Rail facts: Comparing rail health care benefits to other industries

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The nation's freight railroads are currently in national bargaining with 13 labor unions representing 145,000 employees, and the rail industry is currently in federal mediation with all three labor coalitions. This article is part of a series related to aspects of the current bargaining round, including wages, health care benefits and work rules, as well as the economic factors impacting the railroads during this round.

America's freight railroads provide health care benefits for employees and their families that are more valuable than the average coverage other U.S. industries provide their employees.

At BNSF, this is true for all employees -- salaried and union -- covered under a BNSF-provided plan. But the benefits are especially valuable for union employees when compared with other industries.

The Current Value of Health Care Coverage

Rail industry employees covered under the current bargaining round receive health care benefits that are exceptional, and the railroads shoulder most of the costs--estimated to be nearly $2.3 billion in 2017. And health care costs continue to rise at a pace that's higher than the rate of inflation.

Rail union employees pay less in out-of-pocket expenses such as co-payments, deductibles and co-insurance and get far more generous coverage than the vast majority of American workers. In fact, out-of-pocket expenses for rail union employees reflect only 7 percent of the total costs of the health care provided. That's about half of what most employees in other industries pay in out-of-pocket expenses. Using the four tiers of health care identified under the Affordable Care Act (ACA) -- bronze, silver, gold and platinum -- the health care value provided by the railroad plan exceeds even the most valuable "platinum" coverage tier. The federal government has labeled these high-value plans as excessive and subject to taxation- the so-called "Cadillac Tax" that is planned to take effect in 2020.

The railroad plan ranks equally high when compared against the Kaiser Family Foundation's 2016 Employer Health Benefits Survey and other surveys on the sharing of benefit costs in America. According to that data, on average in the U.S. across all industries, workers pay 27 percent of the total cost (a combination of out-of-pocket expenses and employee health premium contributions) for the family health care benefits they receive. By contrast, railroad workers pay only 21 percent of total costs on average for their family health care benefits.

Health Care Costs in Context

While industry health care costs are increasing dramatically, freight railroads are currently facing the financial impact of a sustained industrial recession. Seismic shifts in coal transportation and market headwinds impacting crude oil, international intermodal and other commodities had a significant impact on rail volumes and revenues in 2016.

Overall freight volumes handled by U.S. railroads in 2016 were down about 5 percent, according to the Association of American Railroads (AAR), with coal volumes down nearly 20 percent year-over-year. Most experts believe the declines in coal reflect a structural shift in the energy market, and that coal volumes will never return to previous levels.

At the same time, the railroads have entirely borne the impact of increased costs from health care reform - a burden that will cost the railroad industry approximately $648 million between 2011 and 2018. ACA-related costs could rise even more dramatically starting in 2020, when the ACA's so-called "Cadillac Tax" takes effect on high-cost employer health care plans such as the rail industry's current plan.

A Path Forward

Health care benefits for railroad union employees are far more generous than typically provided under plans of large employers outside the railroad industry. At the same time, the cost to the railroads of maintaining these benefits is immense and growing while the employee share is decreasing.

During the current bargaining round, the rail industry has outlined reasonable reforms to benefit design -- including adjustments to co-pays, coinsurance and deductibles, and employee contributions. These changes would help bring the railroad health care programs and expenditures closer to what's typical in other U.S. industries while still providing exceptionally valuable benefits to employees. These changes are not simply aimed at shifting cost from the company to employees, but reducing the overall cost of care. This is achieved by encouraging employees to approach health care as they do other consumer purchases-- for example, using the appropriate place of care, such as an urgent care center instead of an emergency room when possible, or getting the appropriate preventive screenings.

BNSF, like other railroads, is committed to providing employees with competitive health care benefits. If proposals by the rail industry to adjust health care costs were implemented to the industry's plan in the next round of labor negotiations, rail employees would still receive benefits that far exceed the national average.

As noted, the rail industry proposal includes incentives and programs focused on encouraging lifestyle choices and decisions that can help control individual health care costs. According to the latest numbers from the U.S. Centers for Disease Control and Prevention, chronic diseases, such as heart disease, cancer and diabetes, are responsible for 7 of every 10 deaths among Americans each year and account for 75 percent of the nation's health spending.

Eating healthy, exercising regularly, avoiding tobacco and receiving preventive services such as cancer screenings, preventive visits and vaccinations are just a few examples of ways people can stay healthy. As part of the current bargaining round, a portion of the rail industry proposal is designed to encourage the right preventive care, which will help employees avoid or delay the onset of disease while they also reduce costs.

For more information on health care costs and the rail industry, go to ***raillaborfacts.org.***

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