

Out of the Frying Pan and Into the Fire: Collective Bargaining in the 2013 Hospital Environment

By **Matt Lynch**
Shareholder
Sebris Busto James



Hospitals and other health care employers emerging from the Great Recession continue to confront significant financial challenges in the 2013 economy, made more acute by Medicare reimbursement cuts resulting from sequestration and the uncertainties associated with health care reform. Increased charity care, higher bad debt, and pressures from commercial insurers, all put an ongoing squeeze on the hospital

employer's fiscal performance. Unionized hospitals face additional challenges from unions who are demanding increased wages, reduced employee benefit costs, and job security. The first three months of 2013 have already had a strike by service workers at Providence St. Peter Hospital and informational picketing by nurses and service workers at various hospitals throughout the state. There is heightened tension at the negotiation table this year, and because of that Hospitals will need to be more strategic in achieving contracts that control labor costs, address health care reform uncertainties, and provide competitive pay and benefits for their employees.

Wages - A Return to Higher Wage Demands

A few years ago, employees were just happy to have their jobs, and very limited wage settlements were prevalent. Now, there are greater pressures on employers to raise wage scales this year than during the last contract cycle. The major

health care unions see improving bottom lines but not necessarily the fragility underlying them. To rebut this incomplete perception, employers have spent a great deal of time educating union committees on employer finances and market data. Still, the slightly improving financial picture for hospitals and other providers has allowed for some modest wage increases consistent with recent CPI data.

Hospitals may want to consider alternate compensation structures that reflect the emerging "value-based purchasing" model resulting from health care reform. Some hospitals have tried — unsuccessfully — to negotiate incentive-based pay for nurses based on HCAHPS patient satisfaction survey scores. In the future, increased familiarity with HCAHPS may yield greater union acceptance of the outcome-based pay for nurses and others. The 2009 contract between Kadlec Regional Medical Center and the WSNA was the first significant foray into this model and shows that, under the right circumstances, both sides can

benefit from this type of approach. employees.

Benefits- Health Insurance & Retirement Plan Union Concerns

Insurance benefits and costs are highly-charged issues in 2013 contract negotiations. Unions want to freeze insurance plan benefits and premiums for the life of the contract or, at a minimum, to require the employer to negotiate before making any changes. Much negotiation time is spent on the details of benefits, deductibles, co-pays, co-insurance and wellness options. So far, very few contracts have frozen plans and costs, but several settlements have resulted in labor-management committees to review and recommend benefit plan design options. Some employers have agreed to negotiate with their unions before making changes. Hospitals are having a difficult time “holding the line” on benefits.

The desire to control insurance costs is not new, but the advent of the Affordable Care Act (ACA) mandates in 2014 has created added urgency. Hospitals are wary of the ACA’s potential impact on their bottom lines, though to date, there are few examples of parties negotiating contract language addressing this. One obvious negotiation issue for hospitals to consider in the area of benefits is whether the ACA will require a hospital to extend insurance benefits to their reserve

Unions are also pressing employers to increase retirement plan contributions. With limited money available, employers are directing what money is available to wages and insurance benefits. Employers with underfunded defined benefit (DB) plans are resisting union demands for more contributions and some are trying to freeze the plans and transition to defined contribution (DC) plans. This was a significant issue with Swedish Medical Center and the SEIU several years ago. Most employers, including those in health care, continue to reject DB plans as the appropriate retirement vehicles for their employers, and unions view shifting from DB to DC plans as huge takeaways.

“Affiliation:” Successorship and Subcontracting

Recent consolidation and merger activity among health systems in Washington has led the major unions to demand contractual protection in the form of successorship and subcontracting language. These are emotional and galvanizing issues for employees, and directly contrary to the strategic interests of most employers. Employers must take great care in understanding the ramifications of these provisions, as they can have significant impact on an employer’s strategic business options. Unions want labor

contracts to tie the employer’s hands in considering creative business structures.

Conclusion

Unions are demanding more compensation, lower employee insurance costs, and added job security. Hospitals are trying to hold the line to improve their precarious financial situations in the face of reimbursement cuts and uncertainties associated with the ACA. The collision of these forces means the 2013 negotiation climate for hospitals will be the most difficult in years.

Thanks to my partners Ed Taylor and Bob Sebris for their contributions to this article.

Matt Lynch is a shareholder with Sebris Busto James. Matt represents private and public sector health care and other employers in all aspects of labor relations, including in collective bargaining, grievances and labor arbitrations. He has handled many cases in front of the NLRB and PERC, and also advises employers on day-to-day and strategic employee relations issues, including discipline and discharge, employee leaves, employment agreements, policy development, handbooks, wage and hour and discrimination. Contact Matt at mlynch@sebrisbusto.com or 425-450-3387.

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