STATE OF WISCONSIN

BEFORE THE ARBITRATOR

In the Matter of the Petition of the KAUKAUNA CITY EMPLOYEES, LOCAL 130, AFSCME, AFL-CIO To Initiate Arbitration Between Said Petitioner and CITY OF KAUKAUNA (DEPARTMENT OF PUBLIC WORKS)	Case 45 No. 41612 INT/ARB - 5152 Decision No. 26074-A

APPEARANCES:

Bruce Patterson, Employee Relations Consultant, on behalf of the Citv of Kaukauna

James W. Miller, Staff Representative, Wisconsin Council 40, AFSCME, AFL-CIO, on behalf of the Union

INTRODUCTION

On July 27, 1989, the Wisconsin Employment Relations Commission (WERC) appointed the undersigned to act as Mediator-Arbitrator pursuant to Section 111.77 of the Municipal Employment Relations Act (MERA) in the dispute existing between the Kaukauna City Employees (hereinafter the "Union") and the City of Kaukauna (hereinafter the "Employer", or the "County"). On October 5, 1989, an arbitration hearing was held between the parties pursuant to statutory requirements and the parties agreed to submit briefs and reply briefs. Briefing was completed on December 11, 1989. This arbitration award is based upon a review of the evidence, exhibits and arguments, utilizing the criteria set forth in Section 111.77 (6), Wis. Stats. (1985).

ISSUE

Should the final offer of the Employer or that of the Union be incorporated in the 1989/1990 labor agreement between the parties?

THE CITY'S POSITION

The Employer has offered the Union two benefits in exchange for a change in health insurance coverage.

The first is relatively modest. The present labor agreement calls for payment by the employee of a $50 per year deductible. In its final offer, the City has offered to pay all plan deductibles under the new health insurance plan which would result in a potential benefit to the worker of $50 for each person covered by the policy.

The second benefit is more substantial. Kaukauna has offered a 3.5% wage increase in the first six months of the contract, a 1% increase in the second six months, an additional 3.5% increase in the third six months and a final 1% increase in the last quarter of the two year contract term. The result of these increases would be a wage increase in excess of that requested by the Union and a rather substantial lift in the contract's wage scale at its end.

This wage increase would be paid to all bargaining unit members who have completed their probationary period. New hires and persons presently on probation would receive no increase over 1988 wage levels under the Employer's final offer. New hire and probationary employees would receive the benefit of deductible payment once they came under the health insurance plan.

In exchange for these benefits, the City asks for an alteration in the health insurance contract. Kaukauna employees have for some time been covered by the Health Maintenance Plan (HMP) administered by Wisconsin Physicians Service (WPS). WPS also offers group coverage under a plan it calls "Careshare." The Careshare plan has a higher deductible than HMP. The Careshare coverage is not the same as that available under HMP with some reductions in coverage designed to limit what the City calls frivolous and excessive utilization of health services.

Because of the higher deductible and the changes in benefit, the City believes it will be able to reduce its cost of providing health insurance substantially. The rate of premium increase under the Careshare coverage has historically been less than that experienced under HMP. Therefore the Employer would benefit not only in the first year following adoption of the Careshare plan (the second year of this contract term) but proportionately over succeeding years.

And this savings is important to Kaukauna in view of the rapidly escalating costs of health insurance to all premium payers. It believes that it is terribly important to do everything in its power to reduce these costs to its taxpayers and that the unit members must assist the City in this effort. It argues that the level of benefits under its plan is not substantially below the present plan and that the higher wage contained in its final offer, coupled with its offer to absorb the higher deductible, is reasonable and ought to be adopted by the arbitrator here.

THE UNION'S POSITION

The Union's position is simple: "Don't give us a wage increase we don't want and use the savings to buy health insurance benefits we do want."

The Union refers to exhibits offered at hearing by the City which seem to indicate that members of this bargaining unit are already better paid than comparable workers in comparable cities. At the same time the health insurance presently available to them is not out of line with that available through comparable employers. Why make these workers even more highly paid than comparable workers while reducing benefit levels to below the apparent average?

The Union has compared the HMP benefit levels with those of Careshare and finds them deficient in many respects, some of which it believes are vital to the health needs of its members. It argues that the City's offer to pay deductibles is meaningless when, for instance, there is no coverage at all for such items as routine physical exams. Not only that, Union members will have to have a higher deductible amount available in their savings to make payments until they are reimbursed for deductible expenses.

The Union reminds the arbitrator that present contract language providing for a 5% contribution to premium costs will remain in place in the new contract. It is the workers' position that any savings realized by Union members due to lower premium contribution under the City's proposal do not adequately compensate them for the benefit reductions under the Careshare contract.

Finally, the Union disputes the City's ascertion that premium rates are increasing less sharply under Careshare than under HMP. Kaukauna states that Careshare costs have been increasing at 1 1/2% per month. The Union has offered an exhibit indicating that Combined Locks, which offers its workers Careshare, experienced a premium increase of 36% in its latest premium period.

For these reasons, the Union asks the arbitrator to find that the un-wanted wage increase does not outweigh the reduction in benefits and disputes the Employer's ascertion that the projected cost savings will be realized by the City of Kaukauna.

DISCUSSION

In its brief the Union has argued that the City is attempting to alter a benefit, which has been the subject of past negotiations, through the arbitration process. It maintains that Kaukauna should be held to the strict rules imposed by arbitrators upon parties who attempt to change contract language away from the bargaining table.

A review of the present contract (Article XIII, Section 1) reveals no language relating to a specific health insurance contract or to the level of benefits to be provided under that contract. Here the City is making group health insurance available to its full-time employees, and the Careshare plan is surely a group health insurance plan. The only alteration in contract language relates to payment of the deductible, a change that would, on its face, benefit the Union members. Were the group health plan suggested by the Employer specifically set forth in the cited Article, the rigorous standard would be appropriate to apply. In this case, that standard will not be invoked.

That does not estop the arbitrator from considering the proposed final offer language. It merely allows application of a less ridged standard.

The remainder of this discussion will deal with the two final offers without specific reference to the standards contained in the Wisconsin Statutes. Neither party has argued these standards extensively in brief and neither has relied upon comparable conditions in other employee groups. Therefore, it appears the parties are in general agreement regarding the statutory criteria and this award will assume that agreement and limit discussion to the benefits and costs of the two final offers as they compare to each other.

The City bears the heaviest burden of health insurance premium payments and would continue to do so under its final offer. There is no question that these costs to Kaukauna will rise during this contract and that the Employer may reasonably anticipate further increased costs after this contract expires unless a fundamental change is made in the manner of paying for health insurance benefits. There can be no question that the parties here can have but little impact upon the problem nationally except as members of larger state and national organizations.

From information presented in briefs and exhibits, it is possible to construct the money benefits and costs to the parties of the final offers. The Union has compared and computed the wage benefit between the two offers as they relate to the pay of the average member. In the first year of the contract, the member would be paid $.06 per hour more under the

City's wage offer than under the Union's. Based upon a 40 hour work week, this translates into $2.40 per week, or $124.80 per year.

Were the City's health care plan approved, each single worker would receive a benefit of $12.36 per year in reduced premium costs as against their costs under the HMP plan. A member using a family plan would benefit at the rate of $26.76 per year from the reduced premium contribution. It should be remembered that the Careshare plan is projected for the second year of the contract only, so it is proper to add the second year's wage increase, which would be $.14 per hour or $5.60 per week or, assuming, as before, 52 weeks per year, the total wage increase would amount to $291.20 for the average worker in that time.

Were Kaukauna's final offer accepted, the average worker with single coverage would receive a total of $428.36 in increased pay and reduced costs over the two years. His/her fellow worker with a family plan would realize wage increases and reduced premium costs of $442.76 in the same period.

The record does not reveal the size of the bargaining unit here, but for purposes of illustration, if the unit contains 40 members, 10 of whom are single coverage purchasers and 30 family coverage purchasers, the total increase to the unit members would be $17,566.40 over the two year period.

	Single		Family		
Wages, year 1	$124.80		$124.80		
Wages, year 2	291.20		291.20		
Premium Savings	12.36		26.76		
Total	$428.36		$442.76		
	x 10		x 30		
	$4,283.60	+	$13,282.80	=	$17,566.40

We now turn to the benefit to the Employer under its final offer. In the second year of the contract, using the costs projected by the Employer's exhibits, Kaukauna would realize a reduction in its premiums contribution in the contract's second year of $19.59 per month or $235.08 per year under single coverage. For family plans the City would save $42.41 per month or $508.92 per year.

Using the illustration set forth above, the City would realize a total savings in a single year of $17,618.40. If this is relatively close to being accurate, it would appear that the City's offer just about pays for itself and that any savings to be realized must occur after the expiration of this contract, subject to the impact upon wage levels caused by the lift up in wages in the contract term.

Again granting the flawed nature of the illustration, it does appear there is validity in the Union's request to use the salary money put on the table in the Union's final offer to maintain levels of benefits under the HMP plan.

It is therefore proper at this point to turn to the benefit levels as between the two plans. A review of the plan information submitted by the City and the analysis of benefits made by the Union confirms that Careshare benefits are not as complete as HMP benefits. Kaukauna has recognized this and has stated the Careshare plan is designed to reduce excessive and frivolous use of health benefits. However, beyond this statement the record is silent as to what excessive and frivolous use has been made. It may well be that some unit members have abused their health benefits, but no showing has been made to substantiate that position.

The lack of one particular benefit stands out from all the rest. Routine health examinations are not covered in any form under Careshare. It is well accepted that routine physical exams are among the most cost-effective health care benefits. Early detection of health problems and early intervention can substantially reduce long-term and expensive treatment. A chronic condition such as diabetes can frequently be controlled for long periods of time if discovered early, thus saving long and expensive treatment required when the individual's condition has been allowed to continue untreated. The same is true for many forms of cancer.

To require first and last dollar payment for routine health examinations to a work force, many of whom must do physical work in their duties, would seem to constitute a substantial reduction of benefit levels in and of itself.

DECISION

The City of Kaukauna has made a well-reasoned and responsible final offer. It has not attempted to solve the very real problem of health care costs at the expense of its employees.

On the other hand, the Union is correct in its ascertion that continuation of HMP would be largely paid for by adoption of it lower wage request. The benefit level is so attractive to the employees that they would prefer to give up a substantial wage increase under this contract and the step up in wages to be in force at the beginning of bargaining for its next contract to retain those benefits.

In light of the substantial reduction in benefits under the City's offer, the final offer of the Union is found to be the more reasonable and will be adopted here.

AWARD

The final offer of the Union shall be incorporated into the labor agreement between the parties.

Dated this 9th day of February, 1990.

ROBERT L. REYNOLDS, JR., Arbitrator