

UAW pushes through Blue Cross contract on revote

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Workers at Blue Cross Blue Shield of Michigan ratified a new four-year contract in voting September 26-28, only two weeks after rejecting essentially the same deal by a 72 percent “no” vote. The contract expired August 31 for 1,700 workers, members of the United Auto Workers, working in customer service and operational areas, such as claims processing.

The UAW pushed through the contract after Blue Cross officials told bargaining union leaders this was company’s final offer. The only significant change was a letter in which the insurance company, the largest in Michigan, agreed to discuss issues of outsourcing, “insourcing” and the two-tier wage system.

Even though major employee concerns were not addressed in the new agreement, union leaders told workers that a letter from Blue Cross said that vice presidents would meet with them for discussions. These are the same ruthless executives who have laid off Blues employees and formed a partnership with outsourcing vendors and staffing agencies, driving up productivity and cutting benefits.

Employees are concerned about Blue Cross’s outsourcing of union jobs. The contract did not have any limit on the percentage of jobs the company could outsource.

In 2009, Blue Cross employees handled customer service calls with its internal call center and one outsourced call center. At that time, Blue Cross began to expand the outsourcing of its customer service area to a company called Global Response, and has continued to increase the number of calls it sends them.

In a case study to promote its services, Global Response noted that Vince Pepper, former Director of Service Operations Support for Blue Cross, said, “Their price is attractive compared to our internal cost per call, which helps us reach aggressive cost-containment

targets.”

In addition to outsourcing, the company has been “insourcing,” that is, hiring non-union Blue Cross employees to do the same work as those in the UAW bargaining unit. Over the past 10 years, Blue Cross union membership has greatly declined. In 2005, there were about 3,300 statewide; today, the number is about 1,800.

As with the UAW members in the auto industry, there is a two-tier system in place. Since 2009, new hires at Blue Cross make 8 to 10 percent less than their peers, and when they retire, they get no health benefits.

As large employers such as the auto companies cut their health care costs, Blue Cross is making changes to succeed in what it calls the “new normal.” In fact, there may be a connection between cost cutting at Blue Cross and the proposed contract at Fiat Chrysler America.

When it comes to health care, FCA, Ford and GM are self-funded, meaning they bear the financial risk and pay the health claims of their employees. The auto manufacturers pay a fee to Blue Cross to administer their health plans, providing customer service and processing claims.

The proposed FCA contract jeopardizes Blue Cross’s role as mandated control plan. A letter within the contract states, “The parties desire flexibility in determining the control plan partner and its functions, and have agreed that BCBSM will no longer be the mandated control plan under this agreement.”

This raises the prospect that other insurance companies could undercut BCBSM with lower bids for the lucrative business of administering the auto company health plans, at the expense of Blue Cross workers as well as the auto workers, who could potentially receive poorer service.

There is additional uncertainty over the impact of the

proposed shift of health insurance for Fiat-Chrysler workers to a co-op run by the UAW. There is no guarantee that Blue Cross would retain its status under the co-op. Moreover, it will further exacerbate the conflict of interest, in which UAW officials serve as both the supposed representatives of Blue Cross workers, and as health insurance executives who view the workers' wages and benefits as a cost to be minimized.

While management imposes cost cutting on employees, when it comes to itself, there's a different policy—the sky's the limit. Daniel Loepp, CEO of Blue Cross, a “nonprofit” corporation, received \$7.4 million in total compensation last year—up 11.3% from 2013, and double the \$3.8 million in compensation he received in 2012. Chief Financial Officer Mark Bartlett received \$2.8 million in total compensation in 2014, also nearly double the \$1.5 million in total compensation he received in 2012.

Every two days, Loepp makes as much as a typical Blue Cross union employee makes in a year.

The Blue Cross Board of Directors approves these exorbitant compensation packages. Eight members of the board are union officials and three are auto company executives:

- William Black, Executive Director, Michigan Teamsters Joint Council 43
- Steven Cook, President, Michigan Education Association
- Patrick Devlin, Secretary Treasurer, Michigan Building Trades Council
- Sarah Doyle, Senior Benefits Consultant, International Union UAW (Retired)
- Amy Loasching, Administrative Assistant, International Union UAW
- Kathleen Neal, Director, Integrated Health Care and Disability, Fiat Chrysler Automotive US LLC
- Jean Rose, Executive Director, Global Manufacturing Human Resources, General Motors LLC
- James Settles Jr., Vice President, International Union UAW
- Laura Swartzmiller, Director, Health & Welfare Benefits, Ford Motor Company
- Karla Swift, President, Michigan AFL-CIO
- Renee Turner-Bailey, Sr. Benefits Consultant, International Union UAW

The lineup is pretty clear. On the one side are the

insurance company, the union executives and the auto bosses. On the other side are the workers.



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