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## Unions Rally to Oppose a Tax on Health Insurance

**By [STEVEN GREENHOUSE](#)**

When millions of blue-collar workers were leaning toward [John McCain](#) during the 2008 campaign, labor unions moved many of them into [Barack Obama](#)'s column by repeatedly hammering one theme: Mr. McCain wanted to tax their health benefits.

But now labor leaders are fuming that [President Obama](#) has endorsed a tax on high-priced, employer-sponsored health insurance policies as a way to help cover the cost of [health care reform](#). And as Senate and House leaders seek to negotiate a final health care bill, unions are pushing mightily to have that tax dropped from the legislation. Or at the very least, they want the price threshold raised so that the tax would affect fewer workers.

Labor leaders say the tax would hit not only wealthy executives with expensive health benefits, but also many rank-and-file union members who have often settled for lower wage increases in exchange for more generous health benefits.

The tax would affect individual insurance policies with annual premiums above \$8,500 and family policies above \$23,000, which by one union survey would affect one in four union members.

The House bill does not contain such an excise tax, and many House Democrats oppose adding it to the combined House-Senate legislation. But the tax is a critical revenue component in the Senate's bill. If the bill does too little to cover its costs, it might be defeated. Many economists support the tax, saying it will help hold down costs.

With labor groups warning that the tax will infuriate a key part of the Democratic base — union members — President Obama has agreed to meet with several top labor leaders on Monday to address their concerns and try to defuse their anger. The group includes the presidents of the [A.F.L.-C.I.O.](#), [Teamsters](#) and the steelworkers' and service employees' unions.

But whether the tax is negotiable remains unclear. Not only has Mr. Obama specifically endorsed the idea, but the White House and Senate leaders see the tax as pivotal in paying for the health care overhaul and addressing runaway health care costs.

Many Democrats and union officials fear that if both sides dig in on the issue, it could create a rift between the White House and labor — with some union leaders hinting they might lobby aggressively against the entire health care bill if it contains such a tax.

Union leaders have repeatedly warned the White House about the strong rank-and-file dismay, which could hurt the Democrats in Congressional elections this fall, especially in battleground states like Ohio, Pennsylvania and Wisconsin.

Ron Gay, an [AT&T](#) repairman in Youngstown, Ohio, who spent much of the summer of 2008 urging co-workers to vote for Mr. Obama, said, "If this passes in its current form, a lot of working people are going to feel let down and betrayed by our legislators and president."

The [Congressional Budget Office](#) estimates that 19 percent of workers — or about 30 million employees —

would be affected by the tax in 2016. Economists say most of them would be nonunion, although it is organized labor that has the lobbying clout to take a stand.

In recent days, labor's strategy has become clear. Unions are urging their members to flood their representatives with e-mail messages and phone calls in the hope that the House will stand fast and reject the tax. The A.F.L.-C.I.O., a federation of nine million union members, has declared next Wednesday "National Call-In Day" asking workers to call their lawmakers to urge them not to tax health benefits. The International Brotherhood of Teamsters is urging members to tell their representatives that "such a tax is simply a massive middle-class tax hike that this nation's working families should not be forced to endure."

Many Democrats fear that enacting the tax will hurt their re-election chances.

"This would really have a negative impact on the Democratic base," said Representative Joe Courtney, Democrat of Connecticut, who has enlisted 190 House Democrats to sign a letter opposing the tax. "As far as the message goes, it's a real toughie to defend."

While union leaders would prefer killing the tax, some say privately that they could live with it if the threshold is lifted to \$27,000, say, or \$30,000. They argue that many insurance policies above \$23,000 are typical of the coverage in high-cost areas like New York or Boston, or policies that cover small businesses or employers with older workers.

According to a union survey, one in four members would be hit by a \$23,000 threshold, but only one in 14 if the threshold were raised to \$27,000.

White House officials, however, voice concern that raising the threshold that much would lose \$50 billion of the \$149 billion in revenue that the tax is expected to generate over 10 years.

Those officials and Senate leaders argue, moreover, that unions are wrong to fight the tax, saying that it will hold down health costs and that money employers save on health premiums will ultimately go to higher wages.

Some experts say the tax's main effect would be to deter insurers from continually raising premiums. "This is a tax on insurance companies, not on workers," said Erin Shields, an aide to [Max Baucus](#), Democrat of Montana, who is chairman of the Senate Finance Committee and a chief sponsor of the excise tax.

"Health care costs are rising much faster than inflation," Ms. Shields said. "Imposing this tax will help hold down costs because it will give employers an incentive to find a plan that falls beneath the threshold and will give insurers an incentive to offer the best possible plan below the threshold."

Ms. Shields defended Mr. Obama, saying the excise tax he backs is far different from Senator McCain's proposal. Mr. McCain called for eliminating tax breaks for employer-sponsored health benefits, replaced with a tax credit to help consumers obtain health insurance, Ms. Shields said.

She added that the measure Mr. Obama supports would tax only that part of a family policy above the \$23,000 threshold — which would be taxed at a 40 percent rate.

But union officials say the tax will cause employers to push higher co-payments and deductibles onto their employees. They argue that a fairer way to generate revenue would be to embrace the House bill, which imposes an income tax surcharge on couples earning more than \$1 million.

Neither the House nor the Senate would seem to have much wiggle room on the issue.

Senator Ben Nelson, Democrat of Nebraska, has said he would oppose any bill containing the House's surtax. His vote was crucial in enabling Senate Democrats to reach the 60 votes needed to pass the health

bill over a potential Republican [filibuster](#).

The House bill, meanwhile, passed by only a five-vote margin, and at least three Democrats who voted for it — Mr. Courtney, Phil Hare of Illinois and Carol Shea-Porter of New Hampshire — have said they would oppose a final bill if it contained an excise tax like the Senate version.

Jonathan Gruber, a [Massachusetts Institute of Technology](#) economist, predicted the excise tax would raise workers' wages from 2010 to 2019. "There are many academic studies showing that when health costs rise, wages fall," he said. "In the mid- and late 1990s, when we got health costs under control, wages rose nicely." But he added that other factors could have also lifted wages during that period.

Leo W. Gerard, president of the [United Steelworkers](#), scoffed at arguments that by restraining health costs, the tax would lead to higher wages.

"The people who are promoting this tax say companies will make up for this with higher wages," Mr. Gerard said. "These people who say that have never been at the bargaining table. It doesn't work that way."

Robert Gleason, chairman of the Pennsylvania [Republican Party](#), said Mr. Obama had made an about-face that would badly hurt the president and other Democrats. "You remember when the first President Bush said, 'Read my lips, no new taxes,' and he raised taxes and he went down to defeat," he added. "This is the same thing."

Michael P. James, a 57-year-old steelworker with the [Timken Company](#) in Canton, Ohio, campaigned for Mr. Obama and is seething about the tax.

"I don't think we should be penalized by this bill," Mr. James said. "The president would be going back on his word. If he goes ahead and passes a bill with the excise tax, I won't be able to support him again."

*David M. Herszenhorn contributed reporting.*

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