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STATE OF MICHIGAN
EMPLOYMENT RELATIONS COMMISSION
Arbitration Under Act 312
Michigan Public Acts of 1969 as amended

IN THE MATTER OF THE ARBITRATION BETWEEN
City of East Detroit (Michigan)
-and-
East Detroit Police Supervisors Association
MERC Act 312 Arbitration No. D83 E-1488

East Detroit, City of

ARBITRATION PANEL

Ronald M. Dowell	Delegate, City
Brian Kozlowski	Delegate, Police Supervisors Association
<u>Daniel H. Kruger</u>	Chair

APPEARANCES

For the City

Paul A. Flynn	City Manager
Robert G. Grumbez	Deputy Finance Director
Ronald M. Dowell	Administrative Assistant
Cyndi Summers	Health Care Network (witness)
John Gray	Blue Cross Blue Shield (witness)
Robert J. Hribar	Attorney

For the Association

Sylvester Arietta	President, Police Supervisors Association
Kenneth L. Kinney	Vice President, Police Supervisors Association
Michael Somero	FOP Representative
Peter P. Sudnick	Attorney

Court Reporter

Filippo A. Liburdi II

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INTRODUCTION

The Michigan Employment Relations Commission on August 10, 1983 appointed the Chair of the Panel for the instant dispute. Brian M. Kozlowski was selected by the Association as its delegate to the Act 312 Panel. Ronald Dowell was selected by the City to be its delegate. The Panel and the parties met informally on August 29, 1983 at City Hall, East Detroit, to discuss the issues in impasse.

The following issues were identified as being in impasse:

- Article V, Section (a): Modification of Sick Leave Provision
- Article X, Section (b): Medical Insurance for Present Employees
- Article X, Section (c): Modification of Off-The-Job Injury or Illness Policy
- Article X, Section (e): Medical Insurance for Retirees
- Article XIII: Clothing Allowance
- Article XIV, Section (c): Shift Differential
- Article XIX: Contract Duration

Tentative Agreements Reached Through Negotiations

- Article V, Section (b): Modification of Funeral Leave
- Article VII, Section (c): Call-out Pay for Disciplinary Conferences

(The above list of issues was submitted to the Panel on August 29, 1983)

The parties also agreed that the following public jurisdictions would be used as comparables:

- Allen Park Command Officers
- Ferndale Command Officers
- Garden City Command Officers
- Harper Woods Command Officers
- Inkster Command Officers
- Lincoln Park Command Officers
- Macomb County Sheriffs Command Officers
- Madison Heights Command Officers
- Mount Clemens Command Officers
- Roseville Command Officers
- Southgate Command Officers
- Wyandotte Command Officers

The parties stipulated that the issues in impasse once resolved will be retroactive to July 1, 1983.

The Chair directed the parties to return to the bargaining table in an effort to reach agreement on the above issues. The parties were successful in

resolving all the issues except;

Article X Section (b): Medical Insurance for Present Employees
Article X Section (e): Medical Insurance for Retirees

These two issues were to be presented to the Act 312 Panel for its consideration.

The Panel and the parties were scheduled to have the hearing on November 30, 1983 but this had to be postponed at the last minute.

The arbitration hearing was held on January 20, 1984 at City Hall, East Detroit, Michigan.

The parties had the opportunity to present their position on the two issues in impasse, to present witnesses, to cross examine witnesses, and to introduce supporting data. The parties agreed that they would submit briefs on their last best offer postmarked February 29, 1984. The Chair received the City's Brief on March 1, 1984 and the Association's Brief on March 5, 1984.

The City noted that it had a collective bargaining relationship with the following six(6) unions: Police Officers Association, Police Supervisors Association, Firefighters, American Federation of State, County, and Municipal Employees, Local 1103, General Supervisors and Department Heads.

PERTINENT PROVISIONS OF ACT 312, MICHIGAN PUBLIC ACTS OF 1969

Section 9 - Findings and orders; factors considered.

"Sec. 9. Where there is no agreement between the parties, or where there is an agreement but the parties have begun negotiations or discussions looking to a new agreement or amendment of the existing agreement, and wage rates or other conditions of employment under the proposed new or amended agreement are in dispute, the arbitration panel shall base its findings, opinions and order upon the following factors, as applicable:

- (a) The lawful authority of the 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 those costs.

- (d) Comparison of the wages, hours and conditions of employment of the employees involved in the arbitration proceeding with the wages, hours and conditions of employment of other employees performing similar services and with other employees generally:
 - (i) In public employment in comparable communities.
 - (ii) In private employment in comparable communities.
- (e) The average consumer prices for goods and services, commonly known as the cost of living.
- (f) The overall compensation presently received by the employees, including direct wage compensation, vacations, holidays and other excused time, insurance and pensions, medical and hospitalization benefits, the continuity and stability of employment, and all other benefits received.
- (g) Changes in any of the foregoing circumstances during the pendency of the arbitration proceedings.
- (h) 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."

ISSUE IN IMPASSE

ARTICLE X, INSURANCE:

"(b). Hospitalization. The City shall pay full premium for Blue Cross and Blue Shield Hospitalization (MVF - 2 Plan) for all employees and their families, including "Master Medical" coverage and the Two Dollar deductible Prescription rider.

(e) Blue Cross - Blue Shield for retirees: Blue Cross-Blue Shield benefits for retiree and his dependents shall be paid for and provided by the City so long as the retiree or his surviving dependents receive a benefit check from the City. If surviving spouse remarries, all Blue Cross-Blue Shield benefits cease.

Retirees shall be provided with MVF-1, MM, ML, \$2.00 Prescription Rider."

Joint Exhibit #1

LAST BEST OFFER

City

"Article X, Section (b):

Hospitalization. The City shall pay full premium for either Blue Cross Dimension III health coverage or Blue Cross Health Care Network health coverage at the option of the Employee.

The City shall pay the sum of \$25.00 per month, paid annually, to any employee who rejects said medical insurance in lieu of medical insurance provided to a spouse. In the event that an employee notifies the City, in writing, that said coverage is no longer available, the City agrees to provide the employee with his/her option of Blue Cross Dimension III or Blue Cross Health Care Network at the beginning of the next calendar month following said notification.

Article X, Section (e):

Hospitalization for retirees. The City shall pay full premium for either Blue Cross Dimension III health coverage or Blue Cross Health Care Network health coverage at the option of the retiree and his/her surviving dependents for as long as said dependents continue to receive retirement benefits from the City of East Detroit. If surviving spouse remarries, all Blue Cross benefits shall cease to be provided."

Association

Article X, Section (b): Hospitalization. The first year of the contract, the City shall pay full premium for Blue Cross and Blue Shield hospitalization (MVF-II Plan) for all employees and their families, including "Master Medical" coverage and the \$2.00 deductible prescription rider.

In the second year of the contract, the City shall continue to pay full premium for Blue Cross and Blue Shield hospitalization (MVF-II Plan) for all employees and their families, including "Master Medical" coverage and the \$2.00 deductible prescription rider and, in addition, the City shall offer the Health Care Network as an OPTION to the Unit members. (See Association Brief, pages 14-15).

Position of the City

The City is seeking to modify the medical insurance of all its employees because of rising health insurance costs. In February 1982 Blue Cross increased premiums by 32 percent or \$114,108 a year (City Exhibit #3). This occurred seven (7) months after the current budget had been adopted. In February 1983 Blue Cross increased its premiums 47.5 percent or \$223,908 for the year (See City Exhibit #13). To pay this increase it was necessary for the City to eliminate six (6)

positions from the budget through attrition which resulted in a saving of \$150,000 and to raise taxes by .75 mills (See City Brief, page 3).

Because of this significant increase in premiums the City entered the negotiations for the 1983-85 contract with medical insurance costs as a top priority. The City stated that it was its intent to explore every alternative which might accomplish a substantial reduction in premiums yet provide a benefit to the employee which was as close as possible to the current health insurance coverage (See City Brief, page 3).

During negotiations the City explored the following alternative arrangements for health insurance coverage for its employees.

1. The first proposal made by the City in March 1982 was to place a cap on the City's monthly obligation at the premium rate prior to the 32% increase in Blue Cross premiums. The unions with which the City negotiates rejected this proposal. The City then modified its proposal to cap the premiums at the new rate. The City would absorb the 32 percent increase in premiums but the employees would pay for any future rate increases. The unions rejected this proposal because they did not want their members to pay anything for a benefit which had historically been paid in full by the employer (See City Brief, page 3).

The second proposal explored by the City was:

2. Self funding medical insurance through a third party administrator. The City noted that the City of Roseville had covered to this type of arrangement in Janaugy 1983 in the belief that health insurance costs would be lowered over the next three years (City Brief, page 3). The City advertised for and received bids from seven (7) companies which would be willing to provide this insurance. The Union, according to the City,

rejected this self funding proposal because their members did not want to give up the security of the Blue Cross plan (See City Brief, page 3).

3. The City then proposed Blue Cross Dimension III coverage (See City Exhibit #8). Blue Cross Account Executive Jack Gray testified at the hearing on January 20, 1984 that there were four distinct differences between Dimension III and the current MVF-II coverage; (1) 730 days of convalescent care is provided under MVF-II but not under Dimension III, (2) the first \$400 of out-patient psychiatric care is provided at 100% under MVF-II but at only 50% under Dimension III, (3) there is a \$100 per person or \$200 per family up-front deductible under Dimension III while, under MVF-II coverage, this same deductible is applicable only to Master Medical claims, and (4) Dimension III requires a 20% employee co-payment on medical bills to an annual maximum of \$1,000 per family, MVF-II has no such co-payment (See City Brief, page 4).

The City noted that the convalescent and psychiatric riders referred to in (1) and (2) above are only provided under the MVF-II policy (See City Exhibit #9). It further noted that the police officers and the police supervisors (command officers) are the only employees of the City who have these benefits i.e. MVF-II. Jack Gray testified that the police officers and police supervisors have the "Cadillac policy" offered by Blue Cross (See City Brief, page 4).

The Unions, except for the Department Heads, rejected Dimension III because of the deductible and co-payments.

The fourth proposal advanced by the City was Health Care Network, a plan provided by a Blue Cross subsidiary (See City Exhibit #12 for a description of Health Care Network).

Cyndi Summers, Account Executive for Health Care Network, testified at the hearing on January 20, 1984 that this plan provides all of the benefits

provided by policy MVF-II plus such additional benefits as free doctor visits, free physical examinations, free well-child care and free voluntary sterilization. There are no maximums, no deductibles, and no co-payments under Health Care Network (See City Exhibit #12).

Health Care Network is a federally qualified Health Maintenance Organization (HMO). The subscriber has access only to the primary care physicians who participate in the Network (See City Exhibit #12). In other words, the subscriber cannot go to his/her physician but can only be treated by a participating physician.

The Unions rejected Health Care Network because the employee would have to utilize participating physicians rather than their own physicians (See City Brief, page 4).

The City introduced data presented below which indicated the monthly and annual costs for various types of coverage under MVF-II, MVF-I, Dimension III and Health Care Network.

Current Coverage

	MVF II* (Police Employees)		MVF I* (All other City Employees)	
	<u>monthly</u>	<u>annual</u>	<u>monthly</u>	<u>annual</u>
Family	\$322.20	\$3,866	\$308.36	\$3,700
Two person	299.96	3,600	286.10	3,433
Single	127.72	1,533	120.84	1,450

Proposed Coverage

	Dimension III*		Health Care Network*	
	<u>monthly</u>	<u>annual</u>	<u>monthly</u>	<u>annual</u>
Family	\$251.06	\$3,013	\$216.57	\$2,599
Two person	232.78	2,793	201.28	2,415
Single	99.20	1,190	84.93	1,019

*Rates guaranteed through January 31, 1985 (Source: City Brief, page 2)

The Panel developed the chart below to show the differences in annual costs between MYF-II, Dimension III and Health Care Network.

Type of Coverage	MYF-II	Dimension III	Difference from MYF-II	Health Care Network	Difference from MYF-II
Family	\$3866.00	\$3013.00	\$853.00	\$2599.00	\$1267.00
Two Person	3600.00	2793.00	807.00	2415.00	1185.00
Single	1533.00	1190.00	343.00	1019.00	415.00

SOURCE: Calculated from chart on page 7

The Employer stated that after reaching an impasse with two AFSCME locals it took unilateral action to implement a two year contract with health insurance identical to its last best offer made to the Police Supervisors (see page 3 and 4 of this Award for City's last best offer). The changeover was made on February 1, 1984. On March 1, 1984 the City provided the same health insurance plan as contained in its last best offer to Department Heads and Non Union Administrative Personnel. The City has made the same last best offer to its police officers who are currently involved in an Act 312 proceeding. The Firefighters Union has negotiated a "me-too" agreement which ties their medical insurance to the outcome of the police officers arbitration (See City Brief, page 5).

The City indicated that of the 169 present full time employees who receive medical insurance 96 have already converted from the current MYF-I coverage to their choice of Health Care Network or Dimension III (See City Exhibit #2 for medical insurance coverage the six unions with whom the City negotiates). Seventy-two(72), or roughly 75% selected Health Care Network and twenty-four(24) or roughly 25 percent chose Dimension III. The annual savings for the 72 employees who chose Health Care Network is \$61,633 and annual savings for the 24 employees who opted for Dimension III was \$13,170. Thus, the total annual

savings for the 1984-85 budget based on roughly half of the employees who have already converted to the new coverage is \$74,803 (Panel's Note \$61,633 + \$13,170 = 74,803). The City noted that since eight months have already elapsed in the 1983-84 fiscal year as of March 1, 1984 only four months savings of \$24,934 ($4/12 \times \$74,803$) can be realized in the current budget (See City Brief, page 5).

The City presented data to show the projected annual savings if the police officers, police supervisors and firefighters converted to its last best offer, i.e. Health Care Network and Dimension III. The data, according to the City, are based on the assumption that 75 percent of all these employees chose Health Care Network and 25 percent chose Dimension III.

Police Officers and Police Supervisors
MFV-II to Health Care Network

37 employees	\$43,375 annual savings
MFV-II to Dimension III 12 employees	9,634 annual savings
MFV-I to Health Care Network (firefighters) 18 employees	18,733 annual savings
MFV-I to Dimension III (firefighters) 6 employees	4,028 annual savings

Total all police officers, police supervisors and firefighters - 73 employees with total annual savings of \$75,770. (for these data see City Brief, page 6).

Of the 73 employees, 49 are police officers and police supervisors and 24 are firefighters. For the 49 police officers and police supervisors the annual savings would be \$53,009. For the 24 firefighters the annual savings would be \$22,761 (See City Brief, page 6). The City did not present separate data on projected annual savings for the twelve (12) members of the Police Supervisors Association, nor did it present data on the projected annual savings

for retirees who would opt for Health Care Network or Dimension III. No data were presented on the number of retirees to whom the City provides insurance coverage currently.

The City stated that the \$75,770 would represent annual savings to the 1984-85 budget (City's emphasis) because it does not expect any savings to the current budget (1983-84) due to the fact that the Arbitration Awards for both the Police Officers and Police Supervisors are not expected in time to execute any changeover during the current fiscal year (See City Brief, page 6).

The City noted that it would realize a projected total annual savings of \$150,573 for health insurance if the two arbitration panels accepted its last best offer. Of this total, \$75,770 would be realized from the change in coverage for the 73 police officers, police supervisors and firefighters and \$74,803 from the 96 City employees who opted for either Dimension III or Health Care Network (See City Brief, page 7). The City further stated that this 150,573 represents only 39 percent of the three premiums increases totaling \$384,016 since it asked the Unions for relief in this area. The premium increase in 1982 was \$114,108; in 1983 it was \$223,908; and in 1984 it was \$46,000 for a total of \$384,016 (See City Brief, page 7).

The City called attention to the financial condition of its restricted reserves all of which are underfunded. It cited as an example the reserve account of the Public Works Department which has \$117,957 but there is a desperate need for two rubbish packets each of which cost approximately \$70,000. The two rubbish packers would wipe out the Reserve Account of the Public Works Department. Similarly, the City noted that its Workers' Compensation Account totals \$391,783 but there are claims against the City in the amount of \$380,000.

The City's Vacation and Sick Account has \$194,416 but there is a present liability for sick leave accumulation of \$431,750. This account, according to the City, is underfunded by \$300,000. (See City Brief, page 8). In its view, these reserve accounts do not represent a source to tap to finance the Union's last best offer, i.e. to maintain the status quo in health insurance (see City Brief, page 8).

The City further stated that its Command Officers enjoy a superior health insurance program (MVF-II) than more than half of the comparable public jurisdiction. Only six of the thirteen comparables have coverage equal to the City's Command Officers (See City Brief, page 8 and Union Exhibit #1). It maintained that the Union has not presented any overwhelming evidence to justify its position of maintaining the status quo.

The City further indicated that of the six cities which provide health insurance to its command officers equal to East Detroit none paid more for that health insurance than East Detroit (See City Brief, page 9 and City Exhibit #3).

The City maintained that Union Exhibit #1 does not present any information on the comparable cities ability to pay for health insurance. In its view, the steadily increasing premiums and the steadily decreasing revenues for all cities in the State will alter the information on Union Exhibit #1 in a very short period of time (see City Brief, page 9).

The City contended that the two health care options in its last best offer are either identical to or superior to the current health insurance coverage provided by the comparable cities to their command officers.

Position of the Association on its last best offer

The Association maintained that the City has not claimed or established its inability to pay argument. It further noted that no other comparable department has eliminated standard Blue Cross/Blue Shield coverage (see Association Brief, page 3). As noted, the City pointed out that the City of Roseville has converted to a self funding medical insurance through a third party administrator. The Association's last best offer is to maintain the status quo with respect to the medical insurance for the bargaining unit during the life of the Agreement, i.e. 1983-84 and 1984-85.

The Association pointed out that at the end of the second quarter 12/31/83 the City had a surplus of \$70,000 although less than in previous years. In the view of the Association this surplus reflects the healthy financial condition of the City. The Association noted that Finance Director Marcozzi did not make any projection as to the amount of the surplus at the end of the 1983-84 fiscal year. Accordingly, the Association maintained that if the City was anticipating a deficit it would have so stated at the hearing (Association Brief, page 7).

The Association maintained that no unusual claims for medical insurance emanated from the command officers bargaining unit. It was pointed out at the hearing that Blue Cross/Blue Shield rates are affected by experience rating, i.e. the volume of claims. The Association contended that the City is attempting to devalue the services rendered by the Command Officers as a result of increased medical costs that cannot be attributed to this unit.

The Association noted the differences between MVF-II and Dimension III.

Assuming a \$5,000.00 hospital stay, the MVF-II would pay the entire hospital bill of \$5,000. Under Dimension III the employee would immediately pay a

deductible of \$100.00 per person or \$200.00 per family. After payment of the appropriate deductible the employee would be responsible for a co-payment of 20 percent of the remaining amount of the hospital bill up to \$1000.00 per calendar year. Under the example an individual employee would pay \$100.00 plus 20 percent of 4,900.00 or \$980.00 for a total of 1,080.00. A family subscriber would pay a deductible of \$200.00 and 20 percent of \$4,800 or \$960.00 for a total payment of \$1,160 (See Association Brief pages 8-9).

The Association further noted that Dimension III does not include care in a convalescent facility as does MVF-II (see Employer Exhibit #9).

The Association pointed out that a family participant under Dimension III could face exposure (liability) of \$1,200.00 per calendar year. Moreover, if the exposure is at the end of a calendar year and at the beginning of another year, an employee could face a \$2,400.00 exposure (liability) within a span of several months.

The Association pointed out that a \$1,200 liability would represent a 4.5 percent decrease in the Sergeant's base pay, a 3.8 percent decrease in the Lieutenant's base pay, and a 3.5 percent decrease for Inspectors (See Association Brief, page 9). A \$2,400.00 liability would represent a decrease of 9.1 percent for Corporals, 8.4 percent for Sergeants, 7.7 percent for Lieutenants, and a 7 percent decrease for Inspectors (See Association Brief, page 9). The Association contended that the imposition of the Dimension III coverage could amount to a substantial wage cut for this bargaining unit (Association Brief, page 10).

The Association called attention that the premium rates for Dimension III are set until January 30, 1985, but given the relative newness of this program, the rates may increase over time in greater proportion than MVF-II due to its

experience rating. The Association cautioned that before the City adopts a plan that may expose bargaining unit members to substantial out of pocket expenses, the rate history of Dimension III should be analyzed for a longer time period.

The Association stated that the costs of the Dimension III coverage for a married couple without children is higher than MVF-II coverage for two persons. The Association indicated the monthly rate for two persons for Dimension III to be \$232.78 as compared to \$229.96 a month for MVF-II (See Association Brief, page 9). The City had indicated that the monthly rate for MVF-II for two persons was \$299.96 (rate guaranteed through January 31, 1985, see City Brief, page 2). The rate cited for the City appears to be accurate when compared with the monthly rate for two persons for MVF-I, \$286.10 (See City Brief, page 2).

The Association cited that the most recent Blue Cross/Blue Shield premium rate increase in February 1984 for the Command Officers bargaining unit amounted to \$2,871.36, or an increase of 6.6 percent (see Association Brief, page 11). The Association contended that if the City had offered Health Care Network on a voluntary basis and two members of the bargaining unit had opted for this type of coverage, this would have nearly offset the 6.6 percent increase in the MVF-II plan (see Association Brief, page 11).

The Association contended that the City should have offered Health Care Network or an alternative Health Maintenance Organization plan on a voluntary basis to its employees in an effort to control health care costs. In its view, the City should have offered cost savings alternatives as an option before imposing a health care program that provides inferior coverage (See Association Brief, page 11).

The Association emphasized that the City did not provide convincing evidence that the overall compensation presently received by the Command Officers support the imposition of its health care package (See Employer Exhibit #3 for total cost analysis for all comparable cities - see also Association Brief pages 12-13).

OPINION AND AWARD

The Panel is well aware of the societal need to control health care costs. The Association acknowledged the need to curb increasing health care costs (See Association Brief, page 13). The issue before the Panel is to select one of the last best offers submitted by the parties utilizing the criteria set forth in Section 9, Act 312 (See pages 2 and 3 of this Award for these criteria).

The record is clear that if the Panel selects the City's last best offer of Dimension III there is a distinct possibility that the Command Officers would be exposed to potential liability, i.e. cash out of their own pockets should they or a member of their family experience a hospital stay. The officer would pay a deductible of \$200.00 plus 20 percent of the remaining hospital bill up to \$1,000 for a total of \$1,200 per calendar year. If the hospital stay began late in one calendar year and the patient left in the next calendar year there is a possibility that the officer could face a \$2,400 liability within a span of several months (See Association Brief, page 9). The Dimension III coverage, therefore, would result in out of pocket expenditures for health care costs which would represent a decrease in the Command Officers' base pay. At the same time they would be receiving inferior coverage under Dimension III as compared with MVF-II.

No evidence was presented that any of the comparable cities has selected the Dimension III package for its Command Officers.

The Panel takes especial note of the City's desire to exercise fiscal responsibility. The City, however, did not claim inability to pay. In this Panel's view there is a significant difference between fiscal responsibility and inability to pay. Section 9, Act 312 cites as a criterion to guide the Panel the ability to pay and not fiscal responsibility.

The Panel takes note that the Association has twelve members. The Blue Cross/Blue Shield rate increase in February 1984 increased the family monthly premium from \$302.26 to 322.20 or \$19.94. The annual increase for this bargaining unit was \$2,871.36 (See Association Brief, page 11). The total premium increase in February, 1984 was \$46,000. Thus, the Command Unit account for 6.24 percent of the total rate increase (Panel Note: $2,871 \div 46,000 = 6.24$ percent).

The Panel is persuaded by the Association that there is merit in offering Health Care Network or some other Health Maintenance Organization plan on a voluntary basis in order to learn what the experience or acceptance with a HMO will be. The Association's last best offer includes this option on a voluntary basis.

From the testimony given, exhibits introduced and briefs filed the Panel selects the Association's last best offer.

Vote

For: Kozlowski and Kruger
Against: Dowell

Having selected the Association's last best offer, the Panel feels compelled to call to the attention of the parties the need for them to study ways of controlling health care costs. Since the Panel is legally obligated to select only the last best offer which in its judgment meets the criteria in Section 9, Act 312 it cannot fashion its own award.

There are approaches which the City raised in negotiations which need to be explored in good faith by the Association. If something is not done to control health care costs, there will be few dollars available for future improvements in wages and other fringe benefits.

The options raised by the City in negotiations:

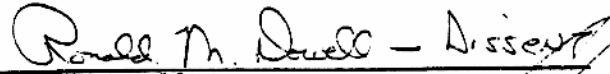
1. Self funding medical insurance through a third party administration.
2. The parties placing a cap on existing coverage and premiums and the employees pay the entire costs of future premium increases.
3. Combinations of options on a voluntary basis, e.g. H.M.O., to gain experience under different options.

In addition to the above, which were presented to the Association during negotiations and which were rejected, there are other approaches to be explored:

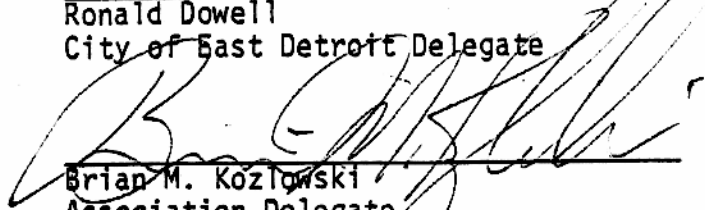
A. Revising benefits to effectuate cost savings. For example, employees could pay a larger deductible for prescriptions, have tests performed prior to admittance to a hospital, subscribers being required to get a second opinion on surgery, the need for having the subscriber pay a proportion or the entire cost of certain types of elective or cosmetic surgery.

B. To establish a health care program where the savings in costs are shared by employees according to some equitable formula based on non usage. The above represents a variety of approaches which need to be carefully reviewed by the parties.

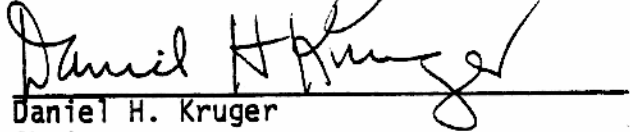
The Panel respectfully suggests that the parties consider adding to Article X Secion(b) that the "City shall pay the sum of \$25.00 per month, paid annually, to any employee who does not accept said medical insurance to a spouse." It does not make sense for an employee to take this coverage if the spouse is covered by a comparable or better insurance plan.

Handwritten signature of Ronald M. Dowell in cursive script.

Ronald Dowell
City of East Detroit Delegate

Handwritten signature of Brian M. Kozlowski in cursive script.

Brian M. Kozlowski
Association Delegate

Handwritten signature of Daniel H. Kruger in cursive script.

Daniel H. Kruger
Chair

April 16, 1984