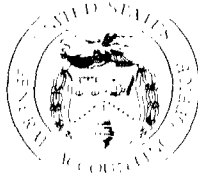


July 1990

# EMPLOYEE BENEFITS

## Extent of Multiemployer Plan Retiree Health Coverage



141900

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Human Resources Division

B-233532

July 17, 1990

The Honorable Edward R. Roybal  
Chairman, Select Committee on Aging  
House of Representatives

The Honorable J.J. Pickle  
Chairman, Subcommittee on Oversight  
Committee on Ways and Means  
House of Representatives

This report responds to your request for information on the extent to which companies provide retiree health benefits. We reported the extent of coverage provided through individual-company plans in March 1990.<sup>1</sup> This report supplements our previous work by providing information on the extent to which companies provide coverage indirectly, through multiemployer plans. These plans cover workers in two or more companies in accordance with a collective bargaining agreement.

For this report, we analyzed data on 915 plans and determined the numbers of (1) multiemployer health plans with retiree coverage, (2) workers enrolled in such plans, and (3) retirees in such plans. Also, using the results of our previous work, we estimated the total number of private sector workers and retirees in company-sponsored health plans with retiree coverage.

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## Results in Brief

Just over 6 percent of all retirees in company-sponsored health plans are covered by multiemployer plans. These plans are an important source of coverage in specific industries, most notably construction, where few individual companies have retiree health benefits. We found that:

- Sixty-six percent, or 607, of the 915 multiemployer health plans provide retiree benefits.
- Only 2 percent, or 1.7 million, of an estimated 96 million private sector workers are in multiemployer health plans with retiree coverage. In contrast, 32 percent of private sector workers are enrolled in individual-company health plans that provide for continued coverage upon retirement.

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<sup>1</sup>Employee Benefits: Extent of Companies' Retiree Health Coverage (GAO/HRD-90-92, Mar. 28, 1990).

- About 6 percent, or 337,000, of the 5.6 million retirees with company-sponsored retiree health benefits are in multiemployer plans.
- About 116,000, or 5 percent, of the 2.2 million retirees under age 65 with company-sponsored health benefits are in multiemployer plans.
- Over 50 percent of all multiemployer health plans and 62 percent of plans with retiree health benefits cover workers in the construction industry.

Many companies are taking measures to limit retiree health costs, as we noted in our March 1990 report. Over one-third of companies with health plans for active or retired workers require participants to help pay for coverage. Many companies require participants to share costs, both a recent benefit survey and our previous work revealed. Our multiemployer survey shows that about 56 percent of multiemployer plans require participants to share coverage costs.

## Background

Company-sponsored group health plans play a major role in providing active and retired workers and their dependents access to needed medical services. Through group health plans, workers and their dependents may obtain hospitalization, physician, and other health services at less cost than they could purchase them individually. Retiree health plans usually cover similar services. This coverage is especially important to retirees under age 65, most of whom are ineligible for Medicare.

Companies with such benefits provide them to workers either directly, through company plans, or indirectly, through multiemployer plans. Such plans are established and maintained through collective bargaining agreements between a union or other employee organization and more than one company. Multiemployer plans usually cover workers in an industry or craft within a specific geographic area. Companies contribute to these plans for workers on the basis of hours worked; wages earned; or a measure such as units produced, times a rate set out in the collective bargaining agreement.

A multiemployer plan is managed by a board of trustees, on which companies and workers generally have equal representation. The trustees are responsible for collecting contributions and paying claims for covered benefits.

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## Scope and Methodology

Working from annual reports filed with the Internal Revenue Service for plan year 1986, we identified and surveyed all multiemployer health plans, as well as those where plan type was not identified.<sup>2</sup> We mailed questionnaires to 1,912 plans classified into six industry groups. Our data were collected between August 1989 and January 1990. We did not independently verify the data that the plans submitted. (See app. I for details on the survey procedures.)

The data we are reporting for multiemployer health plans are the actual numbers reported to us by the 915 survey respondents. However, our combined data on the number of workers and retirees in company-sponsored plans (both individual-company and multiemployer plans) represent estimates, because the individual-company plan data are based on a sample.<sup>3</sup>

We also interviewed selected plan administrators and multiemployer benefit experts in the Washington, D.C., area to obtain their views on multiemployer plan coverage and cost sharing.

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## Two-Thirds of Multiemployer Health Plans Cover Retirees

Comparing the relationship between multiemployer health plans for active workers and those with retiree health benefits, we found that two-thirds, or 607, of the 915 multiemployer health plans provide coverage to retirees.<sup>4</sup> (See fig. 1.) About 2.8 million workers are in the 915 multiemployer plans; 63 percent, or 1.7 million, of these workers are in plans that provide retiree coverage.

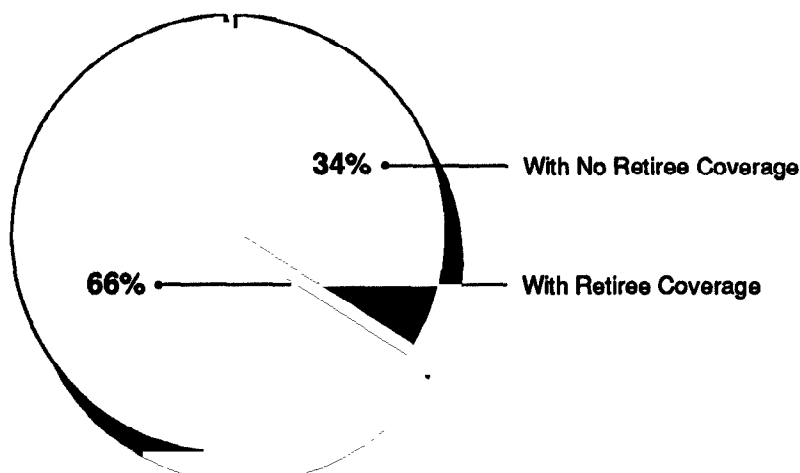
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<sup>2</sup>The Employee Retirement Income Security Act of 1974 requires most employee benefit plans to file annual reports showing financial and demographic data. Plans report using the Form 5500 series, "Annual Report/Report of Employee Benefit Plan." We used plan year 1986 because it was the most current data available.

<sup>3</sup>To obtain information on companies' retiree health benefits, we surveyed a random sample of 5,550 companies. The responses we received allowed us to generalize to a population of 2.5 million of the 6.9 million companies in our sampling frame.

<sup>4</sup>Not all multiemployer health plans cover active workers. Three of the plans we surveyed covered only retirees.

Figure 1: Multiemployer Health Plans

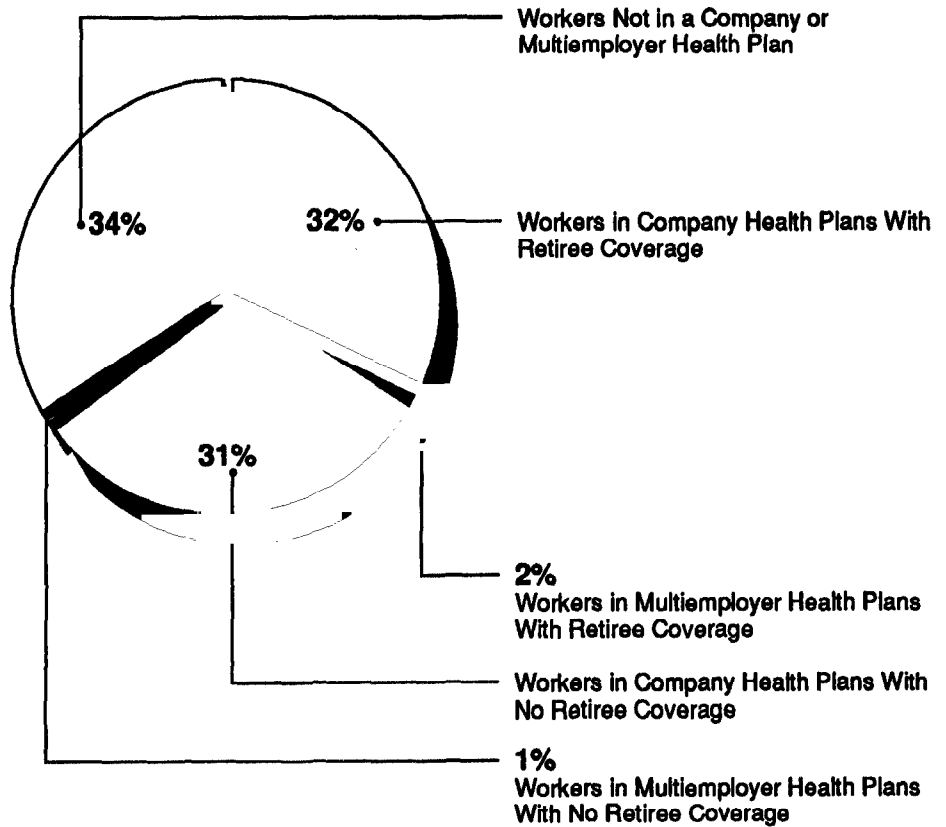


## Multiemployer Plans Cover Only a Small Percentage of Workers and Retirees

Only about 6 percent, or 337,000, of the total estimated 5.6 million retirees in company-sponsored plans are in multiemployer plans. About 2.2 million of the 5.6 million retirees, or 39 percent, are under age 65; about 116,000, or 5 percent, of these retirees under age 65 are in multiemployer plans. As we noted earlier, retiree health coverage is especially important for retirees under 65 because most are not yet eligible for Medicare. We arrived at these estimates by combining the results of our surveys of companies and multiemployer health plans.

In our previous report, we stated that 32 percent of an estimated 96 million private sector workers are in individual-company health plans with retiree coverage, and 31 percent are in individual company health plans with no retiree coverage. Multiemployer plans increase the percentage of covered workers by only a small amount, adding 2 percent to those in plans with retiree coverage and 1 percent to those in plans without retiree coverage. The remaining 34 percent of workers are not enrolled in company-sponsored health plans. (See fig. 2.)

**Figure 2: Workers' Participation in Company and Multiemployer Health Plans, by Retiree Coverage**

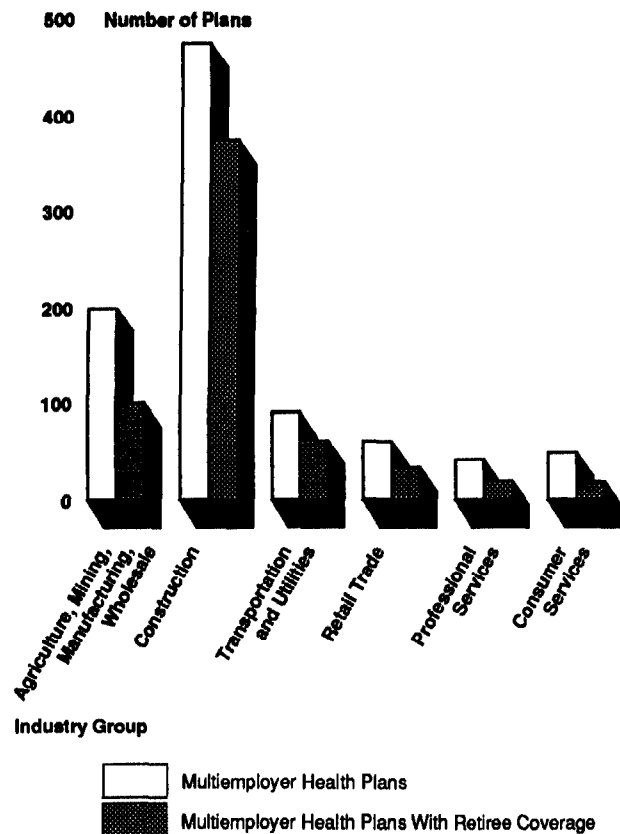


Note: For sampling errors, see table 1.3.

## Most Multiemployer Health Plans Cover Construction Industry Workers

Over half of all multiemployer health plans and 62 percent of plans with retiree coverage are in the construction industry (see fig. 3).

**Figure 3: Multiemployer Health Plans, by Industry Group**



In contrast, fewer than 1 percent of construction industry companies provide retiree health benefits through individual company plans, our survey of companies showed. The construction industry has a relatively large number of multiemployer plans because of the nature of construction employment patterns. Employment is typically project related and short term or intermittent; often companies are established only for the duration of a specific project. As a result, workers in the construction

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industry are considered to have an employment relationship with the industry as a whole rather than with any one company. The industry is best able to meet workers' and retirees' health needs collectively, through multiemployer plans.

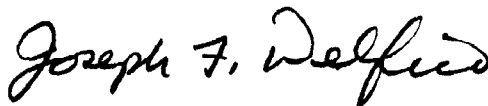
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## Companies Require Cost Sharing to Limit Health Costs

Retiree health costs have risen and are expected to increase dramatically in the future, as we have stated in previous reports and testimony (see p. 20). As a result, companies are concerned about their ability to continue providing these benefits. To help limit costs, many companies are requiring participants to share in the cost of coverage. As of 1987, our survey of companies showed that over one-third of companies with health plans for active workers or retirees required contributions to help pay for the cost of coverage. In a 1988 survey of over 1,600 companies by the consulting firm Foster Higgins,<sup>5</sup> 62 percent of respondents required contributions from retirees under age 65, and 53 percent required those aged 65 and over to contribute. Many multiemployer health plans also require cost sharing. According to our survey, about 56 percent of multiemployer plans require workers or retirees to share coverage costs.

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Unless you publicly announce its contents earlier, we plan no further distribution of this report for 30 days. At that time, we will send copies to interested parties upon request. If you have any questions concerning this report, please call me on (202) 275-6193. Other major contributors are listed in appendix III.



Joseph F. Delfico  
Director, Income Security Issues

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<sup>5</sup>Foster Higgins, Health Care Benefits Survey 1988, Report of Survey Findings, 1988.

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# Methodology for the Survey of Multiemployer Health Plans

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To gather data on multiemployer health plans for workers and retirees, we conducted a survey from August 1989 to January 1990. To ensure that the data collected were consistent, we designed a questionnaire (see app. II). Through the questionnaire, we collected data on the number of multiemployer plans with health coverage for active workers and retirees, the total number of participants enrolled in such plans, and any cost-sharing arrangements applicable to the plans.

We mailed questionnaires to 1,912 benefit plans that filed a Form 5500 with the Internal Revenue Service for plan year 1986. We selected all multiemployer health plans, as well as those that did not specify the type of benefit provided. To enable us to compare and combine the results of this work with our survey of companies, we classified multiemployer plans into the same six industry groups we used for our survey of company plans. (See table I.1.)

Between March and May 1989, we pretested the questionnaire with a sample of multiemployer health plan administrators in the Washington, D.C., area. As a result, the questionnaire was modified for clarity.

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## Adjusted Universe and Response Rates

In conducting our survey, we found that 505 plans should not have been included because they were either (1) not multiemployer plans, (2) not multiemployer health plans, or (3) terminated or merged with another plan. As a result, we dropped these 505 plans from the survey universe, for a total adjusted universe of 1,407 plans. Using this total, we calculated our response rates by industry group. (See table I.1.)

To maximize our response rate, we followed up with mail and telephone inquiries to obtain questionnaires and clarify responses. After we mailed the questionnaire in August 1989, we followed up with two letters to nonrespondents in September and November 1989. We included a copy of the questionnaire with both letters. We then contracted with a survey research organization to telephone the remaining nonrespondents during January 1990.

**Table I.1: Response Rates for**  
**Multiemployer Health Benefits Survey**

Industry group	Initial universe	Adjusted universe	Number received	Percent received
Agriculture, mining manufacturing, and wholesale	417	281	199	71
Construction	732	643	474	74
Transportation and utilities	144	113	90	80
Retail trade	134	92	60	65
Professional services	74	62	41	66
Consumer services	140	72	48	67
Other <sup>a</sup>	271	144	3	2
<b>Total</b>	<b>1,912</b>	<b>1,407</b>	<b>915</b>	<b>65</b>

<sup>a</sup>Not all plans indicated industry type on the Form 5500. We reclassified most of these plans into the appropriate industry group, based on survey responses. However, we were unable to reclassify the 141 plans that did not respond, or the 3 plans that responded but did not indicate industry type.

## Sampling Errors

To estimate the number of workers and retirees in company-sponsored plans with retiree coverage, we combined the results of our company and multiemployer plan surveys. Because we surveyed a sample of companies, each estimate using company data has a sampling error associated with it. The size of the sampling error reflects the precision of the estimate; the smaller the sampling error, the more precise the estimate. Sampling errors for estimates from this survey were calculated at the 95-percent confidence level. This means that the chances are about 19 out of 20 that the actual number or percentage being estimated falls within the range defined by our estimate, plus or minus the sampling error. For example, if we have estimated that 33 percent of a group has a characteristic and the sampling error is about 6 percentage points, there is a 95-percent chance that the actual number is between 27 and 39 percent. Table I.2 shows our sampling errors for worker and retiree estimates. Table I.3 shows our sampling errors for figure 2.

**Table I.2: Sampling Errors for Worker and**  
**Retiree Estimates**

Figures in millions		
Worker/retiree characteristic	Estimate	Sampling error
Workers in company-sponsored plans with retiree coverage	31.8	± 9.3
Retirees in company health plans	5.6	± 2.6
Retirees under age 65 in company health plans	2.2	± 1.3

Table I.3: Sampling Errors for Figure 2

Figures in percent		
Worker characteristic	Estimate	Sampling error
Not in a company or multiemployer health plan	34	± 4.6
In company health plans with retiree coverage	32	± 7.1
In company health plans with no retiree coverage	31	± 4.6

# Survey of Multiemployer Health Benefits

United States General Accounting Office



## Survey of Multiemployer Health Benefits

### Introduction

This survey is being conducted by the United States General Accounting Office for the U.S. Congress. The results will be used to determine the extent to which private employers offer health benefits to their employees through multiemployer plans. Your help is needed in order to complete this project successfully.

The survey form should take you only 10 to 15 minutes to complete. You will NOT have to answer every question. You may wish to consult with the persons who administer your health benefits program when answering these questions.

Before you begin, please check the NAME, TITLE and ADDRESS on the following label and make any correction(s) in the space provided:

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

CITY: \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_

PUT LABEL HERE

Please provide a phone number where you can be reached if we have any questions about your answers.

PHONE: (     ) \_\_\_\_\_

Appendix II  
Survey of Multiemployer Health Benefits

**Instructions**

This survey is divided into three parts. Part I asks general questions about your multiemployer welfare trust fund. Part II asks questions about any health care benefits your trust fund may provide. Part III asks several questions about the benefits you may offer your members after they retire.

Please read each question carefully and answer **ONLY** those that apply to the trust fund identified on the first page of the questionnaire. This means the trust to which this survey was addressed. Do **NOT** include in your answers to the questions below any information pertaining to members who are employed by a federal, state, or local government or an agency thereof or who are employed by a church or association of churches.

Once you have completed the survey form, place it in the pre-addressed envelope and mail it as soon as possible. If you have any questions or problems with the survey, call Chris Miller, collect, at (202) 535-8358.

**THANK YOU FOR YOUR COOPERATION!**

**PART I: General Trust Fund Information**

This first set of questions asks for general information about your trust fund.

1. From the following list, please check the group with which the members of your trust fund are primarily associated. If unsure of the best answer, check "Other" and briefly describe:

- Agriculture, Mining, Manufacturing  
or Wholesale Trade..... ☐
- Construction..... ☐
- Transportation or Utilities..... ☐
- Retail Trade..... ☐
- Finance, Insurance, Real Estate, or other  
Professional Services..... ☐
- Consumer Services and Organizations..... ☐
- Other: \_\_\_\_\_ ☐  
(Please Describe)

2. Which of the following best describes the type of union associated with this trust?

- International or National..... ☐
- Local..... ☐
- Both..... ☐

3. Please enter the number of people who participate in this trust in each category listed below.

Those for whom employers are currently making contributions.

NUMBER

Retirees

NUMBER

All others who participate in this trust but for whom employers are **NOT** currently making contributions.

NUMBER

**PART II: Members' Health Benefits**

This section asks questions about health benefits your trust fund may provide its members.

4. Trust funds may offer health care plans to their members, including retirees, through an insurance policy, a health maintenance organization (HMO), or a self-funded plan. Does your trust fund offer a health care plan to **ANY** of its **MEMBERS**?

YES..... ☐ **GO TO QUESTION 5**

NO..... ☐ **SKIP TO QUESTION 15**

5. How many members are enrolled in a health care plan? Include retirees.

NUMBER

6. Which of the following types of coverage are provided? Check all that apply.

- Basic benefits such as hospital,  
medical or surgical..... ☐
- Vision care..... ☐
- Dental care..... ☐
- Other..... ☐

PLEASE LIST

7. What were the fund's total annual health care costs paid or incurred during your most recent plan year? Please include costs for both active and retired members.

TOTAL COSTS..... \$ \_\_\_\_\_

Appendix II  
Survey of Multiemployer Health Benefits

8. How much did employers contribute during your most recent plan year?

\$ \_\_\_\_\_  
EMPLOYER CONTRIBUTIONS

9. Do any members help pay for these costs through premium payments or contributions?

YES ☐

NO ☐

GO TO  
QUESTION 10

9a. What was the total amount of premium payments or contributions made by members during your most recent plan year? Include premium payments or contributions made by retirees.

\$ \_\_\_\_\_  
MEMBER CONTRIBUTIONS

**PART III: Current Retirement Benefits**

This section asks about retiree health benefits offered by your trust fund at the present time.

10. Does your trust fund now offer health care coverage upon retirement beyond the time required by COBRA (the Consolidated Omnibus Budget Reconciliation Act)?

YES ☐

NO ☐

PLEASE  
CONTINUE

SKIP TO  
QUESTION 15

11. Are retirees under age 65 eligible for health care coverage?

YES ☐

NO ☐

GO TO  
QUESTION 12

11a. How many retirees under age 65 are enrolled in a health care plan?

NUMBER

12. Are retirees age 65 or older eligible for health care coverage?

YES ☐

NO ☐

PLEASE ANSWER  
QUESTION 12a

GO TO  
QUESTION 13

12a. How many retirees age 65 or older are enrolled in a health care plan?

NUMBER

13. What were the total annual health care costs paid or incurred by this trust for retirees only during your most recent plan year?

TOTAL RETIREE COSTS \$ \_\_\_\_\_

14. Do any retirees help pay for these costs through premium payments or contributions?

YES ☐

NO ☐

GO TO  
QUESTION 15

14.a What was the total amount of premium payments or contributions made by each group below during your most recent plan year?

(Note: Please sum up the total payments made by all members of each group.)

Retirees  
under 65 ..... \$ \_\_\_\_\_

Retirees  
65 & over ..... \$ \_\_\_\_\_

TOTAL ..... \$ \_\_\_\_\_

15. Are the members of this welfare trust fund provided health care coverage upon retirement via another welfare or pension trust?

YES ☐

DON'T KNOW ☐

NO ☐

STOP!! THIS ENDS THE  
SURVEY. PLACE THIS  
FORM IN THE ADDRESSED  
ENVELOPE AND MAIL IT  
NOW!!  
THANK YOU!!

15a. How many members receive such health care coverage?

NUMBER

(CONTINUE ON NEXT PAGE)

**Appendix II**  
**Survey of Multiemployer Health Benefits**

15b. Is this other fund which provides health care coverage a:

Health and  
welfare fund ☐

Pension ☐  
fund

PLEASE  
CONTINUE

STOP! THIS ENDS THE  
SURVEY. PLACE THIS  
FORM IN THE ADDRESSED  
ENVELOPE AND MAIL IT  
TODAY.  
THANK YOU!!

16. Please provide the name and, if available, the employer  
identification number and plan number of any other  
multiemployer welfare trust fund which provides retiree  
health benefits to the members of this trust.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

STOP! THIS ENDS THE SURVEY. PLACE THIS FORM  
IN THE ADDRESSED ENVELOPE AND MAIL IT  
TODAY.

THANK YOU!!

# Major Contributors to This Report

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# Related GAO Products

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Employee Benefits: Extent of Companies' Retiree Health Coverage  
(GAO/HRD-90-92, Mar. 28, 1990).

Employee Benefits: Companies' Retiree Health Liabilities Large, Even With Medicare Catastrophic Insurance Savings (GAO/T-HRD-89-29, June 14, 1989).

Employee Benefits: Companies' Retiree Health Liabilities Large, Advance Funding Costly (GAO/HRD-89-51, June 14, 1989).

Employee Benefits: Company Actions to Limit Retiree Health Costs  
(GAO/HRD-89-31BR, Feb. 1, 1989).

Future Security of Retirees' Health Benefits in Question (GAO/T-HRD-88-30, Sept. 15, 1988).

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