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S.E.C. Backs Health Care Balloting

By ROBERT PEAR

WASHINGTON — The Securities and Exchange Commission, shifting its position, has told companies they must allow shareholders to vote on a proposal for universal health insurance coverage.

Shareholders, including religious groups and labor unions, have offered the proposal in an effort to draw the nation's largest corporations deeper into a debate over the future of health care, fast emerging as one of the most important issue in domestic policy.

The S.E.C. has told Boeing, General Motors, United Technologies, Wendy's International and Xcel Energy over the last several months that they may not omit the health care proposal from their proxy materials.

This came as a surprise to many executives, who said the agency had allowed companies to exclude similar proposals in the past.

Many companies say the health care principles are not a proper matter for shareholders to vote on, and they have tried to keep the proposal out of proxy statements prepared for their 2008 annual meetings.

Some, like General Electric and Medco Health Solutions, have explicitly adopted principles that include the goal of universal coverage. Some, like Boeing and Reynolds American, have opposed the shareholder initiatives. At least a dozen companies, like Wal-Mart and I.B.M., have negotiated with shareholders in the belief they can find common ground.

The shareholder proposal asks companies to adopt "principles for comprehensive health care reform" like those devised by the Institute of Medicine, an arm of the National Academy of Sciences.

The institute says health insurance should be universal, continuous, "affordable to individuals and families," and "affordable and sustainable for society."

Employers frequently complain about the cost of health benefits for employees and retirees. The shareholder proposal would not require companies to provide health benefits for employees, but asks top corporate executives to view the issue in a broader context, as a question of social policy.

"We are doing what we can as shareholders," said the Rev. Michael H. Crosby, a 68-year-old Capuchin priest who has had discussions with nine companies on behalf of 20 Roman Catholic orders this year. "We come out of a religious tradition, but we are not engaged in a messianic enterprise. We are one voice among many seeking equitable access to health care for all."

Religious groups and labor unions hold billions of dollars worth of stock in their pension and health benefit plans. They submitted the same basic health care proposal to three dozen large companies, and they say they have received respectful hearings at many.

"We are working for a national policy that provides universal access to health care, and we do hold more than 30,000 shares of General Electric stock," said Barbara Kraemer, a Roman Catholic nun who is national president of the School Sisters of St. Francis. "As we pursued the proposal with G. E., the company requested a dialogue in lieu of the shareholder resolution, so we withdrew it. The dialogue was productive, resulting in G. E.'s public endorsement of the Institute of Medicine principles."

Labor unions and religious groups said they intended to broaden the proxy campaign by bringing in more pension plans next year. If the dialogue between companies and shareholders were to continue, as expected, it could help bridge the divide that has frustrated earlier efforts to cover the uninsured.

Opposition from businesses was one of the major factors that sank President Bill Clinton's proposal for universal coverage in 1994. But businesses of all sizes are clamoring for relief from high health costs and have concluded they cannot solve the problem by themselves.

Under the commission's rules, a company does not have to allow shareholders to vote on a proposal if it "deals with a matter relating to the company's ordinary business operations," for which management is responsible.

But the commission said it was appropriate for shareholders to express their views to company management by voting on "significant social policy issues" beyond day-to-day business matters.

Over the years, the commission said, it had reversed its position on certain issues to reflect "changing societal views," and that now appears to be the case with respect to health care.

One of the more bizarre proxy battles occurred at UnitedHealth, an insurer that covers more than 70 million people.

Dr. Reed Tuckson, an executive vice president of UnitedHealth, was a member of the panel that drafted the principles for universal coverage issued by the Institute of Medicine in 2004. But when the Oneida Tribe of Indians, which owns 800 shares of company stock, asked for a formal endorsement of the principles this year, the company resisted.

Lawyers from O'Melveny & Myers, representing UnitedHealth, told the S.E.C., "The proposal provides that 'health care should be universal,' dictating to whom the company should provide coverage." Moreover, they said, by asserting that "health care coverage should be affordable," the proposal usurps the company's right to decide what prices to charge for its policies.

Even after the commission told UnitedHealth to include the proposal in its proxy statement on April 2, the company urged the agency to reconsider, saying, “The proposal does not relate to a ‘significant social policy issue,’ as that term has been defined” by the commission.

UnitedHealth mollified shareholders by posting a statement on its Web site that endorsed the goal of “access to health care for all Americans” and the principles of the Institute of Medicine.

“We like to work with our shareholders,” said Donald H. Nathan, senior vice president of UnitedHealth. “It was better to deal with the issue in a dialogue, rather than through the proxy process.”

Exxon Mobil reached a similar conclusion after the staff of the S.E.C. ruled in February in favor of shareholders seeking a vote on the health care proposal. The shareholders, from the Sisters of St. Francis in Minnesota, withdrew the proposal after Exxon agreed to a dialogue.

The United States Chamber of Commerce has complained bitterly about the shareholder campaign waged by the A.F.L.-C.I.O. and other organizations. In response, the Labor Department declared recently that trustees of a pension fund risk violating their fiduciary duties when they try to “further legislative, regulatory or public policy issues through the proxy process.”

Labor unions and religious groups say the proxy is justified because it advances the potential to enhance their investments.

Companies have offered various reasons for resisting the health care proposal. Boeing said it would “not benefit the company or its shareholders.”

General Motors said that “adoption of these health care principles will not advance the legislative debate or facilitate the enactment of federal legislation that would benefit the corporation, its stockholders or the country.”

Reynolds American, the cigarette maker, expressed concern that universal coverage would be financed by more tobacco taxes.