

Testimony of  
Randi Weingarten,  
Chair of the Municipal Labor Committee  
At the  
Assembly Standing Committee on Insurance  
and  
Assembly Standing Committee on Health  
Public Hearing On  
The Proposed Conversion of the Health  
Insurance Plan of Greater New York (HIP)  
To a For-Profit Entity

May 5, 2005

Good morning Chairman Grannis, Chairman Gottfried and members of the Assembly Insurance and Health Committees. I'm Randi Weingarten and I'm here today as chair of the Municipal Labor Committee of the City of New York, whose member unions represent more than a half-million public employees. With me is Barbara Bowen, president of the Professional Staff Congress at CUNY.

The Municipal Labor Committee, and its over 100 constituent unions, is seeking approximately one-third of any proceeds from a potential HIP conversion to a for-profit company be allocated to the health care needs of those half-million workers.

It is largely for those workers that HIP was created in the first place. When Mayor Fiorello LaGuardia, in the 1940s, initiated the formation of a "community health program" to make available up-to-date health care and health facilities to people of moderate means, he had in mind city workers. In fact, in 1947 when that health program became a reality with the formation of the Health Insurance Plan, almost all its first members were employees of the city government. Today, hundreds of thousands of city employees and their dependents are still members of HIP. Over the last five years, as HIP has been expanding, one-third of HIP's subscribers have been members of the municipal labor unions in New York City. And over all the years of HIP's existence, union members represented an even greater proportion of HIP subscribers.

HIP and the municipal unions have had a long and unique relationship. Over the years when there were ferocious efforts by organized medicine to prevent any alternative to individual-practitioner, fee-for-service healthcare, HIP was bolstered by the municipal unions. They were the reason for its birth and they have been its staunch defenders ever since.

So, in a very profound sense, HIP *exists* today because of New York City municipal unions. It's *wealth* exists today because of New York City municipal unions. It's ability to tap that wealth and to convert to a for-profit status — to become a wealth-producing company for investors — is because of the support it has received over the years from the city's workforce and their families. We understand that the issue of whether the proceeds of the conversion are properly allocated to an important public or health purpose is very important to the Assembly. That is why we go through the unique history and relationship between HIP and the New York City municipal workforce, and believe that a share of the conversion proceeds to that workforce is certainly in line with the intent and spirit of how conversion assets are to be allocated.

This conversion is unique because of the close association between the company and city workers. It is unique because of the company's mission, which is

to help the city provide for the health needs of its workers. That original mission should not be overlooked just because the company and the State of New York are now considering its conversion to for-profit status.

But there are other reasons, as well.

This is a time of wildly escalating health care costs in the United States. Recently, in New York City, the municipal labor unions and the Mayor Bloomberg were able to work out an agreement to rescue — on a short-term basis — the PICA program. That program makes psychotropic, injectables, chemotherapy and asthma prescription medicines affordable to city workers and their families who need them. Without the PICA program the cost of these medications for chronic illnesses can be ruinous.

For example, Procrit an often-prescribed injectable drug used in conjunction with treatment for cancer and other serious diseases, is \$600 per dose. The cost for the injectable Enbrel, for rheumatoid arthritis, is about \$1,200 for a 30-day supply. Avonex, used for treatment of Multiple Sclerosis, costs approximately \$1,100 for a 30-day supply. By preserving the PICA program city workers and their families who need these drugs will not have to go bankrupt in order to maintain their health.

But the escalating costs made it difficult to keep the program viable and we were able to do so only by having the unions' welfare funds take some of the financial burden off the city. Where before, the citywide program maintained PICA by itself, now the city program will only cover injectable and cancer drugs while the welfare funds will cover the psychotropic and asthma drugs.

This places a considerable burden on the welfare funds and on members, who will have substantially higher copays. And it is only a temporary solution, because many believe with the continued spiraling costs of drugs the PICA program will have to be revisited.

The other health care costs of New York City's workers have spiraled upward, as well. Last year, the UFT Welfare Fund, for example, paid \$107 million for prescription drugs, up some \$10 million from the year before. Over the last three years, it's drug costs have been rising by a shocking 10% per year.

Think about the financial bite to the individual working teacher, cop or the like. A common cholesterol drug, Lipitor, now costs an individual member \$120 per month. Three years ago it was \$90 per month. Nexium has increased to \$150 from \$120 in the same period, and the UFT Welfare Fund paid claims for it and other heartburn/ulcer medications of \$10.6 million. Allergies are another major expense, with medications such as Allegra costing more than \$5 per day — and thousands of members use it.

In addition to drugs, other health care costs for those who work for the city have risen just as precipitously. It was not so long ago that copays for office visits were \$2. Last year they were \$20. Annual deductibles have soared. Inpatient admissions in hospitals have gone up from \$200 to \$300 in the last year. Salary

increases have not kept up with the escalating costs and for our retirees, pensioned former employees living on a fixed income, it is even worse. Medical deductibles have just gone up from \$100 to \$150 per year.

So allocating a portion of the HIP conversion proceeds to the welfare funds of the municipal labor unions is *timely* as well as appropriate and fair.

There is much discussion both nationally and in the state about providing health care coverage for the uninsured. We believe that that is not just a worthy cause but is a necessity and some of the conversion funds ought to be used for that purpose.

The question has been raised whether the City of New York, which purchases the health insurance for its employees, should not receive some of the proceeds from the HIP conversion. We have no objection to the city making a claim. Indeed, we had urged the city for some time to make a joint presentation with us on this issue because the city and the union welfare funds are tightly linked.

The city provides money to the welfare funds to cover health needs that supplement the normal health insurance, especially prescription medications, dental coverage and eye care. So additional moneys the unions receive as a result of the HIP conversion will inevitably benefit the city as well. It would mean that the city's workers would need to ask for less funding from the city for health care costs.

When a not-for-profit health care provider changes to for-profit status it is always concern to subscribers who are worried about access and affordability.

We believe that these are just and fair concerns. In the given instance, by allocating a rightful share of the conversion proceeds —one-third, in accord with the proportion in recent years of city union members who subscribed to HIP — and giving these funds to the welfare funds of the municipal labor unions in New York City, then the state will indeed be helping to ensure that the “affected community will have continued access to affordable, quality health care.”