



March 15, 2017

Health Benefits for United Mine Workers of America Retirees

Section 167 of P.L. 114-254 (H.R. 2028, Further Continuing and Security Assistance Appropriations Act, 2017) contained provisions that (1) expanded eligibility for calendar year 2017 for a plan that provides health benefits for eligible retired members of the United Mine Workers of America (UMWA), a labor union that primarily represents coal mine workers and (2) authorized federal financial assistance to the plan through April 30, 2017, to pay for the benefits of the newly eligible retirees.

On March 1, 2017, the UMWA sent notices to these newly eligible retirees that their benefits would end on April 30, 2017. Legislation proposed in the 115th Congress would permanently extend eligibility for the health plan and for the transfer of federal financial assistance to the plan to pay the benefits of the newly eligible retirees.

This In Focus provides background on the issue of health benefits for UMWA retirees. For information on pension benefits for UMWA retirees, see CRS In Focus IF10617, *Pension Benefits for United Mine Workers of America Retirees*.

UMWA Retiree Health Plans

Eligible UMWA members receive post-retirement health and pension benefits from one of three multiemployer health benefit plans and one multiemployer pension plan. A multiemployer plan is sponsored by employers in the same industry and is maintained as part of a collective bargaining agreement. These multiemployer retiree health plans are the

- Combined Benefit Fund (CBF), which was established as a result of a merger of the UMWA 1950 Benefit Plan and Trust and the UMWA 1974 Benefit Plan and Trust,
- UMWA 1992 Health Benefit Plan (1992 Plan), and
- UMWA 1993 Health Benefit Plan (1993 Plan).
- The CBF and the 1992 Plan were authorized by the Coal Industry Retiree Health Benefit Act of 1992 (Coal Act), passed as part of The Energy Policy Act of 1992 (EPACT; P.L. 102-486). The 1993 Plan was created by UMWA's 1993 collective bargaining agreement (the National Bituminous Coal Wage Agreement of 1993).

The amount of benefits and number of participants for the plans were as follows:

- the CBF paid \$80.7 million in benefit payments to 9,636 participants from October 1, 2014, to September 30, 2015,
- the 1992 Plan paid \$47.6 million in benefit payments to 4,512 participants in calendar year 2015, and

- the 1993 Plan paid \$63.6 million in benefit payments to 6,139 participants in calendar year 2015.

The plans are funded by (1) premiums paid by an “assigned operator,” which is a plan participant’s former employer or another responsible party if ownership of the former employer has changed, and (2) two sources of federal financial assistance. These sources of federal financial assistance are interest transferred from the Abandoned Mine Reclamation Fund and supplemental payments from the General Fund of the U.S. Treasury. There is an annual cap on transfers from the General Fund of \$490 million per fiscal year, including grants to certified states and tribes that have reclaimed their priority abandoned coal mining sites.

- The three UMWA health plans received \$179.5 million in financial assistance from the U.S. government in FY2016 and, prior to the enactment of P.L. 114-254) were estimated to receive \$164.7 million for FY2017.

Recent Developments for Certain UMWA Retirees

The retirees who became eligible for the 1993 Plan in 2017 as a result of P.L. 114-254 worked for coal mining companies that commenced bankruptcy proceedings in either 2012 or 2015. Three of these companies were Patriot Coal, Walter Energy, and Alpha Natural Resources. The UMWA had been administering a Voluntary Employee Benefit Association (VEBA) with three separate funds to provide health benefits to those companies’ retirees. A VEBA is a tax-advantaged trust fund created to finance employee benefits, such as retiree health insurance benefits. At the time of the VEBA’s creation, the retirees were not eligible for any of the UMWA multiemployer health plans.

In March 2016, the International President of the UMWA indicated that the UMWA was responsible for the health benefits of about 12,150 Patriot Coal retirees and dependents, 2,800 from Walter Energy, and 3,000 from Alpha Natural Resources.

Patriot Coal

Patriot Coal was created in 2007 as spin-off from Peabody Energy and was one of the largest coal mine operators in the United States. Patriot filed for bankruptcy on July 9, 2012, and emerged from bankruptcy on December 18, 2013. In its bankruptcy settlement, Patriot Coal and Peabody Energy agreed to fund a VEBA to meet its obligation under the collective bargaining agreement to provide retirees with health benefits. Peabody Energy had an obligation for some of Patriot Coal’s benefit obligations because of the past connections between the two companies.

On April 13, 2015, Peabody Energy filed for bankruptcy and on May 12, 2015, Patriot Coal again filed for bankruptcy. As part of its bankruptcy settlement, in December 2015, Peabody Energy agreed to contribute \$7.5 million per month from January 2016 to October 2016 to the VEBA established for Patriot workers. The Patriot VEBA had been expected to exhaust its funds by end of 2016. P.L. 114-254 made the retirees in the VEBA eligible for the 1993 Plan for the year 2017 and authorized federal financial assistance to the plan for these workers through April 30, 2017.

Alpha Natural Resources and Walter Energy

Alpha Natural Resources and Walter Energy were large coal mining companies that participated in the UMWA's collective bargaining agreement. Both companies filed for bankruptcy in 2015. As part of their bankruptcy settlements, the companies established UMWA-administered VEBAs to fund retiree health benefits. The VEBAs covering these retirees were expected to exhaust their funds mid-2017. P.L. 114-254 made the retirees in these VEBAs eligible for the 1993 Plan for the year 2017 and authorized federal financial assistance to the plan for these workers through April 30, 2017.

Legislation Enacted in the 114th Congress to Provide Health Benefits for Certain UMWA Retirees

Section 167 of P.L. 114-254 (H.R. 2028, Further Continuing and Security Assistance Appropriations Act, 2017) expanded eligibility only for calendar year 2017 for the 1993 Plan. (This section was a modification of provisions in S. 3470 in the 114th Congress that would have permanently expanded eligibility in the 1993 Plan for the retirees of Patriot Coal, Alpha Natural Resources, or Walter Energy.)

The newly eligible retirees are those whose employers were part of a bituminous coal industry wage agreement and whose health benefits would be reduced or eliminated as a result of a bankruptcy that commenced in 2012 or 2015. Those who were newly eligible were retirees from Patriot Coal, Alpha Natural Resources, or Walter Energy.

Section 167 of H.R. 2028 also required the VEBA to transfer any funds remaining in the VEBA to the U.S. Treasury. The VEBA was expected to have sufficient funds to pay benefits for the Alpha Natural Resources and Walter Energy retirees at least through mid-2017.

The Congressional Budget Office (CBO) estimated that Section 167 of P.L. 114-254 would reduce the federal budget deficit by \$2 million in FY2017. The amount of federal financial assistance transferred to the UMWA health plans is expected to be \$49 million and is expected to be offset by (1) \$47 million in transfers from the UMWA VEBA to the U.S. Treasury and (2) \$4 million in reduced outlays by federal health programs.

Legislation Introduced in the 115th Congress that Would Provide Health Benefits to Certain UMWA Retirees

In the 115th Congress, legislation has been introduced that would permanently extend eligibility for the 1993 Plan to those individuals who became eligible for the plan as a result of the P.L. 114-254 provisions.

H.R. 179, the Miners Protection Act of 2017, introduced by Representative David McKinley, and S. 175, the Miners Protection Act of 2017, introduced by Senator Joe Manchin, are similar bills that would, among other provisions, permanently extend eligibility for the 1993 Plan to Patriot Coal, Alpha Natural Resources, and Walter Energy retirees and authorize transfers of federal funds to the plan to pay for the additional benefits. The bills would also transfer federal funds to the pension plan that covers UMWA's retirees (the UMWA 1974 Pension Plan). The combined amount of transfers from the General Fund of the U.S. Treasury to the UMWA health and pension plans would be subject to an annual cap of \$490 million, also including the grants to certified states and tribes noted above.

S. 176, the HELP for Coal Miners Health Care Act of 2017, introduced by Senator Mitch McConnell, would, among other provisions, permanently extend eligibility for the 1993 Plan to Patriot Coal, Alpha Natural Resources, and Walter Energy retirees and authorize transfers of federal funds to the plan to pay for the additional benefits. S. 176 does *not* contain a provision that would authorize the transfer of federal funds to the UMWA 1974 Pension Plan.

For Further Information

For further information on these issues see

- The Joint Committee on Taxation, *Description Of The Chairman's Mark Of The Miners Protection Act Of 2016*, JCX-84-16, September 19, 2016, <https://www.jct.gov/publications.html?func=startdown&id=4956>;
- UMWA Health and Retirement Funds, *Health and Medical Benefits*, <http://www.umwafunds.org/Health-Medical-Benefits/Pages/default.aspx>;
- Senate Finance Committee Hearing, The Multiemployer Pension Plan System: Recent Reforms and Current Challenges, *Testimony of Cecil Roberts, International President of United Mine Workers of America*, March 1, 2016, <https://www.finance.senate.gov/download/03012016-roberts-sfc-witness-testimony>; and
- CBO estimate for the Further Continuing and Security Assistance Appropriations Act, 2017, Table 3, <https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/costestimate/H.R.2028.pdf>.

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