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Bush Administration Forces Companies to Negotiate *Worse* Benefits

by EPI Policy Analyst Monique Morrissey
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Here is how the Bush Administration celebrated Worker Memorial Day last Friday: instead of joining in a moment of silence for workers killed on the job, the administration issued a new directive announcing that the Department of Energy (DOE) would no longer reimburse health benefits for employees of its private contractors unless those benefits are "market based."

What does this mean? It's hard to tell precisely. The DOE directive[1] uses obscure and unfamiliar terms ("Relative Benefit Value Index," for example) and is fuzzy on specifics. But here's a clue: benefits are limited not just by cost but by "value." Leaving aside the question of whether it makes sense to target the health care costs of workers exposed to radiation and other hazards (most of the DOE contractors are at nuclear sites), why would you further limit the *value* of the benefit? Why not get the best health benefits you can buy for a given cost? Why in the world does the DOE want to impose *worse* health care for the workers at its facilities?

Similarly, the new policy not only limits retirement benefit costs, but it also restricts new employees and new union contracts to "market-based" retirement plans—specifically 401(k)-style defined-contribution plans rather than traditional defined-benefit pensions.[2] No matter that traditional pensions are more cost effective and that, unlike 401(k)s, they provide a guaranteed retirement income for life. What matters to Bush Administration is that it is cheaper to make workers pay for their retirement plans with the added benefit of allowing the finance industry to make more money off of the individual 401(k) accounts.

This all sounds suspiciously like the Medicare Part D fiasco, in which seniors are being forced to choose among an array of competing plans, but the government is specifically barred from negotiating lower drug prices. In the administration's "market-based" society, people are left to fend for themselves in a supposedly free market, while insurers, drug companies, and financial firms are sheltered from competition.

It bears repeating: the DOE is preventing private companies from negotiating the best health benefits they can get for their money. What is the rationale for limiting not just costs, but benefits? The DOE doesn't say, but we suspect it has something to do with health savings accounts, the idea being that Americans are somehow over-insured and health care costs will go down when people are forced into high-deductible plans that make them think twice before seeking medical treatment. Like privatizing Social Security, that is a bad idea.

Fortunately, the administration could not destroy Social Security without approval of the members of Congress who are up for election. In this case, however, the administration apparently plans to destroy traditional health insurance and pensions by agency fiat.

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[1] See Department of Energy Notice No. 351.1 at: www.directives.doe.gov/pdfs/doe/doetext/neword/351/n3511.pdf
[2] See EPI Policy Memo #112 *Bush's Latest Assault on Retirement Security* at: www.epi.org/content.cfm/pm112