collective bargaining.

"Our approach is, how do you get people to work together and find common interests to achieve savings?" he said.

"We've created a system in which labor and management have a joint incentive to achieve health savings."