

I. Introduction

This is an interest arbitration case held pursuant to Chapter 14 of the Illinois Public Labor Relations Act (Ill. Rev. Stat. 1989, ch. 48, para. 1614), hereinafter the "Act," and Section 1230.30 et. seq. of the Rules and Regulations of the Illinois State Labor Relations Board. The parties to this proceeding are the City of Rock Island, a municipality subject to the provisions of the Act, hereinafter the "City," and Local 26 of the I.A.F.F., a labor organization, hereinafter the "Union." The Union has represented an historical unit of all sworn personnel in permanent positions below the rank of Assistant Fire Chief.⁽¹⁾ It has had a bargaining relationship with the City since at least 1956, and was formally recognized under the Act in late 1986.⁽²⁾

The parties have entered into three collective bargaining agreements under the Act. The first, which preceded recognition was for 1986 to 1988. The second was a one year agreement for 1988-89, and the current agreement covers the period of April 1, 1989 through March 31, 1991. The current agreement contains the following re-opener provision:

1. The classifications covered are those of Firefighter, Lieutenant, Captain, Battalion Chief, Fire Training Officer and Fire Marshall.

2. While Local 26 was organized in the 1930's, the Union presented evidence of agreements with the City beginning in 1956. For a time the Union was known as Local 530, but it was the same organization.

"Section 24.2 Reopener

This Agreement may be reopened by either party for negotiations on longevity (Section 12.4) and insurance premium payments (Section 18.3) only, under the following conditions:

"The Agreement may be reopened for negotiations for longevity only in the event that for the period covered by this Agreement, any other group of City employees receives longevity payments that exceed \$700 for five (5) years of service, \$1,400 for ten (10) years of service, \$2,800 for twenty (20) years of service, and/or \$3,500 for twenty-five (25) years of service. If that contingency occurs the Agreement may be reopened by written notice from either party to the other, given within ten (10) days following approval of such increased longevity payments by the City Council. The Agreement may be reopened for negotiations on insurance premium payments by written notice from one party to the other, given no later than thirty (30) days from and after the issuance of the insurance committee report and recommendations called for in the Memorandum of Agreement between the parties regarding the Rock Island Municipal Employees' Health Benefit Plan. It is understood that the subject of such negotiations is limited to the level or amount of premium payments to be made by the City and/or individual employees and shall not relate to the scope or content of the Plan.

"In the event that written notice is given with respect to either subject under the conditions set forth in a) and/or b) above, negotiations shall begin on that issue at such reasonable times as are agreeable to both parties. Any impasse in such negotiations shall be subject to resolution under Section 14 of the Illinois Public Labor Relations Act, Ill. Rev. Stat. ch. 48, Section 1601 et. seq., with the provisions of subsection 14 (j) regarding the effective date of increases in rates of compensation being waived only as to situations in which, because of the timing of the event triggering reopener negotiations, it is not possible to file a letter requesting arbitration prior to April 1, 1990. All other provisions of this Agreement shall remain in full force and effect while reopener negotiations or impasse procedures are in process."

Pursuant to an extension of time agreed to by the City, the Union reopened the insurance provision of the Agreement on March 22, 1990, with the submission of a proposal for a new premium payment structure. The City responded with a proposal to maintain the existing premium provisions. When negotiations in April, 1990 failed to yield an agreement, the parties proceeded to mediation in May. A session with a federal mediator in June reaffirmed that the parties were at impasse. The Union then sought interest arbitration under the Act. After the disposal of procedural questions raised by the City, the undersigned was selected as the sole arbitrator on August 21, 1990. Thereafter the parties waived the fifteen day commencement requirement of the Act and a hearing was set for October 1, 1990 in Rock Island.

At the outset of proceedings, the parties submitted a series of stipulations which are as follows:

- "1. The sole issue in dispute is the amount of insurance premium payments to be made by the City and/or individual employees, pursuant to the reopener provision contained in Section 24.2(b) of the current labor agreement between the parties.
- "2. The parties waive their right to a three member arbitration panel and agree to submit the above unresolved dispute to a single, neutral arbitrator.
- "3. The parties waive the requirement that the arbitration hearing be commenced within fifteen days of the appointment of the arbitrator and agree to proceed with interest arbitration on October 1, 1990.
- "4. This interest arbitration is governed by the provisions of Illinois Revised Statutes, Chapter 48, Section 14, except as otherwise stated in this stipulation.

- "5. Pursuant to Illinois Revised Statutes, Chapter 48, Section 14(j) and the Rules and Regulations of the Illinois State Labor Relations Board, the arbitrator has the authority and jurisdiction to issue an award on economic benefits retroactive to April 1, 1990."

II. The Issues

As indicated above, the sole issue is the apportionment of premium payments for health insurance between the City and the members of the bargaining unit. Currently there are 60 employees in the bargaining unit, 40 of whom take family coverage and 20 who take single.⁽³⁾ The current contribution rate for insurance is full premium payment by the City for single coverage and 70% payment by the City for premiums covering an employee and his/her family.⁽⁴⁾ The parties agree that the premium rates for which these ratios apply is \$66.23 per month for single coverage and \$187.49 for family coverage. The Union's proposal in arbitration is full single coverage by the City for single employees and 80% of the premium, e.g. of the \$187.49, for family coverage. The City proposes no change in the formula.

3. According to City Exhibit 18, one of the single coverage employees is married to another City employee who is subject to the same insurance coverage. The City has established a special rate for husband/wife employee combinations.

4. The rate for husband/wife combinations was explained at the hearing as full single plus \$100 per month paid by the City. The actual contract language expresses the formula in different terms.

The actual current contract language is as follows:

"ARTICLE XVIII

"Rock Island Municipal Employees' Health Benefit Plan

"Section 18.1 Rock Island Municipal Employees'
Health Benefit Plan

"Eligible employees, retired employees and their eligible dependents shall be provided medical insurance benefits under the Rock Island Municipal Employees' Health Benefit Plan (hereinafter referred to as the Plan) according to the provisions in this section.

"Section 18.2 Eligibility

"Active employees (on probationary or permanent status and working minimum of thirty hours weekly) and their eligible dependents shall be eligible for benefits under the Plan. Temporary or part-time employees (working less than 30 hours weekly) shall not be eligible for benefits under the Plan.

"Section 18.3 Premium Payments

"Subject to Section 24.2, the City of Rock Island shall pay up to \$100.00 per month towards an eligible employee's health insurance premium for single coverage. All premium payments necessary in excess of \$100.00 per month shall be paid by the employee via payroll deduction.

"Subject to Section 24.2, the City's monthly payment towards an eligible employee's health insurance premium for family coverage shall be 70% of the total family premium. The employee shall pay the remaining 30% of the family premium via payroll deduction.

"In the event a City employee is married to another City employee and both are eligible for health insurance coverage, the following premium options shall be made available by the City.

- "1) Each employee may elect to have single coverage with no dependent coverage. The City would pay up to \$100.00 per month per each employee towards the cost of single coverage. Any additional premium payment necessary in excess of \$100.00 per month shall be paid by each employee via payroll deduction.
- "2) One of the married employees may elect family coverage with his/her spouse and children listed as dependents. In this situation the City would pay the entire family premium provided the normal employee cost for dependent coverage (as described above) is equal to or less than \$100.00 per month."

* * *

III. Calculation of the Plan

There are several features of the health insurance payments which need to be discussed in order to fully understand the true value of the proposals. The City has a modified self-funded plan which covers all full-time employees regardless of bargaining unit or organized representation.

According to Mari Elizabeth Macomber, Personnel Director for the City, the plan has 456 participants, including retirees. There are 174 single coverage accounts and 282 family coverage accounts. The plan is managed by a third party administrator. The administrator calculates estimated payments under the plan. The City and participants (employee premium payers) are expected to fund 125% of the estimate. Premiums are supposed to be based on a per participant apportionment of the pool funding requirements. The City purchases umbrella coverage (or re-insurance) for claims above

the 125% estimate as well as coverage for claims by any single employee in excess of \$50,000 in one year (catastrophic claims). In the current year (1990), there were sufficient funds remaining in the pool so as to require funding of only 100% of anticipated claims.⁽⁵⁾ Furthermore, certain cost saving features were instituted this year which reduced the anticipated claims which translated into reduced premiums. (The origin of these cost saving features will be discussed below.) According to Macomber, in a memo to the City Manager dated January 25, 1990, the implementation of the cost containment features reduced premiums from \$70.33 for single coverage to \$66.23 and from \$199.10 for family premiums to \$187.49.

As previously noted, the contribution rate by the City for "premiums" is full single or 70% of family coverage. This is the formula set forth in the collective bargaining agreement. The application of this formula is understood by both parties and no questions appeared in these proceedings regarding how the formula worked. Notwithstanding this understanding, the City points out that it is actually paying substantially more for its medical insurance plan than the premium and its contribution formula indicate.

5. See Macomber's testimony at p. 61 of the transcript of proceedings. Presumably, if claims fall between 100% and 125% of the funded amount i.e. anticipated claims, premiums next year will be that much higher in order to replenish the pool. To the extent that the pool currently is sufficient to pay for 125% of anticipated claims, it is incorrect to argue, as the City seems to do, that it alone risks additional exposure if claims run above 100%.

It pays the administrator 3-1/2% of the funded pool, \$1.50 per employee for the administrator's precertification procedures, \$7.25 (single) and \$18.87 (family) for the catastrophic claim insurance, and \$1.74 per employee for the aggregate claims re-insurance (total outlay in excess of the pool). This totals \$16.67 per month for single coverage and \$28.29 per month for family coverage. In other words, the City suggests that it really pays \$82.90 per month for single coverage and the cost for family coverage is really \$215.78 per month. Thus, in real terms, according to the City, employees are contributing 26% toward the cost of family coverage. Stated another way, if the City simply went out and purchased a plan from an insurance company, or became part of a larger group, it would not be required to pay anything other than premiums. It is assumed, of course, that the cost of premiums would be much higher.

On the other end of the scale, there is another unexplained feature which the parties have historically accepted.⁽⁶⁾ The cost of the family coverage is given as \$187.49. However, as the parties explained at the hearing, this amount covers an employee and his/her family. Thus the \$187.49 includes the single premium component the City has agreed to pay. The actual family component, it may be argued, is \$121.26 per month. Therefore, by contributing \$56.25 per month, employees with family coverage might be considered as

6. It is not the arbitrator's intent to question the parties' historical past practice in interpreting the application of the premium formula. However, the peculiarities of the interpretation are part of the record and are an element in arriving at a decision on the underlying issue.

paying 46% of the family premium. Nonetheless, it has been the parties practice to consider family premiums as including the employee and family.

The Union proposes establishing an 80/20 ratio for payment of family premiums. For the forty employees in this bargaining unit who have the family coverage, the difference would be \$18.75 a month. (The City's contribution would increase from \$131.24 to \$149.99 per month.) The annual savings for employees would be \$225. The total cost for the City would be \$9,000. The City does not argue inability to pay. Indeed, the City has stated that the cost of the Union's proposal is not an issue in this case.

IV. Bargaining History

There are also several special aspects to the bargaining history of employee contributions for medical benefits. According to Union Exhibit 6 the plan has been in effect since (at least) 1982. From about April, 1982 until June of 1983 employees contributed about the same as the City for family coverage. From June, 1983 until April, 1985, the City paid about twice as much as the employees for the family premium (65% to 35%). In April, 1985, the cost was \$195.20 per month for an employee and his/her family. The City paid \$130.78, or 67%, of that premium. In April, 1986, the proportion was fixed at 70%/30% on a premium of \$165.92 per month. That ratio has remained the same through three collective bargaining agreements, although the actual dollars required have fluctuated.

The second aspect of bargaining history, and the one most emphasized by the City, is the relationship of premium uniformity within the City. According to the City, two police department units, the AFSCME unit and the recently organized library unit all have the 70/30 split.⁽⁷⁾ In negotiations with these other units their bargaining representatives attempted to change the contribution level but the City successfully maintained the current formula. The City strenuously insists that if it were required to pay the fire department employees' premiums on an 80/20 basis it would be most difficult to maintain the historical 70/30 split with the other units. The City argues that uniformity of benefits among its several bargaining units is good labor relations whereas allowing this unit a greater benefit would have a disquieting effect.

The final element on bargaining history relates to the origin of the Union's proposal in this case. According to the Union, it has questioned the City's benefit package particularly as it compares with Moline, its neighbor of approximately the same size. On the date the parties signed the current collective bargaining agreement they also agreed to form a study group, with representatives from other employee units, to examine the health plan. The purpose of the committee was to examine the scope of benefits and not the rate of contributions. The committee met six times and reviewed the benefit package and cost containment for the existing medical plan.

7. The City also acknowledges that park and recreation department employees have had 100% payment of family premiums for more than twenty years. This is their unique bargaining history and has not affected the uniformity existing among other City employees.

The committee recommended several changes. Among them were cost containment features such as a preferred provider program, a managed prescription (drug) program, a Section 125(k) (of the Internal Revenue Code) cafeteria plan, dental coverage and a vision plan. In the end, however, City administrators recommended, and the City Council approved, cost containment features, which arguably lessen the plan benefits, but not the dental or vision plans. According to the Union, employees had no quarrel with cost containment if they were going to receive new benefits. However, what the City did was select the recommendations beneficial to its position and reject the other half of the equation. (8)

V. Comparability

The City uses a comparability group consisting of nine cities of approximately the size of Rock Island, including two Iowa cities, Bettendorf and Davenport, which are part of the "Quad Cities" group. Of the remaining seven Illinois cities, only East Moline is measurably smaller than Rock Island. But East Moline is also included in the "Quad Cities" group. (9)

The Union suggests that only the cities making up the Quad Cities are relevant for comparability purposes. Other cities located throughout Illinois have their own unique markets and features which

8. It should be noted, however, that a 125(k) plan utilizes pretax dollars for health benefits and thus reduces payroll tax liability. Also the preferred provider arrangements by local hospitals with the City reduced costs and the City agreed to pay hospital bills for these PPO's at the rate of 85% instead of the usual 80%. Thus, employees will save money on their co-insurance payments.

9. Alternatively, the City argues that a better comparability group is the "internal" group of other bargaining units within Rock Island. While there is nothing inappropriate about this group, generally speaking comparability is used as a gauge of what other employers are paying or have negotiated.

distinguish them from Rock Island. Indeed, the Union argues, these cities have nothing in common with Rock Island other than relative size.

Despite the emphasis placed on comparability among some neutrals, comparability is a crude gauge at best. Frequently the features distinguishing members of groups far exceed the two factors, size and geography, which are usually used to form the group. Additionally, comparability on one item in a bargaining agreement is almost pointless. What one employer may pay in one area may be offset by other features in its labor contracts. Benefits may also have their peculiar histories, or the standards for measurement may differ. For example, the 70/30 ratio in Rock Island is artificial, as discussed above. Payment rates in other cities may have their own special definitions as well. With regard to health care benefits, the entire exercise is of little value because in all probability each plan is different. From the City's exhibit, for example, it is apparent that deductibles range from \$50 to \$400. Thus, Normal, Illinois, pays only 39% of the cost of insurance but its plan has only a \$50.00 deductible. According to the City's exhibit, at 30% Rock Island is below average in its contributions. On the other hand, in most cities where the employer pays 100% of the premiums the cost is much greater than in Rock Island. (This may support the City's argument that employee contributions encourage responsible utilization and a sensitivity to costs.)

The Union argues that Rock Island is so intertwined with Moline, East Moline, Davenport and Bettendorf, that a comparison with just

these cities is especially meaningful. According to the Union these "Quad Cities" have mutual assistance agreements, have a common identity and employees of one often live in another. Among the Quad Cities, Moline and Rock Island are almost of identical size. Their firefighting departments are also almost the same size. However, the Union asserts, Moline has a better benefit package and pays 90% of the premiums (single and family). Among the Quad Cities, only Rock Island requires a 30% contribution for medical insurance.

VI. Discussion

The Act requires that the arbitrator consider a number of factors in arriving at a decision. The Act lists them as follows:

- "1. The lawful authority of the employer.
- "2. Stipulations of the parties.
- "3. The interests and welfare of the public and the financial ability of the unit of government to meet those costs.
- "4. Comparison of the wages, hours and conditions of employment of the employees involved in the arbitration proceedings with the wages, hours and conditions of employment of other employees performing similar services and with other employees generally:
 - (A) In public employment in comparable communities.
 - (B) In private employment in comparable communities.
- "5. The average consumer prices for goods and services, commonly known as the cost of living.

- "6. 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.
- "7. Changes in any of the foregoing circumstances during the pendency of the arbitration proceedings.
- "8. 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."

The Act does not provide the weight to be given to these criteria, nor could it as a practical matter because the relevance of each differs from case to case. It is not unusual for some of the criteria to not be relevant at all. Nonetheless, an arbitrator must indicate in some way that these criteria formed the basis for decision.

1. The parties agree and the arbitrator so finds that the City has authority to maintain its health benefit plan and to negotiate payment rates for participants.

2. The parties' stipulations do not address the merits of the issue being considered, except to the extent that they acknowledge the retroactive impact of the award.

3. The interests and welfare of the public are best served by labor agreements which provide a fair benefit package within the public employer's ability to pay. In this case neither party has proposed an unfair payment scheme. Ability to pay is not an issue

because the City concedes that the \$9,000 cost of the Union's proposal is affordable.

4. The parties did not provide data showing comparisons with other employers for wages, hours and conditions of employment other than for health benefit plans. These comparisons were limited to public sector employment. Because health care benefits are traditionally part of a package of benefits paid to employees, a comparison of just health care provisions is not persuasive. Additionally, unless a comparison is made among the plans' provisions, few objective conclusions can be made. A plan paid fully by the employer which provides limited coverage, has a high deductible and extensive co-insurance, should not be compared with a more comprehensive policy where employees make some contribution. While mathematical precision is unnecessary, with health insurance as with salary schedules comparisons must be made among groups of plans with common characteristics.

Beyond this, however, comparisons of one feature or benefit in complex bargaining agreements can be deceptive. Parties in a bargaining relationship may agree to a reduced benefit package in exchange for higher wages, or vice versa. There may be special bargaining histories as well as a myriad of other factors which influence a particular feature of a labor agreement. Therefore, a comparison of just health benefits among other employers has little persuasive value.

Having said this, however, there are two items in the record regarding comparability which, in this case, are noteworthy.

The first is the difference with Moline. That city is almost a twin of Rock Island. They are of similar size, location and economic base. They have special commercial and civic relationships and compete for the same employees. Moline appears to offer employees a slightly more generous plan for health coverage but, as noted above, the details of their coverage are not as clear.

The second special feature in this case is what other Rock Island employees are paid. While comparability generally refers to employees performing the same work, the Act also refers to "employees generally." Thus, the 30% rate paid by other Rock Island employees despite their best efforts to alter the formula must also be considered. In conclusion, however, comparability is less persuasive in this case than in others.

5. The "cost of living" as measured by the Consumer Price Index is a very inexact measurement. It is useful only as a measurement of extremes. Thus, it is a factor to be noted in times of unusual deflation or inflation. Since the current contract was negotiated the all city average CPI has increased about 6%.

6. The overall compensation received by employees is the factor which is determinative in this case. The agreement under consideration in this case is for two years. There is a limited reopener in the event of a deviation in longevity payments to other employees, not here applicable, and by each party for insurance premiums following the committee report (discussed earlier.)

It is not clear what the parties anticipated as a proper trigger for the insurance re-opener but it is clear that the only reason why it occurred was the Union's disappointment in the City's refusal to implement additional benefits beside the cost containment items. There is nothing in the committee report, or in the City's actions, or regarding insurance premiums generally, or in terms and conditions of employment generally, which would warrant a mid-contract modification. The employment conditions which exist are those which existed for the most part at the time the contract was negotiated. The only differences are those resulting from cost containment. These changes did affect benefits slightly, but they also provided a savings for both parties. Nothing occurred which would require, or even favor, a change in premium contributions outside of the context of overall collective bargaining. In other words, what is appropriate as a premium contribution rate must be considered in the context of remuneration to employees generally. To justify a mid-contract change in a single fringe benefit outside the scope of bargaining generally must be some major change affecting that benefit. That did not occur in this case. While, of course, the Union had the right to re-open, it had the burden of showing some significant change in this benefit since the contract was negotiated which would justify an alteration of the premium payment formula. This it did not do.

7. There were no changes in the circumstances during this arbitration.

8. The critical "other factor" in this case is bargaining history. The City argues that historically most employees, and especially police and fire, have paid 30% for family coverage. This is not entirely accurate. The 30% has been in effect for a few years but over an extended period of time the rate has differed. Moreover, even the 30% is not accurate. As the City has incurred more administrative costs, which it has not passed on to employees, the actual contribution by employees has been effectively decreased.

The City also makes a strong argument for uniformity among employees. While this is a consideration it cannot be a driving force. If it were, then pattern agreements would become an end in themselves with the pattern being set by employees with less bargaining strength or perhaps different interests or goals.

Finally, the City argues that 30% is important because it keeps premiums down by encouraging responsible utilization. This is speculation on the City's part. There is no evidence of linkage between premium payments and cost control. It can just as easily be argued that the more employees are required to pay in premiums, the more they will use the plan in order to get value for their money. Indeed, the usual argument in this area is not increased premiums, but increased deductibles and co-insurance.

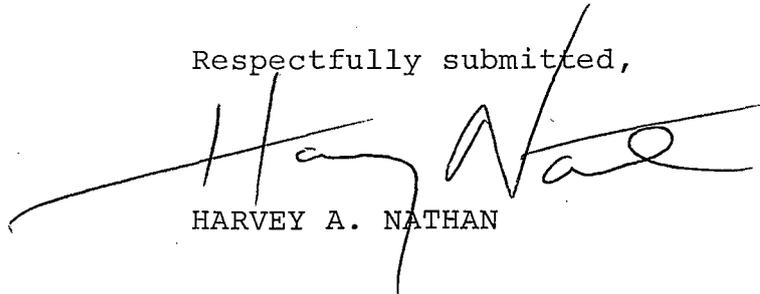
VII. Conclusions

The City argues that a change in the premium payment formula would be an unprecedented breakthrough because the Union has never been able to obtain such change at the table. As indicated above, this is not entirely accurate. The 30% has not been in effect that long, the formula is subject to different measurements and the City has changed the benefit package. On the other hand, the present rate is tightly woven into a wage and fringe package negotiated in the last agreement and there is some relationship with the other bargaining units which cannot be ignored.⁽¹⁰⁾ While there are several factors favoring the Union's proposal, those arguments can be better made in the context of overall bargaining. The Union has not presented sufficient evidence to justify a mid-contract change.

A W A R D

The City's proposal for insurance premium payments is selected.

Respectfully submitted,



HARVEY A. NATHAN

January 10, 1991

10. For example, the re-opener for longevity is based on what is paid to other employees. This demonstrates a mutual sensitivity to City-wide bargaining patterns.