California Program on Access to Care **Findings** AUGUST 2007

The Impact of Health Benefit Reductions in the Unionized Grocery Sector in California (Preliminary Findings)

Arindrajit Dube and Ken Jacobs

In March 2004, after a four-and-a-half-month strike and lockout, the United Food and Commercial Workers (UFCW) and three major grocery chains signed a contract that significantly restructured health insurance coverage for grocery workers in Southern California. During the next year, UFCW locals in Northern and Central California signed contracts with less severe, but still substantial, changes in health care coverage. Altogether, these changes in health care coverage affected an estimated 120,000 union grocery workers in California, as well as their dependents.

Among other provisions, the new contracts made the following changes:

- Increased the length of waiting periods for health care eligibility from four months to 12 months for individuals (18 months for clerks) and 30 months for families in Southern California; and to six months for individuals and 24 months for families in Northern California.
- Required new employees to contribute 20% of the premium cost in Southern California (under the old contracts, employees did not make direct premium contributions). Premium costs, or contributions, were not imposed on employees in Northern California.
- Increased worker co-payments, co-insurance, and deductibles in both North and South. While new hires in the North can graduate into the more comprehensive health plan, newly hired workers in the South were to permanently remain in the lower-tier plan.

Methods

In order to understand the impact of the benefits changes on health coverage and utilization in both Southern and Northern California, we did the following:

- Analyzed actuarial data from the UFCW Healthcare Trust Fund for all of Southern California locals and for Northern California Locals 428 and 101.
- Analyzed UFCW membership data for UFCW Local 770 in Los Angeles and two Northern California Locals (101 and 428).
- Carried out a survey of 755 UFCW members in Northern and Southern California in 2006 on health care coverage and utilization.

Using actuarial and membership data, we documented changes in the rates of health care eligibility, enrollment, and coverage, and in workforce turnover and demographics from 2003 to 2006. Based on our survey responses, we compared differences between incumbent workers and new hires with regard to access to and utilization of health care.

Findings

- Employer-sponsored insurance (ESI) coverage for grocery workers decreased dramatically between September 2003 and September 2006: from 94% to 54% in Southern California, and from 96% to 77% in the North.
- In Southern California, 51% of those without ESI in 2006 were uninsured, 10% were in Medi-Cal, and 39% in some other health plan. In the North, 26% of those without ESI were uninsured, 11% in Medi-Cal, and 63% in some other plan. This suggests that lack of insurance at these jobs contributed to a decline in overall health coverage for workers.
- The reduction in coverage was primarily driven by reduced eligibility as a result of the longer waiting periods. The eligibility rate in the South fell from 94% to 66%; only 29% of workers hired under the new contract were eligible. In the North, eligibility fell from 96% to 77%, the same amount by which the coverage rate dropped. Since there is no worker contribution in the North, enrollment is automatic.
- The lower eligibility rate is also in part the result of increased worker turnover. The annual turnover rate for Southern California workers rose from 19% to 32% between 2003 and 2006, and explains about a quarter of the reduction in eligibility rates.

Turnover in the North rose from 8% to 28% over the same period, but most of the increase occurred prior to the new contract and does not explain much of the drop in eligibility rates.

- In the South, the new requirement for a 20% employee contribution to the premium led to reduced enrollment. Of the eligible workers hired under the new contract, only 28% had elected to enroll in the ESI plan and pay for coverage as of September 2006. The combination of low rates of eligibility and enrollment resulted in the mere 7% coverage rate for workers hired under the new contract.
- Coverage for children and spouses also declined. In September 2003, 64,389 children were covered through the trust fund in Southern California. By September 2006, that number had fallen by 32% to 43,572. Spousal coverage declined 30%, from 33,269 to 23,162, in the same period. In the North children and spousal coverage fell by 27% and 18%, respectively.
- There were some demographic shifts in the workforce—which are likely due to the change in job quality. The proportion of teenage grocery workers in Local 770 (Los Angeles) rose from 18% to 24%. Among workers with less than one year on the job, the share of covered workers who were teenagers rose from 46% to 53%. In the North, the overall teenage share rose from 14% to 17%.
- The reduction in coverage had some impact on health care utilization—primarily in the South. Controlling for differences in age, gender, race, and health status, we found in the South that workers under the new contract were somewhat more likely to delay needed care, less likely to treat identified chronic diseases, and less likely to take prescription drugs. However, there were no statistically significant differences in the number of general check-ups or the total number of doctors' visits. The lack of a finding of a reduction in utilization in the North was likely due to both a smaller fall in ESI coverage and greater odds that those without ESI were covered through other sources.

Policy Implications

- Without policy interventions, the labor market is likely to provide ever less employment-based coverage to moderate- and low-income workers.
- For low- and moderate-wage workers, reduction in job-based coverage is likely to increase both the numbers of those without insurance and the reliance on public safety-net programs.
- For low- and moderate-wage workers, a requirement for even small worker contributions to the premium can be a serious barrier to deciding to obtain ESI coverage.
- The decline in employment-based coverage tends to reduce or delay health care utilization, which may have long-term health consequences for the workforce.

Principal Investigator Arindrajit Dube, PhD, is with the Institute for Research on Labor and Employment, UC Berkeley. Co-Investigator Ken Jacobs is with the Center for Labor Research and Education, UC Berkeley. *Funding for this research was provided by the California Program on Access to Care, an applied policy research program administered by the California Policy Research Center in the University of California Office of the President, and the University of California Labor and Employment Research Fund (L&E Fund). The authors' views and recommendations do not necessarily represent those of CPAC, the L&E Fund, or the Regents of the University of California.*

California Program on Access to Care
California Policy Research Center • University of California Office of the President
1950 Addison Street #203, Berkeley, CA 94704-2647 • Tel: 510-643-3140 • Fax: 510-642-7861
Email: cpac@ucop.edu • http://www.ucop.edu/cprc/cpac.html