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STATE OF WISCONSIN
WISCONSIN EMPLOYMENT RELATIONS COMMISSION
BEFORE THE ARBITRATOR

WISCONSIN EMPLOYMENT
RELATIONS COMMISSION

In the Matter of the Interest Arbitration between

City of La Crosse

and

Service Employees International Union,
Local 180, AFL-CIO

Case 230
No. 47925 INT/ARB-6584
Decision No. 27534-A

Appearances:

Davis, Birnbaum, Marcou, Seymour & Colgan, Attorneys at Law, by James G. Birnbaum, appearing on behalf of the Union.

James W. Geissner, Director of Personnel, City of La Crosse, appearing on behalf of the City.

ARBITRATION AWARD

Services Employees International Union, Local 180, AFL-CIO, on August 19, 1992, filed a petition with the Wisconsin Employment Relations Commission to initiate Interest Arbitration pursuant to Section 111.70(4)(cm)6 of the Municipal Employment Relations Act to resolve a collective bargaining dispute between SEIU Local 180 and the City of La Crosse. On January 14, 1993, the WERC certified that conditions precedent to the initiation of arbitration had been met. On February 3, 1993, Kay B. Hutchison was appointed arbitrator in the dispute. Arbitration hearing was held at La Crosse, Wisconsin on June 21, July 13 and 20, 1993. The parties had full opportunity to present relevant testimony and evidence. Post-hearing briefs and reply briefs were filed with the arbitrator.

Statutory Criteria:

Under Section 111.70(4)(cm)7, the arbitrator is required to select one of the parties' final offers in total having considered and given weight to the following factors:

- a. The lawful authority of the municipal employer.
- b. Stipulations of the parties.
- c. The interests and welfare of the public and the financial ability of the unit of government to meet the costs of any proposed settlement.

- d. Comparison of wages, hours and conditions of employment of the municipal employes involved in the arbitration proceedings with the wages, hours and conditions of employment of other employes performing similar services.
- e. Comparison of the wages, hours and conditions of employment of the municipal employes involved in the arbitration proceedings with the wages, hours and conditions of employment of other employes generally in public employment in the same community and in comparable communities.
- f. Comparison of the wages, hours and conditions of employment of the municipal employes involved in the arbitration proceedings with the wages, hours and conditions of employment of other employes in private employment in the same community and in comparable communities.
- g. The average consumer prices for goods and services, commonly known as the cost-of-living.
- h. The overall compensation presently received by the municipal employes, including direct wage compensation, vacation, holidays and excused time, insurance and pensions, medical and hospitalization benefits, the continuity and stability of employment, and all other benefits received.
- i. Changes in any of the foregoing circumstances during the pendency of the arbitration proceedings.
- j. Such other factors, not confined to the foregoing, which are normally or traditionally taken into consideration in the determination of wages, hours and conditions of employment through voluntary collective bargaining, mediation, fact-finding, arbitration or otherwise between the parties, in the public service or in private employment.

Positions of the Parties:

The Union's final offer on the issues remaining in dispute is as follows:

- 1. No change in the language of the 1991 contract unless specifically provided herein.
- 2. Term: 2 years - 1/1/92 through 12/31/93
- 3. Wages: 1/1/92 - 4% across the board
1/1/93 - 4% across the board

The City's final offer is as follows:

The agreement in effect for 1991 shall continue as is, with modifications in articles 3, 5, 10, 11, and 30 as described below.

1. Article 3 - Health Insurance

- a. Effective January 1, 1993, single employees will pay a \$100.00 annual deductible for professional medical services and hospital charges excluding out-patient prescription drugs, and there will be three (3) single \$100.00 deductibles per family, to a maximum of \$300.00 aggregate amount per calendar year.
- b. Effective January 1, 1993, employee co-pays for prescription drugs shall be \$2.00 for generic and \$5.00 for brand name.
- c. Effective January 1, 1993, the City contribution to group health insurance shall be 100% of the premium per month for both a family and single policy.
- d. Internal Revenue Service, Section #125 Plan

Employees may participate in an Internal Revenue Service Section #125 salary reduction reimbursement plan in order to pay for medical deductibles and prescription drugs with pre-tax dollars. The City agrees to establish a Section #125 reimbursement plan effective April 1, 1993. In addition to medical expenses, the plan may be used for vision, dental, and child care expenses.

The City agrees to credit and pay for the general employee pension costs on the salary which is put into the Section #125 Plan. This payment does not include Social Security.

2. Article 5 - Income Continuation Insurance

Replace the last sentence of this article with the following:

The city reserves the right to self-insure and/or select the carrier for the present level of benefits.

3. Article 10 - Wages

- a. Effective the first full pay period of 1992, wages shall increase by three percent (3%) across the board.
- b. Effective the first full pay period of July, 1992, wages shall increase by one percent (1%) across the board.

- c. Effective the first full pay period of 1993, wages shall increase by 4 percent (4%) across the board.

4. Article 11 - Shift Premium

Effective the first full pay period in July of 1992, employees shall be paid a shift premium of thirty cents (\$0.30) per hour in addition to the employee's regular hourly rate for all shifts beginning on or after 2:30 p.m. and continuing up to 6:30 a.m. Shifts beginning during the period 6:30 a.m. through 2:29 p.m. are exempted from this provision.

Effective the first full pay period in January of 1993, the shift premium shall be thirty-five cents (\$0.35) per hour.

5. Article 30 - Duration of Agreement

Change dates to reflect a 1992 and 1993 term.

e. Health Care Cost Containment Committee

The parties agree to establish a joint labor/management committee on health care cost containment during the term of the 1992-1993 agreement. The committee will be made up of two members from the bargaining unit and two members from the City. The committee shall meet no less than six (6) times during 1993 at a minimum of once per quarter, to study and explore methods to make recommendations for health care cost containment. The committee's recommendations will be provided to each representative's side no later than 8-1-93. Committee expenses up to \$1000 per year may be authorized by the Director of Personnel.

POSITIONS OF THE PARTIES:

SEIU Local 180 is the exclusive collective bargaining representative for all employees of the City of La Crosse excluding department heads, supervisors, craft and confidential employees, members of the La Crosse Professional Police Association, non-supervisory bargaining unit; La Crosse Professional Policeman's supervisory bargaining unit; Local 127 International Association of Fire Fighters; Amalgamated Transit Union Local 519; Airport Crash, Fire, Rescue and Security employees; all crossing guards, and all temporary, seasonal employees employed less than 120 calendar days per year.

The Union's final offer contains change on one issue--wages, and the status quo on two issues, health insurance and income continuation. The Union proposes an across the board wage increase of 4%/4% for 1992/1993. The Employer's final offer proposes changes on wages (across the board and shift differential), health insurance, and income continuation.

The City proposes an across the board wage increase of 3%/1%/4% effective January 1992/ July 1992/January 1993. In addition, the Employer proposes a change in health insurance provisions. Currently, the Employer pays 100% of the premium for single coverage and employees desiring family coverage pay \$8 per month toward the premium. The city proposes that the Employer pay 100% of both the single and family premium and that a \$100/\$300 annual deductible be incorporated. The Employer's offer further establishes a Section 125 salary reduction plan to enable employees to set aside salary to pay for medical deductibles and prescription drug copays with pre-tax dollars in addition to certain other specified expenses. The Employer's final offer also contains a change in language concerning income continuation. The change would enable the City to self-insure or select the carrier for the present level of benefits.

The Union states that under either final offer selected, the wage rates and lift are identical at the end of the contract. The Union argues that the Employer's contention that La Crosse is a low-wage area is irrelevant to a determination herein since the City is offering this bargaining unit less than it offered other City units. The Union argues that while the City has sought a major revision in health insurance and income continuation, it has not offered the quid pro quo in wages for such concessions as it did with its other units. Moreover, the Union contends, the City's wage offer does not even cover the cost employees would incur under the City's health insurance proposal. The Union asserts while several other units accepted to the Employer's health insurance proposal, they received substantially higher wage increases or improved job security than the Employer has offered here. Those units, according to the Union, were at least partially compensated for the substantial change in their health insurance.

The Union further argues that the City's transit unit received a 4.5%/5% wage increase without any change in health insurance provisions. The Union contends that the parties have long relied on an internal comparison of the unit position of Equipment Operator IV to the position of Municipal Transit Operator. The Union argues that Local 180 has lost ground to transit unit over time, and that the Employer's final offer widens that gap while the Union's offer in a small measure lessens that erosion.

The Union asserts that, in general, arbitrators are reluctant to break new ground or impose major revisions that the parties have not negotiated. The Union contends that its final offer is the more reasonable of the two on wages and that the City has the burden of substantiating that its offer is more reasonable on health insurance and income continuation.

The Union forcefully argues that in the past Local 180 has foregone wage increases in order to maintain the current health insurance program which unit employees value highly. The Union contends that only 16% of City employees have voluntarily agreed to the Employer's proposed change in insurance and that a total of 41% are now covered by the City's proposal as a result of another interest arbitration proceeding. However, in all of those units, according to the Union, employees were compensated for the loss in insurance benefits. The Union concludes that if changes are to occur in health insurance for the

remaining 59% of the City's employees, they should be bargained by the parties rather than awarded through arbitration.

The Union states that the City, which maintains a self-insured health plan, has based its position on inflated proposed premium costs, a higher than reasonable projected trend factor, the omission of stop loss insurance repayments to the City, and the use of data purported to be claims paid that was in fact claims incurred. The result, according to the Union, is an overstatement of the City's anticipated expenditures for health care. The Union offered the testimony of David A. Huttleson, Actuarial Consultant, Madison, who reviewed available data and concluded that the health insurance premium for the unit could adequately be set at \$395.61 for family coverage per month rather than \$550.58 the City and its claims administrator have determined. The lesser amount would be consistent with the premium paid in the La Crosse school district which has the same tax base and the same type of non-deductible insurance plan the Union seeks to maintain.

The Union concludes that there is no disadvantage to the City to inflate the premiums for its self-insured plan and to use that self-determined premium as an argument to hold down wages. The Union asserts that the City has offered no proof that a deductible needs to be instituted or that employees in this unit are over utilizing health care. The Union states that the City's health insurance proposal is not cost containment but cost shifting to unit members. The Union argues that the City's claim for the need of cost containment rings hollow when the City has failed to even avail itself of the cost containment language contained in the old agreement. The Union cites the testimony of Mr. Huttleson that projected a 6.7% cost savings under the City's health insurance proposal and asks where those monies are reflected in the City's wage offer to Local 180.

The Union further claims that selection of the City's final offer will have a deleterious impact upon the transit unit which, under the provisions of a negotiated "me-too clause," would have the City's health insurance proposal automatically imposed upon them. The Union further argues that there has been no justification shown for the City's proposal to change the income continuation program nor has the City offered an improved compensation package in exchange for its proposal.

The Union concludes that its final offer is the more reasonable of the two offers in view of the modest differences in the parties' wage offers and the City's failure to substantiate a need for a change in the status quo on health insurance and income continuation.

The City acknowledges that both final offers have the same 4% lift over the life of the agreement but that the 1992 cost would be 3.5% under the City offer and 4% under the Union proposal. The City claims that four other City units have voluntarily agreed to wage settlements similar to that proposed by the City herein.

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The City avers that, historically, employment in the unit has been stable and well compensated. The City cites the filing of over 1,200 applications for 22 unit openings and the testimony of William G. Colclough, Associate Dean, College of Business Administration, University of Wisconsin-La Crosse, that La Crosse area wages are the lowest of the state's 11 SMSAs for private-sector unionized manufacturing. The City contends that the wages paid unit employees compare favorably to those paid in the La Crosse public and private sectors. The City states that wages paid to the unit since 1989 and those proposed in the City's final offer exceed the CPI. The City argues that the internal and external comparables it has offered support the reasonableness of the Employer's wage offer of 3.5%/4% for 1992/1993.

The City notes that its final offer also contains an increase in shift differential that the Union's offer does not. The present \$.25 per hour differential would increase to \$.30 on July 1, 1992, and go to \$.35 per hour on January 1, 1993. The increase, according to the City, was in response to a Union demand and will benefit 20% of the unit.

Over the years, according to the Employer, employees in City bargaining units have fared pretty equally. The City claims that in the past 12 years, wages for police, fire and Local 180 have all increased in the neighborhood of 47 to 49%. The City contends that in the recent past Local 180 has consistently fared better than the transit unit on wages. The Employer further argues that this unit enjoys more paid holidays than other City units. The City disputes the Union's claim that other units were offered better settlement terms than Local 180.

The Employer states that in addition to the "me-too" provision on health insurance, the transit unit settlement effected \$170,000 in savings through negotiated changes in overtime, the use of part-time drivers, and COLA reductions. The City asserts that in 1992-93 voluntary agreements were reached on wages, similar to the City's offer herein, with the police unit, airport crash and fire, fire, transit, and police supervisors. According to the City, all agreements now contain the same health insurance language offered Local 180. The City counters the Union's claim concerning the number of City employees now covered by the Employer's proposal on health insurance by stating that Local 180 represents 41% not 50% of City employees and that the majority of City employees are now covered by the Employer's proposal on health insurance.

Under the current health insurance plan, Local 180 employees are eligible for single coverage at no cost to them. Family coverage costs an employee \$8 per month. Those rates have remained constant since 1982. The City states that 34 Local 180 unit members have single coverage while 156 maintain family coverage. In 1992 the family coverage premium was set at \$454.81 per month. For 1993 the premium was pegged at \$550.58. The City contends that the cost of the family plan has risen 202% since 1984 while the cost of single coverage increased 262% during the period. According to the Employer, in 1984 an employee contributed 4.4% of the cost for family coverage, but in 1992, the \$8 employee contribution represented only 1.75% of the total premium cost for family coverage. The City

offered the testimony of Charles R. Stanfield, Consultant, BeneCorp, Inc., Brookfield, to the effect that health insurance deductibles have been shown to be an effective method of cost containment and that the expected savings would be in the area of 4% per year.

With respect to its proposal on income continuation, the City avers that only Local 180 and the transit unit have not agreed to the Employer's proposal to either self-insure or select the carrier for the City's income continuation plan. The City contends that such a change would not affect the protection afforded employees but would have saved the City significant expense had the proposal been in effect during 1992 and 1993.

DISCUSSION:

As previously stated, under either final offer, the wage lift at the end of the contract period would be the same. The difference between the final offers on wages is a half percent for 1992 and the shift differential. A comparison of the parties' final offers to the wage increases for 1992 and 1993 among other area public employers and comparable municipalities across the state indicates the following:

	1992	1993
Local 180 final offer	4%	4%
City final offer	3/1%	4%
La Crosse County-clerical	1/3%	4%
La Crosse County-maintenance	3/1%	3.5%
La Crosse School District-clerical	6.2%	5.2%
La Crosse School District-maintenance	2.8%	2.46%
Beloit	4%	4%
Eau Claire	4%	4%
Fond du Lac	4%	2/3%
Oshkosh	2/3%	NA
Sheboygan	4%	4%
Wausau	3/2%	3/1%

Both the parties' final offers fall within the range of settlements observed among external comparables. Internally, all other City units settled for 3%/1% for 1992 and 4% for 1993 with the exception of the transit unit which received a 1.5% across the board increase, 1.5% COLA, and \$200-bonus for a total increase of 3.07% in a one-year contract for 1993. Standing alone, the 1992-93 settlements among comparable municipalities would support the Union's final offer, and the settlements in other City units and among other local public employers would support the Employer's final offer. Both offers exceed the CPI and result in the same contract lift.

The arbitrator notes that the Employer's final offer also contains a change in the income continuation language. The undersigned is of the opinion that the City's proposal on income continuation could potentially save money without jeopardizing income continuation protection to employees. Moreover, the instant dispute involves a larger issue of health insurance that the arbitrator believes is determinative of the matter.

The Union has claimed that the City's settlements with other units included more favorable terms than those offered this unit as a quid pro quo for the Employer's health insurance proposal. The arbitrator is persuaded that there are some differences between total packages but that they are minor. Wages and insurance benefits among the police, fire and city units have followed a basic pattern (with some fluctuation) which the Employer's wage offer maintains.

The Union has argued that in the past it has foregone wage increases to maintain the current health plan, that other City units received more favorable settlement terms in exchange for acceptance of the Employer's health insurance proposal, that the Employer has artificially inflated the premium of its self-insured plan, and that there has been no showing that unit employees over utilize health care or that a deductible would contain costs instead of merely shifting costs to employees.

Despite past problems with benefits administration, the current health insurance plan is highly valued by unit employees who, since 1984, have benefited from first dollar coverage for a freedom of choice plan at a cost of \$8 per month family coverage/\$0 per single coverage and no deductible. Premiums have risen substantially over the years as evidenced by the increase in the family premium over the past five years. In 1988 the premium was \$275; in 1993 it was \$551. Notwithstanding the Union's claim that the City and its plan administrator have assigned too high an annual premium for its self-insured coverage based on the Union's analysis of claims experience and trend factors, the fact remains that the amount of claims paid by the City rose from \$2.6 million in 1991 to approximately \$3 million in 1992. In the opinion of the arbitrator, the Employer has clearly established the need to address health insurance costs.

Moreover, the evidence substantiates that the vast majority of comparable municipalities have adopted a deductible rather than an employee contribution in their health insurance plans and that the amount of the deductible proposed by the City is comparable to the amount found in those communities. Not one of the comparable cities, La Crosse County or the La Crosse school district have no deductible and an employee contribution for family coverage in the area of \$8 a month. Whether viewed as cost containment or cost shifting, a majority of the comparable municipalities for which data was offered have established deductibles as part of their health insurance plan. Moreover, the establishment of an IRA Section 125 plan will lessen the impact of the deductible on the individual employee. The undersigned concludes that the Employer has demonstrated a need to modify health insurance provisions and has proposed the adoption of a reasonable deductible consistent with those found among other local and state public-sector comparables.

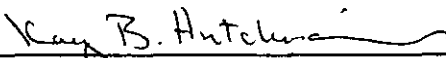
The irony to this arbitrator is that health insurance is an issue on which labor and management could share common objectives. After three days' hearing that included the lengthy testimony of actuarial and benefits consultants and the introduction of 141 exhibits, it strikes the undersigned that if the Union and City jointly expended as much energy in working with health care providers and benefit administrators to bring down costs, more money would be available for the negotiation of wages and other improvements.

Based on the above and foregoing, the undersigned makes the following

AWARD

The final offer of the City of La Crosse is selected for inclusion in the parties' 1992-93 agreement.

Given this 13th day of February, 1994, at Madison, Wisconsin.



Kay B. Hutchison, Arbitrator