

STATE OF WISCONSIN
BEFORE THE ARBITRATOR

APR 10 1986
WISCONSIN EMPLOYMENT
RELATIONS COMMISSION

In the Matter of the Petition of

INTERNATIONAL ASSOCIATION OF
FIREFIGHTERS LOCAL 819 AFL-CIO

For Final and Binding Arbitration
Involving Firefighter
Personnel in the Employ of

CASE 51
NO. 34270
MIA-953
Decision No. 23025-A

VILLAGE OF WHITEFISH BAY
(FIRE DEPARTMENT)

APPEARANCES:

Tom E Hayes on behalf of the Village

Timothy B Hawks on behalf of the Association

On December 12, 1985 the Wisconsin Employment Relations Commission appointed the undersigned arbitrator pursuant to Section 111.77(4)(b), Wisconsin Statutes in the dispute existing between the above identified parties. Pursuant to statutory responsibilities the undersigned conducted an arbitration hearing in the matter, after which post hearing exhibits and briefs were filed by both parties by February 22, 1986. Based upon a review of the foregoing record, and utilizing the criteria set forth in Section 111.77(6), Wis Stats, the undersigned renders the following arbitration award.

ISSUE:

The only issue in dispute is whether or not employees hired after October 1, 1985 who select HMO health insurance plans should be required to contribute toward the cost of such plans. The Association proposes that the full cost of such plans for these employees should be paid for by the Employer. The Employer proposes the following contribution schedule for such employees:

First two years	87%
After two years	90%
After three years	95%
After four years	96%
After five years	100%

ASSOCIATION POSITION.

The cost savings of the Employer's proposal is inconsequential since only two employees have been hired since October 31, 1983. One, Zarlung, has family

coverage and the dispute thus involves \$26.70 per month. The other, Lambrecht, has single coverage and thus his contribution under the Employer's offer is \$10.36 per month.

In fact, the Employer has experienced no significant increase in health insurance costs its last fiscal year which would in any way justify the need for the adoption of its proposal

Further support for the Association's position can be found in the bargaining history of the parties preceding the instant dispute. During the negotiations for the parties' 1985 Agreement the Employer identified insurance costs as a primary concern. The Association recognized the legitimacy of the Employer's concerns and addressed them with a proposal that required employees who chose much more expensive conventional health insurance coverage to pay 25% of the difference in costs between the most expensive HMO plan and the cost of traditional health insurance. Under said proposal, which was agreed to by the parties, if new employees chose traditional health insurance, the Employer's share was 87% of its cost for similar coverage for senior employees. However, if new employees chose HMOs, then the Employer agreed to pay the full cost of such coverage.

Furthermore, comparability supports the Association's offer in that no comparably situated firefighters in the Milwaukee metropolitan area are required to pay part of the cost of an HMO policy. To the contrary, those contracts which contain an economic differential for employees choosing HMOs generally provide incentives for employees to choose such coverage. In this regard, eight comparably situated Milwaukee Metropolitan fire departments pay the full cost of both HMO or conventional health insurance policies. The employees of two more fire departments pay nothing toward the cost of HMO coverage. Only two municipalities require employee contributions toward the cost of HMOs. West Milwaukee requires a \$3.00 contribution by employees enrolled in single plans and a \$5.00 contribution by employees enrolled in family plans. Glendale, which requires employees to pay \$5.00 and \$10.00 for single and family HMO coverage, rebates to employees 50% of the cost savings for choosing an HMO rather than traditional coverage.

Virtually no comparable bargaining unit uses the two tier system of employee contribution for either traditional or HMO coverage. In fact, when the Association's and the Employer's comparable data are merged, only one, (Fox Point) of 16 units requires employees who choose HMO coverage to pay any part of the cost. Moreover, at least three have contractual provisions which effectively pay employees to choose HMO coverage.

It is also significant that on almost all points Glendale and Shorewood firefighters are compensated at higher levels than Whitefish Bay firefighters. Furthermore, bargaining unit promotional opportunities are denied Whitefish Bay firefighters whereas under both the Glendale and Shorewood contracts numerous ranks present opportunities for, and the reality of substantially higher compensations.

In addition, HMO insurance costs are less expensive in Whitefish Bay than any of the surrounding communities.

Most importantly, the cost differential between the parties' final offers is less than \$330.00 for 1985 since neither of the two affected employees was employed for a full year. This increase is less than one-tenth of one percent

of the total package costs to the Employer for salaries and health insurance alone

The issue thus should focus upon the reasonableness of the policies accomplished by the different proposals as measured by their application in comparable bargaining units.

It is undisputed that HMOs have maintained cost levels substantially below the cost of traditional health insurance coverage. In order to encourage such savings employers have provided economic incentives to employees to choose HMO plans. Enrollment in such plans has some disadvantages for employees as their choice of physician is severely limited and access to hospital care and emergency treatment is carefully supervised at a risk to the employee that such services may not be covered.

The Association agreed to a substantial concession tending to discourage enrollment in traditional health insurance plans thus promoting HMO enrollment. This concession has influenced employee decisions in this unit to the benefit of the Employer in a way which accomplishes a broader policy of effectuating real restraint on escalating health costs. To the extent that the Employer's offer reduces the difference between the employees' costs for HMO coverage and traditional health insurance coverage, its final offer runs contrary to the Employer's own alleged purpose

No reasonably constructed argument can relate the impact of the Employer's offer to a broader goal of reducing health insurance costs generally. The only justification for the Employer's position is more pedestrian, it saves the Village approximately \$300.00 per year.

EMPLOYER POSITION:

It is common knowledge that health insurance is being abused through misuse by many of the insured and is being exploited by many of the health servers. The person best able to monitor billing is the user, for the user knows what has been provided. Even limited responsibility for payment will encourage examination, particularly if there is awareness that further increases are likely to induce a demand for greater participation.

Furthermore, all other employees in the Village, including those in two other collective bargaining units (Police and Public Works), are subject to the formula urged by the Employer. Particularly with respect to fringe benefits, internal comparisons should be of utmost importance.

Furthermore, external comparisons are not unfavorable to the Employer's proposal. In this regard, the record indicates that a pattern is developing in which all of the Village's comparables are moving from fully paid, uncontrolled health insurance to some method of containment.

It is also significant that the Employer's proposal is largely prospective, for it will apply mainly to employees as yet unhired.

The Association's proposal is objectionable chiefly because it ignores what is undisputably a problem, namely the uncontained increasing costs of providing health insurance benefits to employees. Because it fails to address this problem, the Employer's proposal should be selected.

DISCUSSION

The Association's proposal is more reasonable than the Employer's in this matter based primarily upon two considerations.

The first is comparability. In this regard the record indicates that in the vast majority of firefighting units in the Milwaukee metropolitan area, firefighting employees, including recently hired employees, are not required to contribute toward the cost of participation in HMO health insurance programs. Instead, it would appear that employees are provided with significant economic incentives to participate in such programs, which undisputably result in cost savings for the employers which provide such alternative health insurance programs. While a few comparable employers do require some employee contribution toward the cost of participation in such programs, one of those employers provide some rebate to the employees resulting from the savings the employer achieves resulting from employee enrollment in HMO programs.

While internal comparability supports the reasonableness of the Employer's proposal, the undersigned is of the opinion that such comparisons, though relevant and significant, should not be given as much weight as the external comparisons which strongly support the reasonableness of the Association's proposal, particularly where, as here, adoption of the Employer's proposal would result in a requirement which is essentially out of line with the pattern of settlements in this regard among comparable employees in the area.

Further support for the reasonableness of the Association's proposal can be found in the fact that the Association only recently agreed to a restructuring of its health insurance benefits to assist the Village in achieving significant cost savings in the provision of health insurance benefits to bargaining unit employees. Thus, it would appear that the Association has not ignored the health insurance cost problems which the Employer has identified, but instead has responsibly responded to these problems when it agreed to the economic disincentives for participation in traditional health insurance coverage which are contained in the parties' Agreement.


Because the Association has responded to the Village's cost containment problems in a responsible and significant manner, and because comparability supports the reasonableness of the Association's proposal, the undersigned is of the opinion that the Association's proposal should be incorporated into the parties' collective bargaining agreement.

Based upon the foregoing considerations the undersigned hereby renders the following:

ARBITRATION AWARD

The Association's proposal shall be incorporated into the parties' 1985 collective bargaining agreement.

Dated this ¹²6 day of April, 1986 at Madison, Wisconsin.


Byron Yaffe