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POLITICS AND POLICY

Union Targets Hospitals in California, Oregon

SEIU Threatens to Mount Ballot Initiatives That Industry Says Mask Organizing Drive

By KRIS MAHER

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The nation's largest health-care union is threatening to mount ballot initiatives in California and Oregon that it says would lower health-care costs, but industry officials say the real goal is to pressure hospitals into making it easier for the union to organize thousands of workers.

Proposed measures in both states would cap executive pay and limit how much hospitals can charge consumers. Both sides say they are prepared to spend millions on opposing campaigns if the measures get on the ballots in November 2014.



Dave Regan, head of the biggest SEIU local in California, said he is prepared to spend millions of dollars on voter initiatives if hospitals in the state don't engage with the union. *Jason Henry for The Wall Street Journal*

according to the SEIU. In Oregon, the union represents about 6,000 of 60,000 hospital workers, in seven of the state's 59 hospitals, according to the hospital industry.

Mr. Regan denied the union filed the initiative proposals this month only as a lever to boost union membership. He said it wants a broad "strategic partnership" to lower costs, raise the quality of care—and have a path to organize workers. Hospital officials respond that the initiatives would cut revenue and affect care without addressing the drivers of health-care costs.

The potential showdown comes as the U.S. Supreme Court is weighing the legality of pacts in which employers agree not to oppose union organizing, known as neutrality agreements. Some business groups say they violate labor laws that prohibit employers from giving a "thing of value" to a union. In many such agreements, including the case now before the high court involving another union and a gambling company, employers allow access to employees and stand aside during organizing. In turn, unions halt negative public campaigns

But before it gets to that point, the Service Employees International Union said it could back off if the industry agrees to work with the union. Hospitals can join with the SEIU, or "get into some very high-stakes policy and political engagements," said Dave Regan, who heads the SEIU's biggest local in California. He said he is prepared to spend \$4 million starting next year to get the signatures needed and then \$10 million to \$20 million on the campaign in California.

It isn't uncommon for unions to wage negative public campaigns to win agreements from employers, including organizing accords. But experts say the SEIU appears to be ramping up the tactic by setting the stage for a direct appeal to voters.

The SEIU now represents about 90,000 of California's 400,000 hospital workers, in about a quarter of the state's 430 hospitals,

or back political issues favored by employers.

Several justices have said they were troubled that an employer could offer neutrality in exchange for something of value from a union, such as a promise to fund a political campaign benefiting the employer.

In the SEIU's case, hospitals could be spared the cost of fighting the ballot initiatives if they agree to a partnership that includes neutrality, said Michael Lotito, a San Francisco lawyer who has represented hospitals against SEIU. "The real 'thing of value' that the union offers is, 'I'm going to stop attacking you,' " he said.

Unions argue the court challenge misapplies an anticorruption provision in the law and the agreements promote stability in labor-management relations.

The court's decision could have far-ranging implications. In recent years, the 1.9 million-member SEIU has bucked the nationwide trend in membership declines, in part by organizing thousands of health-care workers, security guards and janitors after negotiating neutrality agreements with companies.

The current tactic has been tried previously but not on such a large scale. The SEIU backed a ballot initiative last year that would have capped hospital executive pay in Mountain View, Calif., while it was in negotiations with a hospital there. But after the SEIU reached an agreement with the hospital, it pulled its support for the initiative; a spokesman for the union said it decided to focus on two statewide issues instead.

The Mountain View initiative passed anyway, but a judge threw the measure out, saying it couldn't be applied to local health-care districts.

A nurses union in Massachusetts pushing for better patient ratios now is gathering signatures for ballot initiatives in that state, including one that would fine any hospital receiving taxpayer funds if its CEO compensation exceeds 100 times that of the lowest-paid employee.

The California Hospital Association has told its members the SEIU filed the initiatives because it failed to get an agreement to organize workers in that state. On Nov. 12, Duane Dauner, head of the association, emailed its board, which includes CEOs of large and small hospital systems in the state, a proposal from the SEIU. It listed a total of 30,293 workers at 33 hospitals who would be organized in the first year, according to documents reviewed by The Wall Street Journal.

"There's no question that these measures have been put on the table to drive a conversation about organizing," said Andy Davidson, CEO of the Oregon Association of Hospitals and Health Systems.

Steve Trossman, an SEIU spokesman, said that the union had made the organizing proposal to California hospitals, and that it was intended "to show that if we were to reach a strategic partnership, that the numbers [of new union members] would be spread around."

The SEIU threatened several California statewide ballot initiatives in 2012 but backed off when the California Hospital Association agreed to collaborate on several issues, according to a joint statement at the time. Since then, the groups have worked together on a bill to restore Medicare reimbursement rates for hospitals. The hospital association arranged meetings between the SEIU and hospital executives to discuss organizing issues, said Jan Emerson-Shea, a spokeswoman for the association.

"It became clear that the one thing they wanted we cannot do for them," she said. "We cannot force hospitals to allow SEIU to come in and hold elections and remain neutral."

Mr. Davidson, of the Oregon hospital association, said he has met once with SEIU officials since the initiatives were filed in late October, but he is also preparing to try to defeat the measures. He said the union has discussed organizing only broadly.

Meg Niemi, president of the Oregon SEIU local backing the initiatives in that state, said it hasn't otherwise been able to improve the affordability and quality of health care through cooperation with the industry. She said the union isn't seeking a neutrality agreement, but is interested in organizing members. "The best way to be able to address these issues [of affordability and quality] is making sure that the folks that provide the care in the hospitals have a voice."

Write to Kris Maher at kris.maher@wsj.com

Bitter Pill

Oregon ballot measures would require:

Executive pay at hospitals to be capped at no more than 15 times the wages of the lowest-paid employee at a hospital.

Each nonprofit hospital in the state to spend the equivalent of 5% of hospital-services revenue on charity care or community-health issues.

Prominent display by hospitals of actual prices charged for common procedures and quality-of-care information on infection and mortality rates, patient-satisfaction rates and other measures.

Prices of services at hospitals to be capped at no more than 30% above the actual cost of providing the care.

California Ballot Measures Would:

Limit compensation for hospital executives to no more than the annual salary and expense allowance of the president of the U.S., currently at \$450,000.

Prohibit hospitals from charging more than 25% above the actual cost of providing patient care, require them to make publicly available their costs and qualifying expenses, losses and refunds made, and set penalties of up to \$500 for each noncompliant billing statement and a maximum of \$100,000 if the public cost disclosures are filed late or if a hospital fails to provide information about costs and prices requested by any person.

—Source: SEIU