

ARB. 8/25/87 ARB

ARBITRATION OPINION AND AWARD
MICHIGAN EMPLOYMENT RELATIONS COMMISSION
PUBLIC ACT 312

SEP 15 1987
RIVERVIEW, MICHIGAN

CITY OF RIVERVIEW,

Employer,

-and-

Case No: D87-A-93

POLICE OFFICERS ASSOCIATION OF RIVERVIEW,
MICHIGAN FRATERNAL ORDER OF POLICE,

Union.

Subject: Contract re-opener regarding health and dental insurance.

Issue: Should the Employer be allowed to make a change in the health and dental insurance plan part of the benefit package paid to members of the bargaining unit in order to effectuate cost savings?

Appearances:

Employer:

Union:

Charles Wycoff, Attorney

John Lyons, Attorney

Joseph W. Fremont, Panel Member

Michael Somero, Panel Member

Sandra G. Silver, Panel Chairperson

Riverview, City of

LABOR AND INDUSTRIAL
RELATIONS COLLECTION
Michigan State University

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POSITIONS OF THE PARTIES

Position of the Union: The Union has taken the position that the change from Blue Cross Master Medical to the Blue Cross, Preferred Provider Organization (PPO), is a cost-saving measure where the savings are only savings to the City, and the balance is paid by the individual members. The Union objects to any change in the Dental Plan as presently constituted.

Position of the Employer: It is the City's contention that the cost savings involved in changing the plan are substantial without any loss of benefits to the members. The City insists that the bargaining unit members will receive the same health insurance coverage which they have enjoyed, and that the City will be able to save substantial sums. The same contention is presented as regards the Dental Plan, and the City asks that it be adopted.

DISCUSSION

This matter comes before an arbitration panel, pursuant to Public Act 312, on a contract re-opener request of the City of Riverview. The present contract covers the period of July 1, 1985, through June 30, 1988. Under the terms of that contract, the parties specifically provided to re-open contract negotiations concerning a PPO for the year beginning 1987. Such negotiations did occur, and the parties were unable to reach agreement. Application was made to the Michigan Employment Relation Commission for a compulsory arbitration under Public Act 312. The arbitration panel was composed of Sandra G. Silver,

Chairperson, Joseph W. Fremont on behalf of the Employer, and Michael Somero on behalf of the Union. Hearing was held on July 2, 1987, and argument was made by both parties. Exhibits including contracts and costs in comparable communities were submitted into evidence.

The issues before this arbitration panel are extremely limited. From the documents before the arbitration panel, it can be concluded that there is a substantial savings to the Employer of approximately 18% in switching from the Blue Cross Master Medical Plan now in effect to the Blue Cross PPO Plan. These savings are primarily achieved by requiring the insured person to use specific hospitals, clinics and private physicians under contract with Blue Cross/Blue Shield.¹ Bargaining unit members would still be allowed under the PPO Plan to select their own private physicians and hospitals outside of the network. However, this would require that the bargaining unit member so choosing would be required to pay an amount as co-payment directly out-of-pocket.

The figures submitted to the panel as to what the amount required in co-payment for use of outside physicians were 15-20-20. This Arbitrator calculates that the co-pay amount would approximate, on a percentage basis, the difference in savings between the Master Medical Plan now in effect and the proposed PPO. Again, the Arbitrator has to assume that the savings represented in the PPO Plan have to be achieved by an agreed-to price between the health provider and Blue Cross as differentiated from the costs imposed by other health providers outside the system. The difference between the PPO contracted price and the price imposed by other health care providers would be the amount which would be required in co-payment.

¹The use of hospitals or physicians on an emergency basis out of the State would presumably remain unchanged.

All of the comparables submitted by the parties show the Employer paying 100% of the premium for health insurance and dental insurance. The institution of a co-payment provision in the PPO Plan leaves the bargaining unit member potentially paying part of the cost of health insurance. Since its savings are achieved by creating a co-payment provision in certain instances, it can be considered that bargaining unit members would be paying part of the cost of insurance.

A review of the comparables submitted by the parties reveals certain facts. It should first be pointed out that there was little dispute between the parties as to what the comparable communities were, and the information submitted was quite similar. In every case of a comparable community, covering a wide variety of insurance providers, the cost to the governmental unit was considerably more than the amount being paid by the City of Riverview.

The cost to the City of Riverview for the Blue Cross/Blue Shield MVF-1, Master Medical Option 2, was \$2,690.00. In the communities of Lincoln Park, Allen Park, Trenton, Southgate, River Rouge, Grosse Ile, Wyandotte, Taylor, Woodhaven and Gibraltar all far exceeded the annual cost than that being experienced by Riverview. The City of Taylor, with the next lowest annual payment, is still approximately \$300.00 more expensive annually than the cost being paid by the City of Riverview. In this regard, the City of Riverview has no cause to complain that the costs experienced are beyond what is ordinarily and commonly paid.

A review of the contracts in effect with other bargaining units within the City of Riverview, however, produces a different picture. The contract with the AFSCME bargaining unit in the City of Riverview provides for a major medical plan within the Blue Cross PPO parameters. The same is true for the operating engineers who also have a PPO plan with the City of Riverview. In contrast, the police Lieutenant's and Sergeant's unit of the Fraternal Order of Police have the same provisions as this police department local. Both of those contracts provide for a contract re-opener if the Employer wishes to insure with a PPO plan.

There is always difficulty with a single employer where different units are being treated in a different manner. It appears that a large number of the employees of the City of Riverview are already on a Blue Cross PPO plan, and that the police department is under the Blue Cross Master Medical. The friction which could arise from this differing condition is somewhat reduced in that police department operations remain somewhat separated from the day-to-day activities of the other City employees.

The Union has taken the position that they want no change, and that the members wish to maintain their relationships with the health care providers which they have selected personally. There is no question, or argument, put forth that the quality of health care provided to bargaining unit members and their families would be seriously affected. However, the Union members, like others in our society, appear to feel strongly that they want to continue with doctors they have selected. This

freedom of choice is an important benefit which cannot be lightly set aside. The cost of exercising that freedom of choice and individual selection of medical health care providers becomes a direct out-of-pocket cost under the PPO Plan. In giving up the freedom to choose a physician, or hospital, for medical care, the bargaining member under this proposed plan receives nothing but the right to pay an additional cost out-of-pocket.

This contract re-opener presents certain difficulties in making determinations by the Arbitrator. There is unquestionably a somewhat reduced benefit and increased cost to the bargaining unit member without any equivalent benefit. The benefit to the City of Riverview is one of cost saving, a necessary part of operating efficiency. In general contract negotiations, these matters can be handled between the parties as they deal with multiple demands of the entire contract. This cannot be done on a contract re-opener on a single issue.

Since the contract had been negotiated in its entirety, to now reduce the benefit provided by health insurance without any comparable provision of benefit by the Employer would provide the Employer with an unfair bargaining advantage. The Employer would have achieved a substantial benefit, not achieved in bargaining, without any concomitant payment to the bargaining unit members. Since the entire contract is up for renegotiation in eighteen months, this situation could be rectified at that time.

For these reasons, this Arbitrator is reluctant to impose new terms in the contract not bargained for by the parties. Since other matters are not up for review, the parties can barely

negotiate on the single issue and must essentially negotiate the single issue with "this is what we want to do" and "we don't like it". The Arbitrator hesitates to impose new terms on a single issue without there being any comparable benefits provided.

The City has presented no compelling reason to make the imposition of a reduced health benefit necessary. There was no discussion, or presentation of financial difficulties being experienced by the City making the reduction in health care insurance costs a necessary part of the budgeting procedures. The cost savings in moving to the Blue Cross PPO Plan are evident and were submitted to the arbitration panel. The fact that the insured members of the bargaining unit would, if they chose to continue with their private physicians, they might have increased costs without their having received any other benefit is also true.

The City of Riverview is paying health insurance costs considerably below that of comparable communities. A review of that evidence also presents this arbitration panel with no overriding consideration to make this contract re-opener change. All of these matters can be considerations at negotiations at the next collective bargaining agreement which will begin in the not too distant future.

The discussion of the requested change on the dental plan is somewhat different. All of the comparables submitted show that the Employer pays 100% of the premium. The benefits provided under those plans vary considerably, and some of them involve technical definitions which were not provided this Arbitrator.

However, a review of the costs of the dental plan in the various comparable communities demonstrates that unlike the figures presented on the health insurance, the City of Riverview is paying considerably more than any other community. On this basis alone, it would appear that the City of Riverview is paying more for this benefit for the bargaining unit members than is anyone else.


No detailed discussions of the new plan were presented to the arbitration panel, and considerations of co-payment amounts or choice of practitioner do not seem to be part of the proposed dental change. For these reasons, the proposed dental change is supported by all of the evidence, and there appears substantial cost savings to the City with little or no loss of benefits to the members. The primary change appears to be in the amount paid for orthodontia which the present plan presents at \$750.00 lifetime, and the proposal at 50% of costs. In individual cases, the amount actually paid by the insured individual would vary in each case. There is additionally a 20% reduction in preventive dental care which would include the cost of teeth cleaning on a regular basis. Since this cost to begin with is quite minimal, the contribution required of the bargaining unit member under an 80% plan would be quite small. The comparable cost saving to the City in changing the plan, however, would be quite substantial. Since the City already appears to be paying more than any other comparable Employer, it is reasonable for the City to adopt a new plan.

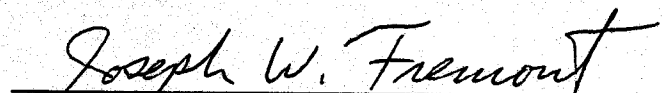
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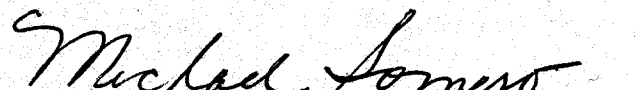
The arbitration panel, pursuant to Act 312, adopts the following ruling:

A. The proposal to contract health insurance by the City of Riverview under a Blue Cross/Blue Shield Preferred Provider Organization is denied; (City delegate dissenting)

B. The proposed change of dental insurance requested by the City of Riverview is granted. (Union Delegate dissenting) Immediately upon making this change, each member of the bargaining unit shall be provided with details of the new plan and all necessary claim procedures.


Sandra G. Silver P26115
Arbitration Panel Chairperson


Joseph W. Fremont
On Behalf of Employer


Michael Somero
On Behalf of Union

Dated: August 25, 1987