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STATE OF MICHIGAN

MICHIGAN EMPLOYMENT RELATIONS COMMISSION

GOGEBIC MEDICAL CARE FACILITY

-and- **MERC CASE NO. L04 J-5011**

MICHIGAN AFSCME COUNCIL 25

FACT FINDER'S REPORT AND RECOMMENDATIONS

APPEARANCES:

UNION: ROGER SMITH, STAFF SPECIALIST

EMPLOYER: A. DENNIS COSSI, ATTORNEY

PETITION
DATA:

PETITION FILED:	DECEMBER 22, 2004
EXHIBITS SUBMITTED:	AUGUST 5, 2005
RECOMMENDATION DATE:	SEPTEMBER 26, 2005

FACT FINDER
RECOMMENDATION: THE FOLLOWING IS RECOMMENDED:

THE EMPLOYER PROPOSAL RELATIVE TO HEALTH INSURANCE BE ADOPTED WITH THE PROVISO THAT THE PARTIES EXPLORE THE AVAILABILITY OF A LESS EXPENSIVE ALTERNATIVE FOR THOSE WHO ARE WILLING TO ACCEPT LESS COVERAGE.

A ONE (1%) PERCENT BONUS BE PAID TO EACH UNIT EMPLOYEE ON DECEMBER 31ST WITH THE RESULT THAT SUCH AN INCREASE WOULD NOT IMPACT FRINGE BENEFIT COSTS.

THE UNION PROPOSAL RELATIVE TO REMOVAL OF A LETTER FROM THE PERSONNEL FILE OF MS. SCHWARTZ BE REJECTED.

THE PARTIES ADOPT A TWO (2) YEAR AGREEMENT.

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FACT FINDER'S REPORT AND RECOMMENDATIONS

INTRODUCTION

The Parties have jointly agreed to submit this matter to Fact Finding. The Last Offer of the Employer is as follows:

> "10. Modify Article 40. – Medical, Dental and Vision Coverage, Paragraph A: By deleting the current language:
>
> The Employer will provide all full-time employees working set hours of sixty (60) or more in an eighty (80) hour pay period, Blue Cross/Blue Shield Community Blue Option 2 CB2 $10.00 PREF Rx, MOPD, PD-BC $10 ($10/$20) at no expense to the employee. Blue Cross/Blue Shield Dental 50% on Classes I and II with 800 maximum benefit for every contract year per member. Blue Cross/ Blue Shield Vision Care. The rules of the Michigan Blue Cross/Blue Shield or equivalent shall prevail as to minimum hours needed to be eligible to become a member and time needed for enrollment.
>
> And replacing with:
>
> The Employer will provide all full-time employees working set hours of sixty (60) or more in an eighty (80) hour pay period, Blue Cross/Blue Shield Community Blue Option 2 CB2 $10.00 PREF Rx, MOPD, PD-BC $10 ($10/$20). Blue Cross/Blue Shield Dental 50% on Classes I and II

with 800 maximum benefit for every contract year per member. Blue Cross/Blue Shield Vision Care. The rules of the Michigan Blue Cross/Blue Shield or equivalent shall prevail as to minimum hours needed to be eligible to become a member and time needed for enrollment.

Modify Article 40. – Medical Dental and Vision Coverage, Paragraph C: By deleting the current language:

If an eligible full-time employee chooses not to enroll, they will be paid an amount equal to one-half (½) the single subscriber rate. Employees hired after March 1, 2000 who are eligible, but choose not to enroll, will be paid $110.00 per month. Part-time employees are not eligible for opt-out payments.

And replacing with:

If an eligible full-time employee chooses not to enroll, they will be paid an amount equal to one-half (½) the single subscriber rate with a maximum monthly payout of ~~**$175.00**~~ ~~**$200.00**~~ **$213.55**. Employees hired after March 1, 2000 who are eligible, but choose not to enroll, will be paid $110.00 per month. Part-time employees are not eligible for opt-out payments.

Modify Article 40. – Medical, Dental and Vision Coverage, Paragraph F: By deleting the current language:

Regular part-time employees who meet Blue Cross/Blue Shield minimum hours criteria will be eligible for the following insurance plan with the Employer paying a maximum of single coverage: Community Blue PPO Option 4 ($500 in network deductible, 20% in network co-pay) with the $15/$30 Rx co-pay.

And replacing with:

Regular part-time employees who meet Blue Cross/Blue Shield minimum hours criteria will be eligible for the following insurance plan: Community Blue PPO Option 4 ($500 in network deductible, 20% in network co-pay) with the $15/$30 Rx co-pay.

Modify Article 40. – Medical, Dental and Vision Coverage, Add Paragraph H to say:

Any insurance costs exceeding **~~$255.00~~ ~~$350.00~~ ~~$400.00~~ $427.10** for full-time employees and/or **~~$175.00~~ ~~$275.00~~ ~~$325.00~~ $373.75** for part-time employees, beginning January 1, 2005 will be borne equally between the Employer and Employee.

12. Modify Article 47. – Miscellaneous Provisions, Add Paragraph P to say:

If at any time during the term of this Agreement the funding mechanism through which the Employer receives reimbursement monies from state or federal sources are changed, resulting in a reduction in the level of funding received by the Employer, **~~such as, for example, a decline in the variable cost component of the Facility or the implementation by the state of a new reimbursement system, which has a two hundred thousand ($200,000.00)~~ of three hundred thousand ($300,000.00) or more ~~impact on the amount of revenues received by the Employer~~**, then the Facility shall have the right to re-open this contract for the purposes of bargaining concessions with the Union.

13. Modify Article 48. – Termination and Modification, Paragraph A: By deleting the current language:

This Agreement shall be effective upon execution by the parties and shall continue in effect through December 31, 2004.

And replacing with:

This Agreement shall be effective upon execution by the parties and shall continue in effect through December 31, 2005."

(Emphasis in original.)

The Union Last Offer is as follows:

"2. Remove Letter of February 22, '05 from Michele Schwartz

file.
-Violation of P.E.R.A. 423.8, 423.16
-Statements made at Union meetings is a Protected Activity
(see attached)

3. Health Care: as is except that upon written notice by either party to the other prior to Jan 1, 06 ... they will meet and confer on health care containment measures such as partial self insurance on higher deductibles, office visits, PDR etc.

The Parties agree to act in a non arbitrary or capricious manner and review all issues in good faith.

4. Leave L.O.A. as is

5. 2 yr. Contract 3% each year retroactive to Jan. 1, 05"

The Parties agreed to submit this dispute to the Fact Finder by way of Exhibits and Closing Briefs. I have given careful attention to all of the evidence and arguments submitted by the Parties, even though the Report herein may not specifically reference each and every one of the above.

DISCUSSION AND FINDINGS

By way of background, the Union notes that in 2003 it agreed to concessions:

> " ... There was no wage increase that year and there were concessions of a sizable amount which eliminated overtime payment for holidays, some sick days, personal days, and so forth. The Employer continues to enjoy those savings every year."

The Employer has submitted an Affidavit of Robert Dunn, Administrator of Gogebic Medical Care Facility (GMCF). The Union objects to any consideration being given to the contents of the Affidavit because:

> "The Union was not asked to participate in that affidavit and had no opportunity to cross-examine Mr. Dunn."

It is also urged that some of the information therein is based on "telephone conversations and discussions with other facilities" rather than supporting documentation – *i.e.*, CBAs, etc.

While the Undersigned appreciates the Union's concern, he declines to ignore the Affidavit in its entirety. Rather, I will give consideration to the information in the Affidavit but the weight to be given to its contents will take into account the concerns raised by the Union.

With reference to its financial condition, the GMCF states that its 2005 Operating Budget reflects total revenue of $7,176,769.23 and total expenses of $7,171,315.55, leaving a net surplus of $5,453.68. Beyond the above, the GMCF 2004 balance sheet reflects no cash for a Contingency Operating Fund. The Facility does have a $206,000 funded depreciation account – monies set aside for fixed asset replacement. It is argued the above amount is woefully inadequate – "there should have been $557,000.00 set aside since July, 2003, and more than $2,000,000.00 should have been set aside prior to that."

One item of disagreement relates to the matter of Fund Balance. The Union Labor Economist, in a letter dated March 2, 2005, found the following:

> "The Government Financial Officers Association (GOFA) recommends that an organization should maintain an unreserved fund balance of 5% to 15% of regular general fund operating revenues, or no less than one to two months of regular general fund operating expenditures as a contingency for unexpected developments. In this instance, Gogebic Medical Care Facility is funded by the Enterprise Fund, but the same principle applies. Gogebic's unreserved fund balance of $2,207,941 was 34% of the operating revenues, indicating that it was in very good fiscal shape.
>
> In FY 2003, Gogebic budgeted $6,282,228 in revenues and the expenditures were $6,698,064 with an operating deficit of $415,836. The actual revenues were $7,142,422 and the expenditures were $7,323,027 with an operating deficit of $180,605. The unreserved fund balance of $2,027,336 was 28% of

> the operating revenues leaving Gogebic remaining in very good fiscal health."

It is noted the above individual was also not subject to cross-examination.

The Facility, in a letter dated March 14, 2005, responded to each of the above paragraphs as follows:

> "Response to Paragraph (5):
> For the year ending December 31, 2003 the unreserved fund balance per your letter, is $2,207,941. <u>An account of this type is not shown on any financial reports and does not exist</u>. In fact, Facility Financial Statements clearly show this amount as Fund Balance - <u>Equity</u>, the net <u>value</u> of the business after being in business from 1963-2003. Of this amount, $1,858,970 is <u>Net Fixed Assets</u>. (See Attachment #2,*)
>
> Response to Paragraph (6):
> For the year ending December 31, 2003, the unreserved fund balance per your letter, is $2,027,336. <u>An account of this type is now shown on any financial reports and does not exist</u>. In fact, the County Audit shows total net assets of $2,027,336. Of this amount the audit and Facility books clearly show that $1,858,970 of this amount is net fixed capital assets. Other net assets have a value of $168,366. (See Attachment #2,** and Attachment #3,**)"
> (Emphasis in original.)

I have reviewed the referenced financial data. Based on a review of the relevant exhibits, your Fact Finder is unable to conclude that GMCF has liquid assets suggested by the Union Labor Economist.

The specific issues in dispute will now be addressed.

On the issue of Health Insurance, the Union emphasizes:

> " ... this Employer enjoys something very rare and that is that it only provides single subscriber insurance to its full time employees without cost, and a lesser insurance program than the full time employees receive to its part-time employees. This is the heaven of every employee in the country to not have to provide

> family coverage for health care. However, this Employer, since its inception, has only provided single subscriber health care. Employees who wish additional health care for their spouse or family pay out of their pocket. As you look at the comparisons you will see that many of the medical care facilities provide certain funds for single, double, and family if they don't pay for single subscriber at 100%."

The Employer states:

> "The last union contract negotiated at Gogebic Medical Care Facility with the Teamsters, which is the supervisors at GMCF, contains a similar cap as proposed in this present matter."

The Employer data relative to other Upper Peninsula county medical care facilities supports the Union's observations that most do provide coverage for double and family in addition to single coverage. It also needs to be noted the capped amount for single coverage among the other UP facilities is less than the amount paid by this Employer.

The Union has noted that the Employer proposal which caps its insurance costs has a disproportionate negative impact on its Unit employees. The reason for that is because many Unit employees are at the lower end of the wage spectrum so that an identical sharing of costs for the latter represents a greater percentage impact on them. While the above observation is true, it must also be considered that an identical product is being purchased for everyone.

One possible solution is for the Employer to make available a lower cost option to those employees who would prefer lesser coverage together with lower cost. Since a hearing on this matter was not convened, I was not able to elicit from the Parties the efficacy of the above proposed resolution.

The next issue is wages. In contrast to the Union request for a 3% increase for each of the two years retroactive to January 1, 2005, the Employer proposes the right to re-open the contract for the purpose of bargaining concessions in the event it suffers a funding reduction of $300,000 or more. The Employer has a re-opener provision with other bargaining units wherein the agreement may be reopened at the option of either party with the negotiations limited to hourly pay rates. The Employer and this Bargaining Unit have a provision whereby the following is provided:

> "Should the economy improve, and the Employer's overall funding increases by more than $300,000, which is not offset by increases in the Facility's operating expenses, the Employer agrees to meet with the Union to discuss a potential restoration of benefits."

It does not appear the funding is likely to increase in the near term.

In regard to the matter of wages, it is noted that this Employer is unique in that one does not reach the top of the wage scale until the 28th year of employment. Employees of this Employer have the most elongated wage step increase of any County medical care facility in the Upper Peninsula. The Marquette Facility has a 15 year wage progression and Schoolcraft has one of 10 years. The point of the above is that the top end must be considered in light of the extended time required to achieve that level of compensation. At the earlier stage of employment, employees of this Employer are at the middle to lower level compared with other Upper Peninsula county medical care facilities.

Your Fact Finder cannot ignore that GMCF is not an Employer with excess financial resources. Rather, it is an Employer with scarce resources. In an effort to be fair to all concerned, the Undersigned recommends 1% bonus for each year of the contract – payable December 31st. Since the bonus is not part of hourly wages, it will not impact the cost of fringe benefits. I am aware this will have a substantial impact on the Employer wage outlay – an increase of some $13,500 for the wages of Aides alone. The increase for each unit employee is modest and the net cost to the Employer will be tempered by the cost increase reductions it will realize as to health insurance benefits.

The Union proposal relative to removal of a letter from the file of Ms. Michele Schwartz is now considered. The Employer has not addressed that issue. I have reviewed the subject letter. While the comments were apparently made by Ms. Schwartz at a Union meeting, that fact, in and of itself, is not dispositive. The Employer asserts the comments involved a threat to the well-being of the GMCF Administrator. The Union references to PERA do not necessarily insulate the conduct herein from disciplinary action, including insertion of a letter in an employee's personnel file. Simply stated, I have no information as to the comment which was made or any other relevant fact thereto. On that basis, I am unable to recommend that the letter be removed from the employee personnel file. It would seem better to defer that matter to other more appropriate proceedings.

The remaining issue is that of contract duration. The Employer proposal for a one year Agreement – "in effect through December 31, 2005" – is at this juncture not very productive. The Parties would be confronted with an Agreement which has an almost immediate expiration date. It is recommended that a two year contract be adopted.

RECOMMENDATIONS

The following is recommended:

The Employer proposal relative to Health Insurance be adopted with the proviso that the Parties explore the availability of a less expensive alternative for those who are willing to accept less coverage.

A one (1%) percent bonus be paid to each Unit employee on December 31st with the result that such an increase would not impact fringe benefit costs.

The Union proposal relative to removal of a letter from the personnel file of Ms. Schwartz be rejected.

The Parties adopt a two (2) year Agreement.

JOSEPH P. GIROLAMO

September 26, 2005